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Annual Report & Accounts 2004

Innovation: If research is the heart of Croda, and new products are our lifeblood, then innovation is the spirit of ingenuity that drives us forward.

Financial highlights

	2004	2003
Turnover for continuing operations	**£291.1m**	£279.8m
Profit before tax for continuing operations	**£45.2m**	£38.9m
Earnings per share before exceptional items	**22.2p**	19.2p
Dividends per share	**12.5p**	11.85p
Gearing	**8.7%**	17.7%

Sales by market 1998
Personal & Health Care: 30%
Home Care & Plastics Additives: 11%
Industrial Specialities: 20%
Other: 39%

Sales by market 2004*
Personal & Health Care: 61%
Home Care & Plastics Additives: 14%
Industrial Specialities: 19%
Other: 6%

Sales by destination 1998
UK: 29%
Rest of Europe: 28%
Americas: 26%
Asia: 7%
Rest of World: 10%

Sales by destination 2004*
UK: 15%
Rest of Europe: 30%
Americas: 34%
Asia: 14%
Rest of World: 7%

* Continuing operations

Chairman's statement

Pre-tax profits on continuing operations before exceptional items in 2004 were £45.2 million, compared with £38.9 million the previous year, on sales of £291.1 million (2003 £279.8 million). A small loss on discontinued businesses' trading and an exceptional loss arising on the disposal of the same non-core operations leaves Group pre-tax profits at £41.7 million, compared to £43.0 million the year before.

In 2004, sales in sterling terms were 4.0 per cent up on 2003 and pre-tax profits improved by over 16 per cent for our continuing businesses. In constant currency terms, sales would have been up by 10 per cent and the increase in pre-tax profits would have been significantly higher.

Pre-exceptional earnings per share amounted to 22.2 pence, after a tax charge of 35.3 per cent, an increase of over 15 per cent on 2003 (basic earnings per share were 20.1 pence compared to 22.5 pence in 2003).

Therefore, your Board is recommending a 7 per cent increase in the final dividend to 8.4 pence, making a total for the year of 12.5 pence, covered 1.8 times before exceptional items (1.6 times after exceptional items). After spending a net £4.9 million on buying in our own shares, net debt at the year end was £14.8 million, equivalent to 8.7 per cent of net assets.

Antony Beevor
Chairman

Innovation **satisfies the need to grow and change. Not only by bringing new products to the marketplace, but in every aspect of our business.**

The growth we have achieved in sales and profits in 2004 was entirely organic, capitalising on the inherent strengths of our core business. Our performance is the product of hard work over a period of years by our technical sales forces around the world, and the scientists behind them, in winning the confidence of our multinational customers in our talent for innovation, in our ability to deliver what we promise and in our commitment to continuing development to improve their products still further.

Good growth last year came again from our actives businesses, but also from a wide cross section of Group businesses, sometimes under difficult conditions. The UK manufacturing businesses coped well with the sharply appreciating sterling/dollar exchange rate. North America performed well after a difficult second half in 2003 and sales ended the year on a high note. Our remaining Other businesses also had a much improved year.

Strategy

Considerable emphasis is being put on driving the organic growth of the business. From January 2005, a member of the Executive Committee is leading a major initiative to bring new technologies to the Company. We believe this could contribute significantly to our business in the future. However, we will not ignore opportunities for acquisitions in areas of business where we have expertise and which bring real and ongoing synergies. Such targets are few in number and only rarely become available, but the strength of our balance sheet will be of great assistance when they do.

At the same time, we recognise the importance of using our balance sheet efficiently and we are continuing to buy in shares as the opportunity arises.

Chairman's statement

Culture

Our Leadership Development Group, a group of present and future senior managers which meets regularly to discuss strategic matters, this year set out to define the corporate values of Croda. Under the leadership of the Chief Executive, they did so in a way which I believe will ensure that we remain a place where talented people want to work and that we conduct ourselves to the highest standards and in a way which will also ensure the future reputation and sustainability of the business.

The time and effort we put into the areas of safety, health and the environment is part of this culture. This is born from the belief that high standards in these areas are fundamental to the long term health of our business. The detailed report included in this Annual Report shows that, having been successful in meeting our previous targets, we are making good progress towards the more demanding set of objectives we have now set ourselves.

People

The group referred to above is just one of the steps we take to ensure that we have the talent to continuously drive the growth of the business. Wherever possible, we feel there is merit in filling vacancies internally. I believe that our internally generated performance in 2004 is evidence that we have a good resource of such talent available. I would like to thank them for their efforts last year as well as for the contribution they will undoubtedly make in the future.

We will be submitting to the Annual General Meeting proposals for a Co-Investment Scheme and an LTIP which will align the interest of senior employees with shareholders and enable them to build equity interests in the Group.

Prospects

Against the trend of recent years, the second half of 2004 was as strong as the first in both sales and profits. Our momentum has continued into the new year. World economic prospects are difficult to read at present but we believe the opportunities in our business enable us to look forward with confidence.

Antony Beevor
Chairman

Operating review

40 years ago, in 1964, a small Yorkshire company floated on the London Stock Exchange. In its first year as a public limited company, it had sales of £2.5m and pre-tax profits of £232,000. It was a niche manufacturer of ingredients based on renewable natural resources, sold globally, mainly to the Personal and Health Care markets. Its lifeblood was innovation and dynamic marketing. It was called the Croda Organisation Ltd.

It is now much bigger, much more successful and has a slightly different name – Croda International Plc.

In 1964 Croda was a UK manufacturer with large exports and a nascent overseas network. Today, we are still heavily committed to the UK but half our employees work overseas and the global technical sales and marketing network is the envy of our competitors. Then, we were a small player in many markets, selling a range of oleochemical based products. Now, we are a large player in a few markets, selling a range of truly differentiated specialities based mainly on oleochemicals. This strong progress up the value chain has produced the excellent results for 2004.

Sales on continuing operations were up by 4% (10% in constant currency) and pre-tax profits by over 16%. In spite of a plethora of raw material cost increases, we maintained the strong margin performance of recent years. We were also affected by the weakness of the US dollar, which reduced our reported profits. We continued to focus the innovation skills of the Company on our chosen markets and launched a record number of new products. Products which add value for our many customers worldwide. We also continued our drive for cash generation, in parallel with ongoing investment in new plants and processes which will contribute to our future success.

Mike Humphrey
Group Chief Executive

Of all Croda companies, none has a more successful history of innovation and creative chemistry than Croda Inc, USA, particularly in the field of Personal Care. In June 2004, the company opened its new Headquarters and Innovation Center, which includes the Synthesis Laboratory (where innovation begins), the Application Laboratory (where innovation is applied), various claims testing areas (validating innovative performance) through to the training area (preparing the innovators of tomorrow).

Innovation and Croda

Croda's unique flexabrasion apparatus measures the anti-breakage properties of individual hair strands

Sales in the UK from continuing businesses were up by almost 3%, with sales in the rest of Europe effectively flat compared to 2003. It was a mixed performance, with very good progress in France and Poland, offset by weaker markets in Germany, Italy and Spain. This is not wholly surprising after the excellent growth in our total European sales in 2003.

After a relatively poor 2003, sales in the Americas bounced back with a vengeance. Sales in the USA were up 7% in Sterling; in US dollars they were up a creditable 19%. In the rest of the Americas growth was even higher, with sales up by nearly 14% in Sterling terms. All countries grew, with more notable increases in Brazil, Mexico, Colombia and Venezuela.

In Asia we saw a more heterogeneous picture. Sales from continuing businesses were up by over 10% in Sterling and there was especially strong growth in Japan, China and Thailand. Sales in the Middle East were flat, mainly due to the ongoing conflict in the region. Sales in Africa and Australasia were also relatively disappointing.

Innovation is the spirit of ingenuity that drives us forward

Many of the world's leading hair care products contain Croda's naturally derived specialities

Once again there was good growth in Personal Care. Our sales into Health Care grew very strongly. In Plastics Additives, we saw reduced sales volumes but a welcome return of margin, as a series of price increases reversed the dismal trend of recent years.

The process of restructuring the portfolio is almost complete. During 2004, we sold our small rock anchor business in Australia, which left Croda businesses outside the UK entirely focused on speciality oleochemicals for the first time in nearly 40 years.

I am delighted to report that once again our SAP rollout programme was a resounding success. Our Singapore operations went live in quarter two, Crodarom went live in quarter four and our large and complex operations in North America followed suit in January 2005. It is a credit to all involved that they were all virtually problem free. This bodes well for our remaining manufacturing units, Sederma and Japan, who go live in 2005 and 2006 respectively.

We maintained our strong emphasis on cash generation and finished the year with gearing below 10% even after buying over £6m of shares into treasury.

We also increased our emphasis on R&D and our global sales and marketing network. We grew the teams in our chosen areas of focus, launched many new products and gained excellent new business in all areas.

Innovation and technology

Innovation often begins in the laboratory, where art meets science and ideas become reality. Innovation can be revolutionary, even risky, but this must be weighed against the need to grow and change. Consequently, developments must be carefully assessed and evaluated before making the technological leap to large scale production, where innovation also plays a key role.

Innovation led to the development of our unique Super Refining process, attaining new levels of product purity.

Innovation is enshrined in our commitment to produce purer, safer products, employing cleaner, more efficient and environmentally friendly processes.

Innovation has made us a world leader.

We increased our capital expenditure around the globe. We successfully commissioned a substantial expansion of our lipids plant at Leek. We brought on stream an exciting new plant at Rawcliffe Bridge to improve both quality and capacity for high value lanolin derivatives.

We expanded capacity in Brazil, de-bottlenecked parts of our Singapore plant and continued the radical rebuild and expansion of our Mill Hall facility in the USA.

Sederma successfully completed a substantial expansion of its operating facilities near Paris. We have more plans for upgrades and capacity additions across nearly all our units in 2005.

Innovation has made us a world leader

Oleochemicals

The core oleochemical specialities business performed strongly in 2004. On a continuing operations basis, it now represents 94% of Group turnover and trading profit. The continuing focus on value over volume produced a trading profit increase of over 11% on a sales increase of just under 5%. The record margin of 17.9% proves that it is a true speciality business with pricing power. This margin was achieved despite a number of raw material and utilities cost increases, together with a particularly unfavourable currency environment.

	2004	2003
Turnover £m	**274.0**	261.6
Trading profit £m	**49.0**	44.0
Margin %	**17.9**	16.8
Capital employed £m	**188.4**	187.1
Return on capital %	**26.0**	23.5

We continue to outperform in our major market, Personal Care. The Actives businesses, especially Sederma, achieved significant progress across the world, with sales of new functional products growing strongly. Important new product launches in all areas of Personal Care from all of our operating companies should help to underpin future growth.

Health Care sales grew strongly once again and, with new capacity available, this business has a strong platform for progress. None of the major pharmaceutical projects has yet contributed, but further steps towards launch have been made by a number of our customers, especially Tillotts, where Phase III clinical trials are well underway on the treatment for Crohn's disease. We also see some excellent longer term opportunities for Medilan in wound treatment.

Croda was formed some eighty years ago as the result of one man's idea (that of Mr Dawe – to make lanolin) backed up by another man's capital (Mr Crowe). A simple idea, a simple process – but together, innovative thinking and creative chemistry were a potent formula which soon led the Company into new products and markets.

Today there is no better example of innovation successfully translated into commercial reality than the products from our French subsidiary, Sederma. Through relentless creativity, they have developed a unique and exciting range of actives: functional ingredients used in many of the world's best known skin care, hair care and anti-ageing products.

Innovation and products

The Home Care business grew strongly. The demand for innovation by our customers in this area is increasing rapidly. This was an historically conservative customer base, but margin pressure from the major supermarkets has triggered a step change. Many more new functional products are being launched, highlighting perceivable benefits. A good example is the increase in sales of the Coltide range of proteins for fabric conditioning.

It is also pleasing to report a stronger performance in Plastics Additives in a firmer global pricing environment. Croda Food Services had a record year for both sales and profits.

The European operations coped well with flat macroeconomic conditions in major markets and a difficult currency situation, especially in relation to the US dollar. We increased output at all our European sites. R&D was focused and successful, and the sales operation delivered.

The USA really bounced back from the disappointments of 2003 and produced excellent growth. The rest of the Americas were even better. Again, new plant in Brazil and the USA, combined with a new North American headquarters and technical centre in Edison, New Jersey, gave impetus to our performance in these exciting markets.

In Asia, we expanded strongly and improved both the number and quality of our technical marketing and sales people. Output increased again from the Singapore plant and new product development accelerated at our plant in Shiga in Japan. China continues to be the engine of growth for the region and our sales into this important country are more than keeping pace.

Our customer base continues to change and grow. However, in spite of further major merger activity amongst our clients, no one customer globally represents more than 3% of our total turnover. In fact, our top ten customers represent less than 15% of turnover.

Olay Regenerist™, the number one US anti-ageing product, contains Matrixyl™ from Sederma, which helps to erase wrinkles and regenerate the skin's appearance

A unique and **exciting** range of actives

	2004	2003
Turnover £m	**17.1**	18.2
Trading profit £m	**3.1**	2.2
Margin %	**18.1**	12.1
Capital employed £m	**13.3**	13.2
Return on capital %	**23.3**	16.7

Other

Results in this sector were mixed, but on the whole it was a very good performance from these smaller businesses. The margin is a little misleading, as it is flattered by the inclusion of our share of the excellent profits from our associate, Baxenden Chemicals.

The fall in sales was due to the continued withdrawal of Seatons from low margin, commodity business. Seatons had an excellent year and is now a very successful and profitable unit. Croda Application Chemicals did well in very difficult markets, showing a welcome move forward in profit on a slight fall in sales.

During the year we sold Celtite, our rock anchor business in Australia and completed the sale of our Fire Fighting Chemicals business in Europe. Their results are reported under discontinued operations.

Innovation and people

Innovation is not just about products and processes; it is about people. The technologists who create and make our products; the sales and marketing teams whose commitment and creativity fuel worldwide sales; the support teams whose desire to change, improve and implement the latest systems and technologies all contribute to the Croda success story.

In turn, innovation is rewarded through company initiatives such as the Ideas Bank, whereby we make a cash award for ideas that, for example, reduce costs or improve quality, or the 1% Club, whereby employees are given paid leave to get involved in voluntary work in the community,
part of a wider initiative spearheaded by a partnership with *Business in the Community*.

Summary

This was a year of good progress for all our teams across the globe. Croda is robust, dynamic and full of optimism that we can deal with the challenges of the future as well as we have dealt with the challenges of the recent past. Our people and our products are terrific and our corporate intellectual capital is second to none in our markets. Although we will maintain our focus on suitable acquisitions, we are confident in our ability to grow organically.

To accelerate this process, we have allocated substantial funds to a new internal venture – Enterprise Technologies. Dr Keith Layden is leading this bold move to bring in new technology to the Group. We can and we will strive to deliver value to all our stakeholders.

Innovation is rewarded through **initiatives** such as the Ideas Bank

I mentioned it was 40 years since Croda became a public company. I would like to quote from Sir Frederick Wood's operating review from the first Annual Report following that event:-

> "It has been in many ways a difficult year and the successful outcome is, therefore, all the more pleasing. Many of our markets have been more competitive and our raw material supplies have been subject to price variations. Costs, particularly wages and salaries, continued to rise steadily. Much valuable time, which could be better spent on constructive tasks, has been taken up in grappling with new regulations and laws. Growth has been achieved by carefully planned capital expenditure, constant attention to costing, the efforts of an aggressive sales force and a rise in the productivity of our works."

Some things never change.

Some of Croda's 2004 intake of graduates meet up at Castleton in Derbyshire for the first of a series of development and training courses which they complete during their first two years with the Company

Financial review

Trading

We continued to make good progress in 2004, with reported sales from continuing operations up 4% at £291.1m. It is important to note, however, that the weak dollar had a significant negative impact on our sales. This is due to the fact that not only do we have a large business in the USA, but also a number of our products are priced worldwide in US dollars. In constant currency terms our sales from continuing operations would have been up by 10% on the previous year.

Sales volumes in the Oleochemicals business were up 3% year on year. With our continued shift to higher added value products and away from commodities in our Other businesses, volumes fell in that sector. Overall for the Group, volumes were up 1%.

Operating margins reached a record high of 17.9% in the Oleochemicals sector, due to a combination of product mix changes and price increases, combined with the higher sales volumes. Profits in the Other sector also rose, due primarily to price increases and improved product mix, along with the benefits of last year's restructuring.

The discontinued operations shows the results up to disposal of our Fire Fighting Chemicals business, sold in January 2004, and our Australian rock anchor business, sold in July 2004 and the exceptional items represent the net loss on disposal of these discontinued operations.

Interest

Our net interest expense appears high, given our gearing level. This is due to the fact that our US dollar private placement debt is at a fixed rate of 7.37%. Also, because of the wide geographical spread of our business, it is not always possible to match positive and negative cash balances between many countries.

Taxation

The tax charge of 35.3% on pre-exceptional profits reflects the geographical spread of our businesses and no significant change in the charge is expected in the current year. The actual tax charge is slightly higher at 36.5% as no tax relief is available on some of the exceptional losses.

Dividends

With strong growth in earnings and good cash generation, we are able to increase the total dividend payment by more than inflation, whilst at the same time increasing dividend cover on a pre-exceptional basis.

Accordingly, it is proposed the final dividend is increased by 7% to 8.4p, making a total of 12.5p (2003 : 11.85p). At this level, dividend cover is raised to 1.8 times from 1.6 times in 2003.

Barbara Richmond
Group Finance Director, President Active Ingredients and Industrial Chemicals

Cash

With the good trading performance I mentioned earlier and control of wor
we generated £12.9m of cash in 2004.

Capital expenditure rose to £14.9m (2003 : £12.3m) which was approximately in line with depreciation of £14.4m (2003 : £14.6m).

We began buying shares back into treasury towards the end of 2004. We believe this is a flexible and efficient way for us to improve our cost of capital, whilst at the same time maintaining our financial capacity to undertake appropriate acquisitions, which will deliver shareholder value.

Treasury policy

The Group's treasury policies are approved by the Board and subject to regular reporting and review.

The main financial risks faced by the Group relate to currency, interest rates and the availability of capital.

As far as currency risk is concerned, transaction risk is hedged up to three months forward by the use of foreign currency bank balances and forward currency contracts. Translation currency exposure is not hedged but the risk is reduced by matching interest expense to foreign currency earnings where it is efficient to do so.

In terms of interest rate risk, the policy is to maintain at least half of the Group's gross borrowings at floating interest rates, with interest rate swaps being used where appropriate.

On 1 December 2003 the UK regulations on the market purchase and holding of a company's own shares (Treasury Shares) were amended to enable companies to achieve more flexibility on their levels of debt and equity and thus their cost of capital. These changes give us an additional means of managing our balance sheet, if and when considered appropriate by your Board.

IFRS

As many of you will already be aware, we will be required to produce our accounts in accordance with International Accountancy Standards (IAS and IFRS) from 2005. The first set of results reported under these standards will be the interim results for the six months to 30 June 2005. However, in order for shareholders and other readers of the accounts to become familiar with the impact of this change, we intend to publish on our website (www.croda.com), during the course of the second quarter of 2005, a profit and loss account and balance sheet for 2004, restated to international standards, together with an explanation of the main differences from the reported results in these accounts.

Dividends per share

Earnings per share (pre-exceptional)

Return on capital employed (pre-exceptional)

Net debt

Financial review

Along with many companies, the adoption of international standards will principally impact our accounts in three areas:

- Pensions
- Goodwill
- *Share based payments*

There will also be some impact from the standards on financial instruments and deferred tax but these are expected to be small.

Overall, we estimate the principal effect of the new standards will be on the balance sheet. This is due to the major change caused by the switch from SSAP 24 to IAS 19, which is similar to FRS 17. The effect of this on our UK pension schemes, as in previous reports, is detailed below.

Pensions

The table below summarises the UK pension position of the Group at 31 December 2004 under the current standard, SSAP 24, under FRS 17 (IAS 19) and as calculated at the latest actuarial valuation.

	2002 Actuarial £m	2004 SSAP 24 £m	2004 FRS 17 £m	2003 SSAP 24 £m	2003 FRS 17 £m
Asset/(liability)	(35.1)	35.6	(94.6)	33.1	(91.8)
Deferred tax	10.5	(10.7)	28.4	(10.0)	27.6
Net asset/(liability)	(24.6)	24.9	(66.2)	23.1	(64.2)

The net pension balances under both standards have changed only marginally from 2003. This is because, whilst there has been some further recovery in equity markets, the rate at which liabilities are discounted has also fallen. As I have reported previously, it is the actuarial position which forms the basis of our long term funding decisions and not the accounting year end snapshot.

Below is a table showing the charge to the profit and loss account for our UK schemes under the two accounting standards, together with an estimate of the 2005 expense. As you can see, our profit would have increased by £0.3m if we had applied FRS 17 in 2004 in respect of our UK schemes.

	2005 estimated FRS 17 £m	2004 SSAP 24 £m	2004 FRS 17 £m
Before operating profit	4.8	4.4	4.6
Financing	(0.8)	-	(0.5)
Net cost	4.0	4.4	4.1

Safety, Health and the Environment (SHE)

Croda International Safety, Health and Environment policy

Croda International Plc is a manufacturer of speciality chemicals for the cosmetics, toiletries, homecare, plastics, pharmaceutical, healthcare, food and industrial speciality markets employing approximately 1,600 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 material and 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 will manage our business with this aim, including the provision of adequate resources for the prevention and control of major accidents.

2. Because we are human, mistakes will be made; but because we are committed, intelligent human beings we will 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 will 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. Divisional management teams within the Company will be measured for their contribution to the continuous improvement of safety, health and environmental performance in their area of responsibility.

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.

M Humphrey
Group Chief Executive
Director responsible for SHE

Safety, Health and the Environment (SHE)

The Group controls its business by the delegation of much of its management responsibility, including SHE matters, to its divisional managing directors and general managers.

The overall strategy and review of SHE performance within the Group is controlled by the Group SHE Steering Committee and is assisted in this by the Group SHE department in setting standards, providing guidance, brokering best practice and auditing the sites against national standards as well as our own internal standards.

A Group Environmental Management System (GEMS) was implemented in 1995 to provide sites with a framework upon which their individual environmental management systems could be developed. Sites have been regularly audited for compliance with GEMS and all established manufacturing sites have now been accredited to ISO 14001.

Similarly a Health and Safety audit based upon Heath and Safety Executive (HSE) guidelines has been performed regularly by Group SHE on all manufacturing sites. The results of these audits 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 ISO 19011 auditing standards.

Indicators of SHE performance

The Group SHE department has issued a number of internal Group SHE objectives since 2000 against which the manufacturing sites have been required to produce targets and to report progress at regular intervals.

In 2001 the Group published several safety, health and environmental targets. Progress against these targets was discussed in detail in the 2003 annual report and in view of the progress made, the opportunity was taken to withdraw targets achieved or restate original targets with stretch targets and initiate new ones where appropriate. In doing so reference was made to the HSE targets as stated in "Revitalising Health and Safety" and to the Chemical Industries Association Responsible Care targets. The newly stated targets use the performance in 2003 as the baseline for improvement.

Where necessary the objectives and targets have been re-based on current operations manufacturing at the end of 2004. In the situation of one site being assimilated into another, the statistics of both sites combined have been retained.

SHE management

Objective:	Ta get:
To continually improve the effectiveness of our SHE management systems.	All manufacturing sites to be accredited to OHSAS 18001 by 2009.

This target is 12 months old and although many sites have set a target date for gaining accreditation to OHSAS 18001, no site has yet been accredited. It is anticipated that at least one site will gain accreditation during 2005.

Energy consumption

Objective:	Ta get:
To continually improve the energy efficiency of our manufacturing processes.	To improve energy efficiency (GJ/tonne) at all manufacturing sites by 2% each year until 2010.

Our initial target of 18% improvement in energy used per tonne of manufactured product between 2000 and 2010 was achieved in 2003 with an overall reduction of 23.9%. In 2004 this reduction was further improved to 33.6%.

Contributions to this improvement in energy efficiency have taken place at all our sites, although changes in product mix have imposed both negative and positive influences on the overall performance. This includes a one off contribution associated with the withdrawal from the manufacture of gelatin in 2003 which is estimated to have added an improvement of approximately 5 percentage points to this performance.

Air emissions of Volatile Organic Compounds (VOCs)

Objective:	Ta get:
To minimise the mass of VOCs released to air from our processes.	All manufacturing sites to reduce VOC emissions (kg/tonne) by 40% by 2009.

The initial objective to reduce the amount of VOCs released by 20% between 2000 and 2003 was achieved with a reduction of 25.8%. In 2004 this was rebased on 2003 data and restated to reduce the amount of VOCs released per tonne by 40% in the five years to 2009.

In 2004 the amount of VOCs released per tonne reduced by 2.1%.

Safety, Health and the Environment (SHE)

Waste disposal

Objective:	**Target:**
To minimise the quantities of waste disposed to landfill.	All manufacturing sites to halve the amount of waste (kg/tonne) disposed to landfill in 2003 by 2009.

The initial objective to reduce the amount of waste disposal to landfill by 20% between 2000 and 2003 was achieved with a reduction of 67.1%. In 2004 this was rebased on 2003 and restated to halve the amount of waste per tonne disposed to landfill in the five years to 2009.

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 2004 the amount of waste per tonne sent to landfill by all manufacturing sites reduced by 51.3%. The withdrawal from the manufacture of gelatin in 2003 contributed approximately 19 percentage points to this improvement.

Waste water discharges

Objective:	**Target:**
To reduce the environmental impact the Group has on controlled waters.	All manufacturing sites to achieve greater than 95% compliance with their effluent discharge consents in every year.

The objective to improve the level of compliance with our effluent discharge consents to at least 95% was achieved for all sites in 2004 with a compliance level of 97.3%. This represents an overall increase of 14 percentage points since 2000.

Consumption of mains water

Objective:	**Target:**
To reduce the Group requirements for mains water.	All manufacturing sites to reduce the use of mains water by 25% per tonne manufactured by 2009.

This was a new target in 2004 when the consumption of mains water per tonne was reduced by 25.3%. The withdrawal from the manufacture of gelatin is estimated to have contributed 9 percentage points to this improvement.

SHE initiatives 2004

Accidents and enforcement action

The reportable accident rate in the Group did not match the low level achieved in 2003 but the 3 year moving average continued to show an improving trend since 2000. There has been an overall reduction of 34% in the reportable accident rate since 2000.

The Group received two enforcement notices in 2004. In the USA, our manufacturing site was fined £1,100 for the accidental release to air of a controlled chemical. In the UK, one site received an enforcement notice for the failure to provide an energy monitoring plan on time under the EU Emissions Trading Scheme.

There were no prosecutions in 2004.

Soil and groundwater investigations

The Group believes it has already identified its major liabilities with regard to historical contamination of the ground and groundwater. To date, remedial strategies are being developed for the cost effective control of this contamination at several sites. Detailed risk assessments by our environmental consultants of the potential threat to human health and controlled waters have not resulted in any immediate action being required.

Board of Directors

Antony Beevor BA
Non-executive Chairman, aged 64.

A solicitor with Ashurst Morris Crisp from 1962-1972. Joined Hambros Bank Ltd in 1972, head of corporate finance division 1990-1995. Director-General of Takeover Panel 1987-1989 (on secondment). He is currently a Deputy-Chairman of the Takeover Panel and a Non-executive Director of Helical Bar Plc. He was appointed to the Croda Board in 1996 and became Senior Independent Director and Chairman of Croda's remuneration committee from 1999 until 2002. Appointed Chairman of the Company and Chairman of the nomination committee at the beginning of 2002.

Mike Humphrey
Group Chief Executive, aged 53.

Joined Croda in 1969 as a management trainee. Managing Director Croda Singapore 1988, Croda Application Chemicals 1990 and Croda Chemicals 1991. Was appointed to the Croda Board in 1995 and became Group Chief Executive at the beginning of 1999. Member of the nomination committee.

Barbara Richmond BSc, FCA
Group Finance Director, President Active Ingredients and Industrial Chemicals, aged 44.

Joined Croda as Group Finance Director in February 1997 from Whessoe Plc, where she was Group Finance Director 1994-1997 and Group Financial Controller from 1992-1994. Appointed President Active Ingredients and Industrial Chemicals September 2002.
A Non-executive Director of Carclo Plc.

Mike Buzzacott* BA, FCCA
Independent Non-executive Director, aged 57.

Before retiring in 2004 had spent over 34 years with BP starting in the finance function. Has held a number of senior international roles including Assistant Co-ordinator Europe, Regional Finance and Control Director – Asia, Chief Executive Polymers and Olefins Division and finally Group Vice President Petrochemicals. Appointed a Non-executive director of Rexam PLC in 2000 and joined the Croda Board in August 2004.

David Dunn* CA
Independent Non-executive Director, aged 60.

Has held a number of senior financial and general management positions with UK PLCs. Joined Scapa Group plc in 1987 where he served as Finance Director, Chief Executive and Non-executive Chairman prior to his retirement in 2002. Non-executive Director of FirstGroup PLC and SMG PLC and Non-executive Chairman of Brammer PLC. Joined the Croda Board in 2000. Appointed Senior Independent Director and Chairman of the remuneration committee at the beginning of 2002.

Michael Ward* FCA, MBA, MCT
Independent Non-executive Director, aged 48.

Following an early career in senior financial roles, was appointed Group Managing Director of Lloyds Chemists plc in 1996. Upon the acquisition by Gehe AG in 1997 became Chief Executive Officer of the newly formed AAH/Lloyds Group and was appointed to the Gehe AG Management Board in 1998, as the European retail director. Joined Apax Partners Ltd in January 2004. Appointed to the Croda Board in 2001 and Chairman of the audit committee at the beginning of 2002.

* Member of audit, remuneration and nomination committees.

Directors' report

The directors present their annual report and audited financial statements for the year ended 31 December 2004. The report should be read in conjunction with information recorded on pages 2 to 23 and pages 27 to 38.

Activities of the Company and subsidiaries

Croda International Plc is a holding company operating from its headquarters at Cowick Hall, Snaith, Goole, East Yorkshire, and providing central direction for a speciality chemical group with operations in the main market areas of the world. Further details are given in the operating review on pages 5 to 13.

Review of business activities

A review of the activities of the two business sectors comprising the Group is given on pages 5 to 13. An analysis of turnover and profits is shown in note 1 on page 47. This report should be read in conjunction with the Chairman's statement and the operating and financial reviews, which include information about Group businesses, the financial performance during the year and likely developments.

Profit and appropriations

	2004	2003
	£m	£m
Profit attributable to the ordinary shares of the Company after providing for taxation, the interests of minority shareholders and dividends on the preference shares	**26.3**	29.3
Dividends paid and proposed on ordinary shares	**(16.3)**	(15.5)
Amount transferred to reserves	**10.0**	13.8

The directors recommend a final dividend of 8.4p per share. If approved by shareholders, dividends for the year will amount to 12.5p per share (2003: 11.85p per share). Details of dividends are shown in note 9 on page 51.

Acquisitions and disposals

The table below shows the disposals made by the Group. Further details are shown in note 30 on page 66.

Date	Nature of interest
16 January 2004	Sale of Firefighting Chemicals business including the share capital of Croda Uniser SAS to Kidde Fire Protection Services Limited.
26 July 2004	Sale of rock anchor manufacturing business operated by Celtite Pty Limited to DYWIDAG Systems International Pty Limited.

No acquisitions were made by the Group during the year.

Directors

The present directors of the Company are shown on pages 22 and 23. B M Richmond and M A Ward retire by rotation but will be proposed for re-election at the Annual General Meeting (AGM). M C Buzzacott retires under Article 84 and will be proposed for election at the AGM. Details of the directors' service contracts are given in the report on the directors' remuneration on pages 27 to 32.

Apart from the share option 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, including share options, of the Company is shown in the report on the directors' remuneration on page 31. The Company's register of directors' interests, which is open to inspection at the registered office, contains full details of directors' shareholdings and share options.

Community affairs

We have continued to support community projects both with donations and with practical help and advice. Many of our employees also devote much of their own time to working with local community groups and to fundraising projects for deserving causes.

Our work with schools, colleges and other educational establishments is ongoing. Students learn how our products are used and gain direct experience of product formulation and plant processes. The Group provides placements for university students and post-graduates. Work experience opportunities are provided regularly for students from local schools. These contacts not only assist young people as they make career choices but also provide valuable learning opportunities for our employees through developing their mentoring and interpersonal skills.

The new initiative in the UK to encourage local community involvement has led to a number of employees giving time to a range of projects such as supporting people who have had brain injuries, extending swimming facilities for children, raising money for patient support groups and enabling infant schools to take educational trips. The initiative known as the 1% Club enables employees to take 1% of their working time as paid leave to do voluntary community work.

Employment policies

In all Croda's operations around the world relations with employees are based on respect for the dignity and rights of the individual. The Company upholds the principles of socially responsible business practices. In particular, in all countries in which the Company operates, the ILO Declaration on Fundamental Principles and Rights at Work 1998 is met. Namely the Company does not participate in any form of child labour or forced compulsory labour; it maintains freedom of association and the right to collective bargaining and promotes policies and practices designed to eliminate discrimination in respect of employment and occupation. Policies on corporate ethics and whistleblowing are in force throughout the Group.

Group employment policies embrace local, national and international best practice worldwide. In this way we ensure that all employees work in an environment which encourages fairness of treatment, respect for the individual and flexibility of approach. The Group welcomes all employees solely on the basis of job suitability so that recruitment and career management are free from discrimination. Diversity is encouraged and the benefits of different perspectives enhance working life. The Company takes a positive approach to disability, considering all applications from disabled people fairly and in the context of job suitability. Adaptations to the working environment are made where appropriate and the disabled are integrated into all areas of working life, both formal and social. Those who suffer illness or injury that has a permanent impact on their physical or mental ability are supported and every effort is made to continue employment through use of flexible working arrangements, training etc. All employees have equal access, based on ability and motivation, to training, career development and promotion.

Employees receive training and development to ensure that personal growth and business objectives are achieved successfully. We aim to nurture and challenge so that the talents, skills and knowledge of our employees are used positively to mutual benefit. This relies on open and comprehensive communication activities. All divisions provide appropriate forums for two-way communication to keep everyone informed, to consult and to seek contribution. Formal consultation committees have operated in all UK divisions since 2003 and in particular provided valuable dialogue on pension provision. Employee participation has been further enhanced during 2004 by the introduction in the UK of a formal scheme to enable employees to submit ideas that reduce costs, improve efficiency or customer service, or increase market opportunity. Harnessing the experience and knowledge of our employees through listening to their ideas and putting them into practice is fundamental in developing our business. A corporate intranet has been established and is available to approximately 80% of employees worldwide. The Company magazine, Croda Way, distributed worldwide, brings together news of the Croda family - both personal and corporate. It provides an insight into the lives of the people working for the Group as well as reporting on Company activities around the world and commenting on full and half year results.

Our reward and benefit packages are designed to recognise the contribution of employees, whilst fitting local market conditions and complying with our fair treatment policies. The Company operates a Save As You Earn linked share scheme in the UK and a similar scheme is available overseas. The Company introduced a Share Incentive Plan in the UK in 2003. All employees who have completed 12 months' service are eligible to join the plan.

Directors' report

Purchase of own shares

At the 2004 AGM the members renewed the Company's authority to purchase up to 10% of its ordinary shares. Pursuant to this authority, during the year the Company purchased an aggregate of 1,985,284 ordinary shares of 10p each having a nominal value of £198,528 (representing 1.46% of the Company's issued share capital as at 1 January 2004) for an aggregate consideration of £6,359,925 at an average cost of 320p per share. The Company considers that these purchases are beneficial to members as they give the Company more flexibility in the control of its cost of capital. As a result of these purchases and the purchase of a further 300,000 shares in 2005, the number of shares in respect of which the Company is now authorised to make market purchases has been reduced to 11,341,600 ordinary shares of 10p each (representing approximately 8.32% of the issued share capital of the Company, including shares held in treasury).

The current authority given by members at the last AGM for the Company to purchase its own shares expires on 21 April 2005. The Company will be seeking to renew its authority to purchase its own shares. 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. Any shares purchased will be held as treasury shares.

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 2004 the Group had an average of 36 days (2003: 37 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 £35,000 (2003: £34,000). No donation was made for political purposes (2003: £Nil).

Annual General Meeting

The AGM will be held at Carlton Towers, Carlton, Goole, East Yorkshire DN14 9LZ on Thursday 21 April 2005 at 12 noon. The notice of meeting and explanation of the special business to be considered at the AGM are contained in separate circulars 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, resolutions regarding their reappointment and remuneration will be submitted to the AGM.

Substantial shareholders

At 23 February 2005 the Company had been notified of the following substantial interests in its ordinary share capital

	Shares	%
Legal & General Investment Management	5,043,309	3.76
Harris Associates LLP	4,165,100	3.11

By order of the Board

J R Ainger
Secretary
23 February 2005

Report on the directors' remuneration

The directors' remuneration is determined by the remuneration committee. Its members are given on page 35. The parts of this report which are subject to audit by PricewaterhouseCoopers LLP are indicated with an asterisk.

Directors' remuneration policy

The remuneration of executive directors and senior executives is determined by the remuneration committee. 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 2003 FRC Combined Code
- to ensure a balance between fixed and performance related remuneration, the latter being related to objective measurement of the financial performance of the Company.

The committee believes that the interests of shareholders and directors are more closely aligned to cash profitability and the control of working capital of the Group, rather than being based on performance relative to peer groups where external factors beyond the control of the directors can have a disproportionate influence on bonus payment, both favourable and adverse.

Basic salary and benefits

The basic salary and benefits of the executive directors are set in relation to those paid by companies comprising the FTSE mid 250 in view of the difficulty in establishing a list of companies who are true comparators with the Company's operations. In 2004 we used salary information as published by Income Data Services. During the course of 2005, in addition to its normal review procedures, the committee intends to commission independent consultants to undertake a general review of salary, benefits and contractual terms of the executive directors and senior executives to ensure that the benchmarking utilised by the committee is still relevant.

Performance-related bonus schemes

The Company operates bonus schemes for its directors and senior executives. Bonus payments are not pensionable. In respect of 2004, the bonus scheme for executive directors was related to target income incorporating an element for the control of working capital and with bonuses payable on a graduated scale from 0.5% of salary for each 1% that performance percentage exceeds 90% of target income, rising to 3% of salary for each 1% of performance percentage above 112.5% of target income. Target income is defined as the Group EBITDA for continuing operations before exceptional items less a notional interest charge on working capital employed for the previous year. The maximum amount of bonus payable is 100% of salary with the element of any bonus in excess of 50% of salary being deferred until 31 December 2005, and any bonus up to 50% of salary paid by 31 March 2005. Bonuses earned by each director in respect of 2004 are included in the table of directors' remuneration on page 29 and represent 24.3% of basic salary. For 2005 a similar bonus scheme will apply.

Share options

Senior Executive Share Option Schemes are in place. Options which may be exercised between three and ten years from the date of issue are granted to executive directors and senior executives both in the UK and overseas. The share options are based on market prices of the Company's ordinary shares at the time of grant. The aim of the option schemes is to align closely the interests of the executive directors and senior executives of the Company with those of its shareholders. To this end the options granted under the option schemes, which were extended by a resolution passed at the Company's 1995 AGM, will be subject to satisfaction of performance conditions before they can be exercised. Options granted between 1996 and 1999 cannot be exercised for a minimum period of three years after the date of grant, but are then exercisable at any time during the following seven years provided the Company's basic earnings per share before exceptional items have increased by more than 2% plus the rate of UK inflation per annum in any period of three consecutive years following the date of grant.

Report on the directors' remuneration

The rules of the Senior Executive Share Option Schemes adopted with effect from 1 January 2000 enable options to be awarded annually (in the absence of special circumstances) on a graduated scale awarding options to a value of one year's salary for the Group Chief Executive, 80% of salary for other executive directors and decreasing percentages for other senior employees. Basic earnings per share before exceptional items must grow at RPI plus 7% per annum for 100% of the options allocated to be exercisable. The performance period commences at the date of grant and lasts for a minimum of three years and a maximum of ten years until an average growth rate of at least RPI plus 3% per annum over the whole period has been achieved. With earnings per share growth at RPI plus 5% per annum 75% of the options are exercisable and at RPI plus 3% per annum 50% of the options are exercisable. Details of options granted to directors are shown in the table on page 31. With the introduction of a new accounting standard covering share based payments and its consequent impact on Group profits, no options were granted in 2004 and it has been decided that no options will be granted under the Senior Executive Share Option Schemes in 2005 or future years. When new financial reporting standards are introduced which impact on the calculation of earnings per share, base year earnings per share is correspondingly adjusted to ensure that performance criteria are applied on a consistent basis.

It is the Company's current intention to satisfy the exercise of share options primarily from shares held in the Employee Share Ownership Trust and shares purchased in the market and not by the issue of new shares. Details of shares held for this purpose are given in note 27 on page 65.

The Company intends to introduce new incentive schemes, details of which are set out in the circular accompanying the notice of the 2005 AGM.

Pension and other benefits

Pensions, company cars, medical insurance, annual leave and other benefits are in line with those provided to executive directors in similar businesses. Benefits in kind are not pensionable.

Croda has a number of different pension plans in countries in which it operates. Pension entitlements for Croda's executives are tailored to local market practice, the length of service and age of the participants. The principal pension plans in the UK are defined benefit schemes which provide a pension based on a proportion of final salary.

Pension provision for the executive directors will, during the course of 2005, be reviewed in the light of the change in regulation arising from the Finance Act 2004 to be introduced in April 2006. The Company does not envisage the cost to the Company being increased as a result of such review.

Service contracts and external appointments

M Humphrey and B M Richmond have service agreements with the Company which are terminable on either side on six months' notice. In addition, if the service agreements are terminated by the Company without just cause, a termination payment equivalent to eighteen months' remuneration is payable by the Company. The Chairman and non-executive directors have letters of appointment for a fixed term as shown below, subject to earlier termination by either party on written notice. They have no entitlement to contractual termination payments.

	Appointment date	Unexpired term at 31.12.04	Notice period
A R Beevor	20.12.01†	1 year 4 months	1 month
M C Buzzacott	02.08.04	2 years 7 months	12 months
D M Dunn	26.04.00‡	1 year 2 months	12 months
M A Ward	24.04.01††	2 years 2 months	12 months

† Appointment extended until 30 April 2006 on 11.01.05
‡ Appointment extended for a further three year term on 24.02.03
†† Appointment extended for a further three year term on 24.02.04

Executive directors are permitted to accept non-executive appointments by prior agreement. It is normal practice for executive directors to retain fees provided for non-executive appointments. Throughout 2004 B M Richmond was a non-executive director of Carclo Plc for which she received fees of £20,000 (2003: £19,500).

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 1985.

Performance graph

Total shareholder return: Croda vs FTSE 250

31/12/99 31/12/00 31/12/01 31/12/02 31/12/03 31/12/04

Croda International
— FTSE Mid 250

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

Directors' remuneration*

	Basic salary £	Bonus £	Benefits £	Fees £	2004 Total £	2003 Total £
M Humphrey	370,000	89,836	26,129	—	**485,965**	370,148
B M Richmond	256,008	62,157	28,926	—	**347,091**	269,809
A R Beevor†	—	—	—	90,000	**90,000**	90,000
M C Buzzacott†	—	—	—	12,083	**12,083**	—
D M Dunn†	—	—	—	35,000	**35,000**	35,000
M A Ward†	—	—	—	32,000	**32,000**	32,000
	626,008	151,993	55,055	169,083	**1,002,139**	796,957

† Non-executive director

Benefits incorporate all assessable tax benefits arising from employment by the Company and relate in the main to the provision of a company car.

The bonuses shown relate to the year ended 31 December 2004.

The Chairman's and non-executive directors' fees are determined on the basis of current fee levels in similar businesses. Fees are reviewed by the Board every two years. The fee for the Chairman of £90,000 per annum has not changed since January 1997. Fees for the non-executive directors were increased to £30,000 with effect from 1 January 2005 following a review of current practice. Supplementary fees are paid for committee chairmanship and for special duties beyond the norm expected of a non-executive director, to give total annual fees of £45,000 for D M Dunn and £34,500 for M A Ward with effect from 1 January 2005.

Non-executive directors are not eligible for pensions, incentives or any similar payments other than out-of-pocket travel and accommodation costs in connection with the performance of their duties.

Report on the directors' remuneration

Pension rights*

Pension benefits of M Humphrey are funded under the Croda International Supplemental Scheme ("CISS"). If he remains a contributory member of the CISS, he will be entitled on retirement at age 60 to a pension equal to two-thirds of his final annual pensionable remuneration. Because of his length of service with the Group he is not subject to limitation on the level of final remuneration (known as the "earnings cap"). If directors retire before age 60 a reduction is applied to the accrued pension 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 the surviving spouse. Pensions in payment are guaranteed to increase in line with the rate of inflation up to a maximum of 10% per annum. During the year, B M Richmond was paid £52,476 (2003: £50,022) in addition to her basic salary to enable her to make independent provision for her retirement. B M Richmond is also entitled to death in service benefits from the CISS up to the Inland Revenue earnings cap with the balance being administered by the Company, but receives no other benefits from that fund.

Defined benefit schemes*

	Accrued pension at 31.12.04[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 31.12.03[4] £000	*Transfer* value of accrued pension at 31.12.04[4] £000	Increase in transfer value over the year[5] £000	*Transfer* value of the increase in the accrued pension[6] £000
M Humphrey	201	19	13	2,198	2,661	443	159

Notes

1 The figure shown represents the amount of annual pension benefits based on service and pensionable earnings which would have been preserved for M Humphrey had he left service on 31 December 2004.

2 The figure represents the difference between the total accrued pension at 31 December 2004 and the corresponding pension one year earlier.

3 The figure represents the difference between the total accrued pension at 31 December 2004 and the corresponding pension one year earlier after an adjustment to exclude inflation was provided as required under paragraph 12.43A(c)(ix)(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 2003 and 31 December 2004 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 2004 and 31 December 2003, less contributions paid by M Humphrey.

6 This figure represents the transfer values of the increase in accrued benefits over the period, adjusted for inflation, less contributions paid by M Humphrey.

The Company has contributed to the CISS at the rate of 13.3% of salary with effect from 1 April 2004. This is the average cost of pension accrual based on the demographic profile in the CISS as certified by the actuary, after allowing for members' contributions. In addition, the Company contributes £70,000 per month towards elimination of an existing scheme deficit.

On an individual basis, the cost to the Company of providing benefits for M Humphrey is estimated at 20% of salary. This allows for M Humphrey's personal contributions, which were increased from 4% to 6% with effect from 1 April 2004.

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

Directors' interests*

The directors of the Company and their families had the following beneficial interests in the Company's securities and rights under the Senior Executive and SAYE share option schemes.

	At 31 December 2004				At 1 January 2004 or date of appointment			
	Ordinary shares	**Executive options**	**SAYE options**	**SIP† ordinary shares**	Ordinary shares	Executive options	SAYE options	SIP† ordinary shares
M Humphrey	**52,738**	**683,800**	**8,384**	**2,002**	52,738	703,800	8,384	940
B M Richmond	**9,079**	**429,970**	**8,478**	**2,002**	9,079	429,970	8,478	940
A R Beevor	**13,008**	**–**	**–**	**–**	13,008	–	–	–
M C Buzzacott	**4,000**	**–**	**–**	**–**	1,755	–	–	–
D M Dunn	**8,000**	**–**	**–**	**–**	8,000	–	–	–
M A Ward	**20,060**	**–**	**–**	**–**	8,060	–	–	–

No director had any interest in the 5.9%, 6.6% or 7.5% preference shares of the Company.

† The SIP shares comprise 1,001 Partnership shares (2003: 470) and 1,001 Matching shares (2003: 470).

Share options*

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

Executive share options*

	A	B	C	D	E	F	G	**Total**
M Humphrey	30,000	60,000	100,000	109,300	116,200	118,300	150,000	**683,800**
B M Richmond	–	50,000	100,000	62,500	65,700	66,900	84,870	**429,970**

A Options exercisable at 337p per share during the period 3 April 1999 to 2 April 2006.
B Options exercisable at 307p per share during the period 4 April 2000 to 3 April 2007.
C Options exercisable at 228p per share during the period 30 March 2002 to 29 March 2009.
D Options exercisable at 256p per share during the period 22 March 2003 to 21 March 2010.
E Options exercisable at 258p per share during the period 7 March 2004 to 6 March 2011.
F Options exercisable at 261p per share during the period 13 March 2005 to 12 March 2012.
G Options exercisable at 230p per share during the period 5 March 2006 to 4 March 2013.

Options A, B and C may only be exercised if the basic earnings per share after exceptional items have increased by more than 2% plus the rate of UK inflation per annum over any three year period since allocation, a performance condition which was met as a consequence of the 2004 results. Options D, E, F and G may only be exercised if the performance conditions described on page 28 are met, and, as a consequence of the 2004 results, the performance condition has been met in full for options F and partially so as to allow 50.8% of options E to be exercised. The performance conditions for options D and G have yet to be met. No options were granted in 2004. An option granted to M Humphrey in 1994 over 20,000 shares at 367p per share lapsed on 17 October 2004.

Report on the directors' remuneration

SAYE share options*

	A	B	C	D	Total
M Humphrey	2,540	3,629	–	2,215	**8,384**
B M Richmond	2,721	1,814	2,559	1,384	**8,478**

A Options exercisable at 186p per share during the period 1 November 2005 to 30 April 2006.
B Options exercisable at 186p per share during the period 1 November 2006 to 30 April 2007.
C Options exercisable at 194p per share during the period 1 November 2007 to 30 April 2008.
D Options exercisable at 230p per share during the period 1 November 2008 to 30 April 2009.

Employees are invited annually to participate in a Save As You Earn Share Option Scheme. The savings contract is over 5 years and the option price is the value of ordinary shares at date of grant discounted by 20%. Options are normally exercisable for a 6 month period following completion of the savings contract.

The market price of the Company's shares at 31 December 2004 was 321p and the range of market prices during the year was between 246p and 328p.

Share Incentive Plan*

The Company introduced a Share Incentive Plan (SIP) in 2003. Both M Humphrey and B M Richmond participate in the Plan saving the maximum of £125 per month as permitted under the scheme rules. 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 M Humphrey and B M Richmond purchased 531 Partnership shares and were allocated 531 Matching shares. The average purchase price was 282p.

Since the end of the year M Humphrey and B M Richmond have each purchased 75 Partnership shares and have been awarded 75 Matching shares under the SIP at an average price of 333p 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 2005.

On behalf of the Board

D M Dunn
Chairman of the remuneration committee
23 February 2005

Corporate governance

This report is prepared in accordance with the 2003 FRC Combined Code ("the Code"). The Board is collectively responsible for the success of the Company and is committed to high standards of corporate governance as outlined in the Code. The Company has complied throughout the year with the provisions set out in the Code except where noted on page 37. This statement, together with the report on the directors' remuneration, set out on pages 27 to 32, describes how the relevant principles of governance are applied to the Company.

The Board

The Board, which meets at least eight times a year, has a formal schedule of matters specifically reserved to it for decision which is posted on the Company's website. It is primarily responsible for the strategy needed for the successful direction of an international Group and currently comprises the Chairman, the Group Chief Executive, the Group Finance Director and three independent non-executive directors. Biographical notes appear on pages 22 and 23. These demonstrate a range of business, financial and international experience which provides an appropriate balance of authority and experience throughout the Board. The Chairman and the Group Chief Executive have written accountabilities that have been approved by the Board. The Board delegates management of the business to the executive committee, headed by the Group Chief Executive. The Board recognise the importance of line management taking ownership, and thereby responsibility, for managing and controlling the risks which may be inherent in their particular area of responsibility.

It is the Board's opinion that all non-executive directors who served throughout the period under review were independent in accordance with the Code. At the date of his appointment, the Chairman was independent. Attendance by directors at meetings of the Board and the committees on which they sit is set out below.

	Board meetings		Nomination		Remuneration		Audit	
	No. held	No. attended	No. held	No. attended	No. held	No. attended	No. held	No. attended
A R Beevor	9	9	3	3	†3	3	2	2
M C Buzzacott	*4	4	*1	1	*2	2	–	–
D M Dunn	9	9	3	3	4	4	2	2
M A Ward	9	8	3	3	4	4	2	2
M Humphrey	9	9	*1	1	–	–	–	–
B M Richmond	9	9	–	–	–	–	–	–

* from date of appointment to respective committee

† between date of appointment and date of resignation from respective committee

All directors have attended meetings of the Board and of committees of the Board of which they are members unless prevented from doing so by prior commitments.

Under the Company's Articles of Association all directors must offer themselves for re-election at least once every three years. B M Richmond and M A Ward were re-elected at the 2002 AGM and are consequently retiring at the AGM but are offering themselves for re-election. M C Buzzacott retires under Article 84 and offers himself for election. Details of the re-elections are given in the notice of the AGM, a separate document issued to shareholders with the annual report.

On an ad hoc basis the Chairman and non-executive directors meet together without the executive directors present and also the non-executive directors meet at least annually without the Chairman present to appraise the Chairman's performance.

The Company Secretary would minute any unresolved concerns expressed by any director. Were a director to resign over an unresolved issue, the Chairman would bring the issue to the attention of the Board. There have been no such instances during the year.

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. The Company maintained directors' and officers' liability insurance cover throughout the year.

Corporate governance

In furtherance of the principles of good corporate governance, the Board has appointed the following committees. All these committees have written terms of reference. Other executives attend the meetings of these committees when invited to do so by the committee chairman.

Executive committee

Mike Humphrey *(Chairman)*
David Barraclough
Keith Gregersen
Keith Layden *(appointed 1 January 2005)*
Kevin Nutbrown
Barbara Richmond

The executive committee meets every month to deal with all executive business of the Group not specifically reserved to the Board or to any of the committees mentioned below. Among other matters, it reviews investment proposals below the levels which are reserved for Board approval.

Audit committee

Michael Ward *(Chairman)*
Antony Beevor *(resigned 22 December 2004)*
Michael Buzzacott *(appointed 27 September 2004)*
David Dunn

Terms of reference are posted on the Company's website, including the committee's role and the authority delegated to it by the Board.

The audit committee, which consists of the non-executive directors, meets at least twice a year. It assists the Board in observing 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. It also assists the Board in ensuring that appropriate accounting policies, internal financial controls, internal audit activities and compliance procedures are in place.

Committee members bring considerable financial and accounting experience to the committee's work. Members have recent employment in either finance or accounting roles or comparable experience in corporate activities.

Audit independence

The audit committee and Board place great emphasis on the objectivity of the Group's auditors, PricewaterhouseCoopers LLP ("PwC"), in their reporting to shareholders.

The PwC audit partner and manager are 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. Rotation of audit partners' responsibilities within PwC is required by their profession's ethical standards, is actively encouraged and has taken place.

PwC also provide secondees to support the Group's internal audit function. In order to preserve auditor objectivity, those individuals seconded play no part in the Group's external audit team.

Assignments awarded to PwC have been and are subject to controls by management that have been agreed by the committee so that audit independence is not compromised.

The chairman of the audit committee is required to give prior approval of work carried out by PwC and its associates in excess of predetermined thresholds; part of this review is to determine that other potential providers of the services have been adequately considered.

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

Remuneration committee

David Dunn *(Chairman)*
Antony Beevor *(resigned 22 December 2004)*
Michael Buzzacott *(appointed 27 September 2004)*
Michael Ward

The remuneration committee, which consists of the non-executive directors, is responsible for advising on remuneration policy for senior executives and for determining the remuneration packages of the executive directors. The Group Chief Executive normally attends its meetings. The report on the directors' remuneration is set out on pages 27 to 32. A resolution will be proposed at the AGM to approve the report on the directors' remuneration.

Terms of reference are posted on the Company's website. The committee met on four occasions in 2004. A self evaluation of the effectiveness of the committee was undertaken with no significant issues revealed.

Nomination committee

Antony Beevor *(Chairman)*
Michael Buzzacott *(appointed 27 September 2004)*
David Dunn
Mike Humphrey *(appointed 27 September 2004)*
Michael Ward

The nomination committee is responsible for nominating, for the approval by the Board, candidates for appointment to the Board. It meets on an ad hoc basis.

During the year the committee met on three occasions; to consider the appointment of Michael Buzzacott as an additional non-executive director and to undertake a general review of the balance of skills, knowledge and experience of the Board in accordance with the requirements of the Code. The committee is satisfied that the size, structure and composition of the Board is appropriate. New terms of reference were adopted in September 2004 and a copy is posted on the Company's website. All the non-executive directors continued to fulfil the criteria of independence and were able to commit the required time for performance of their duties. Succession plans were reviewed and a process has commenced (under the chairmanship of Michael Ward) to identify a successor to Antony Beevor as Chairman of the Company. A job specification, including an assessment of the time commitment expected, has been prepared. In that respect, as in the case of the appointment of Michael Buzzacott, the external search consultancy, Spencer Stuart, has been engaged to identify candidates. Antony Beevor's term of office has been extended to 30 April 2006 or until a new appointment is made if earlier.

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.

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

Risk management committee

Barbara Richmond *(Chairman)*
Roy Ainger
Keith Layden
Graham Myers
Kevin Nutbrown

The risk management committee evaluates, proposes policies on and monitors processes to control the business, operational and compliance risks faced by the Group. It normally meets four times a year. Membership of the committee rotates annually. With effect from 1 January 2005 Keith Layden replaced David Barraclough.

Corporate governance

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 executive committee.

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

No non-executive director nor the Chairman:

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

Board and committee evaluation

During the year a process of self-evaluation has been conducted. This process was organised round a questionnaire used to assess the effectiveness of the Board, the Chairman and each of the committees. Minor shortcomings were identified and addressed including an improved process for succession planning.

Investor relations

The Company recognises the importance of communicating with its shareholders. The Board uses the AGM to communicate with private investors. It is normal practice for all members of the Board to attend the AGM and be available to answer questions raised by shareholders. Major shareholders have been advised that the Chairman and senior independent director are available for personal meetings and discussion with major shareholders. The annual report and accounts including notice of AGM are sent to shareholders at least twenty working days before the meeting. Separate resolutions are proposed at the AGM on each substantially separate issue. The level of proxies lodged on each AGM resolution and the numbers for, against and withheld for each resolution are declared by the Chairman after the resolution has been dealt with on a show of hands providing no poll has been called for. When appropriate, meetings are held between the executive directors and institutional investors. 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 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 for:

- capital investment, with detailed appraisal, authorisation and post-investment review
- financial reporting, within a comprehensive financial planning and accounting framework
- monitoring of business risks. During the year the Company has continued its formal procedures for the assessment and review of all business risks under the direction of the risk management committee which reports regularly to the Board. Such procedures have been embedded into the system of internal control.

There are also clear procedures for monitoring the system of internal financial control. This is a process which involves:

- reports from relevant senior executives and divisional directors concerning the operation of those elements of the system for which they are responsible, and a report from the Group Financial Controller concerning the operation of the system as a whole
- reports from the Group Financial Controller on the work carried out under the annual internal audit plan. The internal audit work is carried out by both our own employees and personnel seconded from PwC who report through the Group Financial Controller to the audit committee
- reports from the external auditors.

The Board has reviewed the effectiveness of the system of internal control in operation throughout the financial year and up to the date of approval of the annual report. The Board acknowledges its responsibility for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to mitigate rather than eliminate the risk of failure to achieve business objectives and provides reasonable but not absolute assurance against material misstatement or loss.

Going concern

The financial statements, which appear on pages 40 to 66, 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 how the Company has complied with the Code. The one material exception is that, in addition to a notice period of six months, the service contracts of the executive directors provide for pre-determined compensation equivalent to eighteen months' remuneration on termination without just cause. The level of compensation on termination was determined when the notice period for directors' service contracts was reduced from three years to six months without any payment. The directors intend to introduce one year's compensation on termination for new appointees to the Board (2003 FRC Combined Code, Schedule B, Item 1.6).

In addition, in order to comply with the Code requirement for the audit and remuneration committees to comprise a minimum of three non-executive directors, A R Beevor continued to serve as a member of such committees for the greater part of the year. Mr Beevor, though fulfilling the criteria for independence, is deemed, as Chairman of the Company, not to be an independent director. Following the appointment of M C Buzzacott and after a short hand over period, Mr Beevor resigned as a member of the audit and remuneration committees on 22 December 2004 (2003 FRC Combined Code, Schedule B, Item 2.1 and Schedule C, Item 3.1).

Corporate governance

Statement of directors' responsibilities

The following statement, which should be read in conjunction with the report of the auditors set out on page 39, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that, in preparing the financial statements on pages 40 to 66 inclusive, the Company has used appropriate accounting policies, applied in a consistent manner and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and the Group and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

J R Ainger
Secretary
23 February 2005

Independent auditors' report

to the members of Croda International Plc

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes and the accounting policies set out in the statement of accounting policies. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the directors' remuneration report ("the auditable part").

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities. The directors are also responsible for preparing the directors' remuneration report.

Our responsibility is to audit the financial statements and the auditable part of the directors' remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the directors' remuneration report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report, the unaudited part of the directors' remuneration report, the Chairman's statement, the operating review, the financial review, the corporate governance statement and the safety, health and environmental report.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's or the Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 2004 and the profit and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds
23 February 2005

Group profit and loss account

for the year ended 31 December 2004

	Notes	Continuing operations £m	Discontinued operations £m	2004 Total £m	Continuing operations £m	Discontinued operations £m	2003 Total £m
Turnover	1	**291.1**	**3.3**	**294.4**	279.8	23.6	303.4
Cost of sales		**(207.1)**	**(3.1)**	**(210.2)**	(204.5)	(20.2)	(224.7)
Gross profit		**84.0**	**0.2**	**84.2**	75.3	3.4	78.7
Net operating expenses	2	**(39.3)**	**(0.4)**	**(39.7)**	(35.7)	(3.6)	(39.3)
Group operating profit	3	**44.7**	**(0.2)**	**44.5**	39.6	(0.2)	39.4
Share of associate's operating profit		**2.6**	**-**	**2.6**	2.2	–	2.2
Total operating profit		**47.3**	**(0.2)**	**47.1**	41.8	(0.2)	41.6
Exceptional items	4	**-**	**(3.3)**	**(3.3)**	–	4.3	4.3
Net interest payable	5	**(2.1)**	**-**	**(2.1)**	(2.9)	–	(2.9)
***Profit on ordinary activities* before taxation**		**45.2**	**(3.5)**	**41.7**	38.9	4.1	43.0
Tax on profit on ordinary activities	6			**(15.2)**			(13.7)
Profit on ordinary activities after taxation				**26.5**			29.3
Minority interests	28			**(0.1)**			0.1
Profit for the financial year	8			**26.4**			29.4
Dividends paid and proposed	9			**(16.4)**			(15.6)
Retained profit				**10.0**			13.8
Basic earnings per share	10			**20.1p**			22.5p
Basic earnings per share before exceptional items	10			**22.2p**			19.2p
Diluted earnings per share	10			**19.9p**			22.4p
Diluted earnings per share before exceptional items	10			**22.1p**			19.1p

Group and Company balance sheets

at 31 December 2004

	Notes	Group 2004 £m	2003 £m	Company 2004 £m	2003 £m
Fixed assets					
Intangible assets	14	**6.1**	6.5	**–**	–
Tangible assets	15	**127.1**	132.9	**1.6**	1.7
Investments					
Subsidiary undertakings	17	**–**	–	**126.1**	135.5
Associated undertaking	18	**9.6**	9.6	**1.6**	1.6
Other	18	**1.3**	1.3	**1.1**	1.1
		144.1	150.3	**130.4**	139.9
Current assets					
Stock	19	**52.0**	51.8	**–**	–
Debtors	20	**54.9**	57.3	**0.7**	1.5
Pension fund prepayment	20	**35.6**	33.1	**–**	–
Cash at bank and in hand		**32.4**	27.8	**46.7**	46.3
		174.9	170.0	**47.4**	47.8
Creditors					
Falling due within one year	21	**(81.5)**	(86.9)	**(25.7)**	(28.2)
Net current assets		**93.4**	83.1	**21.7**	19.6
Total assets less current liabilities		**237.5**	233.4	**152.1**	159.5
Creditors					
Falling due after one year	22	**(32.6)**	(37.6)	**(41.0)**	(29.9)
Provisions for liabilities and charges	24	**(34.0)**	(32.2)	**–**	–
		170.9	163.6	**111.1**	129.6
Capital and reserves					
Preference share capital	26	**1.1**	1.1	**1.1**	1.1
Ordinary share capital	25	**13.6**	13.6	**13.6**	13.6
Called up share capital		**14.7**	14.7	**14.7**	14.7
Share premium account	27	**34.0**	34.0	**34.0**	34.0
Revaluation reserve	27	**6.4**	6.8	**2.1**	2.1
Profit and loss account	27	**115.0**	106.9	**60.3**	78.8
Shareholders' funds (including non-equity interests)		**170.1**	162.4	**111.1**	129.6
Minority interests (equity)	28	**0.8**	1.2	**–**	–
		170.9	163.6	**111.1**	129.6

Shareholders' funds include non-equity interests of £1.1m (2003: £1.1m).

Signed on behalf of the Board who approved the accounts on 23 February 2005

Antony Beevor
Chairman

Barbara Richmond
Group Finance Director

Group cash flow statement

for the year ended 31 December 2004

	Notes	£m	2004 £m	£m	2003 £m
Net cash flow from operating activities	B		**55.7**		58.9
Net cash flow from non-operating exceptional items	4		**(3.4)**		(2.4)
Dividends received from associated undertaking			**1.9**		1.2
Returns on investments and servicing of finance					
Interest received		**1.1**		1.6	
Interest paid		**(3.4)**		(4.4)	
Dividends paid on non-equity shares		**(0.1)**		(0.1)	
Dividends paid to minority shareholders		**(0.4)**		–	
			(2.8)		(2.9)
Taxation			**(12.5)**		(12.2)
Capital expenditure					
Purchase of tangible fixed assets		**(14.9)**		(12.3)	
Sale of tangible fixed assets		**1.3**		4.9	
			(13.6)		(7.4)
Acquisitions and disposals					
Disposal proceeds	30	**8.1**		–	
Cash transferred with disposal	30	**(0.1)**		–	
			8.0		–
Equity dividends paid			**(15.5)**		(15.0)
Net cash flow before use of liquid resources and financing			**17.8**		20.2
Management of liquid resources					
Sale of other investments			**–**		0.1
Financing					
Addition to secured loans overseas		**–**		0.2	
Repayment of amounts borrowed		**(3.2)**		(20.5)	
Capital element of finance lease rental payments		**(0.1)**		(0.2)	
Net purchase of own shares	27	**(4.9)**		(0.2)	
			(8.2)		(20.7)
Increase in cash	A		**9.6**		(0.4)

A. Reconciliation to net debt

	Notes	2004 £m	2003 £m
Increase in cash	C	**9.6**	(0.4)
Decrease in debt and lease financing	C	**3.3**	20.5
Change in net debt from cash flows		**12.9**	20.1
New finance lease contracts		**(0.1)**	(0.1)
Exchange differences		**1.4**	3.1
		14.2	23.1
Net debt at 1 January		**(29.0)**	(52.1)
Net debt at 31 December	C	**(14.8)**	(29.0)

B. Net cash flow from operating activities

	2004 £m	2003 £m
Group operating profit	**44.5**	39.4
Depreciation	**14.4**	14.6
Loss on disposal and write off of fixed assets	**0.1**	1.7
Goodwill amortisation	**0.4**	0.5
Pension fund prepayment	**(2.5)**	(0.9)
Movement in stock	**(2.4)**	0.3
Movement in debtors	**(1.6)**	1.0
Movement in creditors	**2.8**	2.3
Net cash flow from operating activities	**55.7**	58.9

C. Analysis of net debt

	2004 £m	Cash flow £m	Exchange movements £m	Other non-cash £m	2003 £m
Cash at bank and in hand	**32.4**	5.3	(0.7)	–	27.8
Bank loans and overdrafts	**(14.9)**	4.3	0.1	–	(19.3)
Increase in cash		9.6			
Loans repayable within one year	**(0.5)**	0.7	–	(0.5)	(0.7)
Loans repayable after one year	**(31.6)**	2.5	2.0	0.5	(36.6)
Finance leases	**(0.2)**	0.1	–	(0.1)	(0.2)
Decrease in debt and lease financing		3.3			
Total net debt	**(14.8)**	12.9	1.4	(0.1)	(29.0)

Other primary financial statements

for the year ended 31 December 2004

Statement of total recognised gains and losses

	2004 £m	2003 £m
Profit for the financial year	**26.4**	29.4
Currency translation differences	**(0.8)**	1.4
Total gains recognised in the financial year	**25.6**	30.8

Note of historical cost profit and loss

There is no material difference between the result as disclosed in the profit and loss account and the result on a historical cost basis.

Movement in shareholders' funds

	2004 £m	2003 £m
Profit for the financial year	**26.4**	29.4
Dividends	**(16.4)**	(15.6)
Currency translation differences	**(0.8)**	1.4
Goodwill written back on disposal of operations	**3.4**	–
Consideration paid for purchase of treasury shares	**(6.4)**	–
Consideration paid for purchase of own shares (held in trust)	**(0.4)**	(1.2)
Consideration received for sale of own shares (held in trust)	**1.9**	1.0
Net movement in shareholders' funds	**7.7**	15.0
Shareholders' funds at 1 January	**162.4**	147.4
Shareholders' funds at 31 December	**170.1**	162.4

Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Accounting basis

The financial statements are prepared under the historical cost convention, as modified by the previous revaluation of properties, in compliance with the provisions of the Companies Act 1985, the requirements of the Listing Rules of the Financial Services Authority and applicable United Kingdom Accounting Standards.

Group accounts

The Group profit and loss account consolidates the results of Croda International Plc and its subsidiary undertakings and includes the Group's share of the results of associated undertakings.

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 businesses exceeds such net assets. For goodwill arising on acquisitions made after 31 December 1997 goodwill is capitalised and amortised through the profit and loss account over a period of 20 years unless the directors consider it has a materially different useful economic life. Goodwill arising on acquisitions made prior to 31 December 1997 was written off directly to reserves in the year of acquisition, as a matter of accounting policy, and it is the Group's policy not to account for goodwill written off to reserves until subsequent disposal or termination when it is included in the calculation of profit or loss on disposal.

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 balance sheet includes the Group's share of the underlying net tangible assets of associated undertakings.

Revenue recognition

Group sales are recognised as turnover in the period in which goods are despatched.

Land and buildings

In the past the Group's principal properties have been valued periodically by professional valuers on an open market, existing use basis. Following the Group's adoption of Financial Reporting Standard 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
Leasehold land and buildings	lesser of term of lease and 40 years	Cars	3 years
Plant and machinery	10 to 15 years	Lorries and other vehicles	5 years

Leased assets

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 terms and their estimated useful lives as above. The capital element of future lease rentals is included in creditors.

Finance charges are allocated to the profit and loss account each year in proportion to the capital element outstanding.

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

Accounting policies

Pensions
The pension obligations of the Company and its major subsidiaries are financed by contributions to separate funds. The cost of accrual of benefits, which is determined on the basis of actuarial advice, together with the surpluses or deficits quantified in actuarial valuations, are taken to the profit and loss account so as to spread the cost of pensions over the expected remaining service lives of current employees.

Stocks
Stocks 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 stock to its location and condition at the balance sheet date. Provision is made for obsolete, slow moving and defective stock where appropriate. Profits arising on intra Group sales are eliminated in so far as the product remains in Group stock at the year end.

Environmental provisions
The Group is exposed to environmental liabilities relating to its operations. Provisions are made immediately where a constructive or legal obligation is identified and can be quantified.

Research and development
Expenditure on research and development, other than on tangible fixed assets, is written off against profits as incurred.

Currency translations
Profit and loss accounts in foreign currencies are translated into sterling at the average rates for the period unless local economic conditions make the closing rate more appropriate. 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 profit and loss account. Other exchange differences arising from non-trading items and from the translation of the opening net investment in subsidiaries are dealt with through reserves.

Financial instruments
The Group 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.

Deferred taxation
Deferred tax is provided in respect of all timing differences that have originated but not reversed at the balance sheet date. Timing 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 prepayment. Deferred tax assets are only recognised when it is regarded as more likely than not that there will be future taxable profits from which the deduction of the reversal of the underlying timing difference can be made. The deferred tax balance is not discounted.

Notes to the accounts

1. Segmental analysis

	Turnover 2004 £m	2003 £m	Profit 2004 £m	2003 £m	Net assets 2004 £m	2003 £m
Analysis by business sector						
Oleochemicals	**274.0**	261.6	**49.0**	44.0	**188.4**	187.1
Other	**17.1**	18.2	**3.1**	2.2	**13.3**	13.2
Continuing operations	**291.1**	279.8	**52.1**	46.2	**201.7**	200.3
Discontinued operations	**3.3**	23.6	**(0.2)**	(0.2)	**2.8**	10.0
Group turnover	**294.4**	303.4				
Trading profit			**51.9**	46.0		
Central costs			**(4.8)**	(4.4)		
Operating profit			**47.1**	41.6		
Exceptional items			**(3.3)**	4.3		
Net interest payable			**(2.1)**	(2.9)		
Group profit before taxation			**41.7**	43.0		
Sector net assets					**204.5**	210.3
Central net assets					**0.7**	2.1
Capital employed					**205.2**	212.4
Net debt					**(14.8)**	(29.0)
Dividends, taxation and provisions					**(55.1)**	(52.9)
Pension fund prepayment					**35.6**	33.1
Group net assets					**170.9**	163.6

Discontinued operations represent the gelatin business from which the Group withdrew in 2002 and the Firefighting Chemicals and rock anchor manufacturing businesses which the Group disposed of in 2004 as discussed in note 30. The 2003 results of discontinued operations as disclosed above have been restated to include the results of the rock anchor manufacturing business.

The exceptional charge of £3.3m relates to discontinued operations, of which a charge of £3.9m relates to operations previously reported in the Other business sector and a credit of £0.6m relates to those prevously reported in the Oleochemicals sector (2003: Oleochemicals £2.9m credit, Other £1.4m credit).

	Turnover 2004 £m	2003 £m	Profit 2004 £m	2003 £m	Net assets 2004 £m	2003 £m
Analysis by geographical origin						
United Kingdom	**79.7**	91.7	**13.0**	11.3	**118.5**	125.0
Rest of Europe	**76.6**	74.6	**16.6**	14.0	**15.7**	15.1
Americas	**88.9**	82.6	**16.6**	14.4	**36.6**	32.7
Asia	**33.4**	34.6	**4.6**	5.1	**27.3**	28.9
Rest of World	**15.8**	19.9	**1.1**	1.2	**6.4**	8.6
	294.4	303.4	**51.9**	46.0	**204.5**	210.3

Exports from the United Kingdom were £109m (2003: £115m), including £74m (2003: £71m) exported to Croda's overseas operations.

Notes to the accounts

1. Segmental analysis *(continued)*

	2004 £m	2003 £m
Analysis by geographical destination		
United Kingdom	**45.1**	46.9
Rest of Europe	**87.8**	95.4
Americas	**97.4**	90.8
Asia	**41.0**	41.5
Rest of World	**23.1**	28.8
	294.4	303.4

	2004 £m	2003 £m
Analysis by market sector		
Personal and Health Care	**178.2**	170.5
Home Care and Plastics Additives	**40.5**	39.9
Industrial Specialities	**55.3**	58.8
Other	**20.4**	34.2
	294.4	303.4

2. Net operating expenses

	2004 £m	2003 £m
Distribution costs	**14.7**	14.7
Administrative expenses	**25.1**	24.7
Other operating income		
Income from investments and properties	**(0.1)**	(0.1)
	39.7	39.3

3. Group operating profit

	2004 £m	2003 £m
The Group operating profit is stated after charging		
Depreciation (note 15)	**14.4**	14.6
Loss on disposal and write off of fixed assets	**0.1**	1.7
Goodwill amortisation (note 14)	**0.4**	0.5
Staff costs (note 11)	**53.5**	56.9
Redundancy costs	**0.7**	1.0
Research and development	**7.3**	6.8
Hire of plant and machinery	**0.8**	1.0
Other operating lease rentals	**1.5**	1.5
Auditors – audit fee	**0.3**	0.3
– other services	**0.4**	0.3

Included in the Group audit fee disclosed above is £0.1m (2003: £0.1m) in respect of the Company. Fees payable to the Group's auditors for other services principally relate to taxation, £0.2m (2003: £0.2m), accountancy and secondment of staff in respect of internal audit services, £0.1m (2003: £0.1m) and other assurance services, £0.1m (2003: £Nil).

4. Exceptional items

	2004 £m	2003 £m
Loss on disposal and closure of discontinued operations		
Profit or loss on disposal and provision for closure	**(0.5)**	1.2
Goodwill written back	**(3.4)**	–
	(3.9)	1.2
Profit on disposal of fixed assets in discontinued operations	**0.6**	3.1
	(3.3)	4.3

Cash payments in respect of exceptional costs were £3.4m (2003: £2.4m) and relate to redundancy, site clearance and other costs associated with previous years' business disposals and those discussed in note 30.

5. Net interest payable

	2004 £m	2003 £m
Bank loans and overdrafts	**1.4**	2.0
7.37% guaranteed senior loan notes due 2008	**2.2**	2.5
Interest payable	**3.6**	4.5
Interest receivable and similar income	**(1.5)**	(1.6)
Net interest payable	**2.1**	2.9

6. Tax on profit on ordinary activities

(a) Analysis of charge for the year

	2004 £m	2003 £m
United Kingdom current taxation		
Corporation tax	**3.7**	4.2
Relief for overseas taxes on dividends remitted to UK	**(2.3)**	(3.4)
	1.4	0.8
Overseas current corporate taxes	**11.5**	11.3
Current taxation	**12.9**	12.1
Deferred taxation	**2.3**	1.6
	15.2	13.7

Included above is a tax credit in respect of exceptional items of £0.7m (2003: £Nil), including a prior year credit of £0.8m.

United Kingdom corporation tax has been provided at the rate of 30% (2003: 30%). The total tax charge includes £0.8m (2003: £0.7m) in respect of the associated undertaking. No provision has been made for any additional tax which may arise on the distribution of the retained profits of overseas subsidiary undertakings.

Notes to the accounts

6. Tax on profit on ordinary activities *(continued)*

(b) Factors affecting the current tax charge for the year

	2004 £m	2003 £m
Profit on ordinary activities before taxation	**41.7**	43.0
Tax at the standard rate of corporation tax in the UK	**12.5**	12.9
Effect of:		
Non-deductible goodwill	**1.2**	0.1
Prior years' overprovisions	**(1.1)**	(0.4)
Tax cost of remitting overseas income to the UK	**0.2**	0.4
Expenses and write offs not deductible for tax purposes	**0.2**	–
Effect of higher overseas tax rates	**2.2**	2.1
Timing differences arising in the year	**(2.3)**	(3.0)
	12.9	12.1

(c) Factors that may affect future tax charges

The mix of profits between the UK and overseas will be the principal driver behind future tax charges with overseas rates generally being significantly higher than those in the UK.

7. Deferred taxation

	2004 £m	2003 £m
The deferred tax liability provided in these accounts comprises		
Excess of capital allowances over depreciation	**11.7**	10.8
On pension fund prepayment	**10.7**	10.0
Other	**(2.0)**	(2.6)
	20.4	18.2

United Kingdom deferred taxation is based on a rate of corporation tax of 30% (2003: 30%). Overseas deferred taxation is based on tax rates appropriate to each overseas subsidiary. No deferred taxation has been provided on previously revalued assets as the Group has no intention to dispose of these assets. There are no further amounts of unprovided deferred taxation.

8. Profit for the financial year

Of the profit for the financial year £2.8m (2003: £16.3m) is dealt with in the profit and loss account of the Company which was approved by the Board on 23 February 2005 but which is not presented as permitted by s.230(3) Companies Act 1985.

9. Dividends

	2004		2003	
	Pence per share	**£m**	Pence per share	£m
Ordinary				
Interim	**4.10**	**5.3**	4.02	5.1
Proposed final	**8.40**	**11.0**	7.83	10.4
	12.50	**16.3**	11.85	15.5
Preference (paid June and December)		**0.1**		0.1
		16.4		15.6

10. Earnings per share

	Basic 2004 £m	**Before exceptional items 2004 £m**	Basic 2003 £m	Before exceptional items 2003 £m
Profit on ordinary activities before taxation	**41.7**	**41.7**	43.0	43.0
Exceptional items (note 4)	**-**	**3.3**	–	(4.3)
Taxation	**(15.2)**	**(15.9)**	(13.7)	(13.7)
Minority interests and preference dividend	**(0.2)**	**-**	–	–
	26.3	**29.1**	29.3	25.0
	Number m	**Number m**	Number m	Number m
Weighted average number of 10p ordinary shares in issue for basic calculation	**130.9**	**130.9**	130.5	130.5
Deemed issue of potentially dilutive shares	**1.0**	**1.0**	0.5	0.5
Average number of 10p ordinary shares for diluted calculation	**131.9**	**131.9**	131.0	131.0
	Pence	**Pence**	Pence	Pence
Basic earnings per share	**20.1**		22.5	
Basic earnings per share before exceptional items		**22.2**		19.2
Diluted earnings per share	**19.9**		22.4	
Diluted earnings per share before exceptional items		**22.1**		19.1

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 27) and those held as treasury shares (note 25) which are treated as cancelled as, except for a nominal amount, dividends have been waived.

Supplementary basic and diluted earnings per share have been calculated to exclude the effect of exceptional items. The adjusted numbers have been provided in order that the effect of the exceptional items on reported earnings per share can be fully appreciated.

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.

Notes to the accounts

11. Employees

	2004 £m	2003 £m
Group employment costs including directors		
Wages and salaries	**42.0**	44.2
Social security costs	**5.4**	5.5
Other pension costs	**6.1**	7.2
	53.5	56.9

Redundancy costs of £0.7m (2003: £1.0m) are excluded from the above analysis.

	Number	Number
Average employee numbers		
Oleochemicals	**1,452**	1,430
Other	**71**	81
Discontinued operations	**19**	135
Central	**43**	45
	1,585	1,691

12. Directors' remuneration

Detailed information concerning directors' remuneration, interests and options is shown in the parts of the report on the directors' remuneration subject to audit on pages 27 to 32 which form part of the annual report and accounts.

13. Pension obligations

The Group has continued to account for pensions in accordance with SSAP 24. FRS 17 accounting will become mandatory for the year ended 31 December 2005 until which time phased transitional disclosures are required which are detailed in note 13(b) to the extent not already made in note 13(a).

(a) SSAP 24 pension costs

The Group operates a number of pension schemes throughout the world. The principal schemes are in the UK and cover 95% 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 other countries benefits are determined in accordance with local practice and regulations and funding is provided on several bases. As the overseas arrangements are relatively small when compared to the UK schemes more limited disclosure has been included.

The charge to the profit and loss account for the year in respect of pensions was £6.1m (2003: £7.2m). Contributions to the schemes were £8.6m for the year (2003: £8.1m).

The latest actuarial valuation of the principal UK schemes was carried out by Watson Wyatt LLP, independent consulting actuaries, as at 5 October 2002 using the projected unit method.

For the purposes of assessing the pension costs under SSAP 24 the most significant long-term assumptions relating to the valuation of the schemes are that the annual rate of return on investments will be 7.4%, the annual increase in general salaries will be 4.2%, and that annual pension increases and the underlying rate of inflation will be 2.7%.

At 5 October 2002 the market value of the assets in the UK schemes was £225m and this was sufficient to cover 86.5% of the benefits that had accrued to members, after allowing for expected future increases in earnings and equalisation of benefits for males and females. The prepayment in excess of the actuarial deficit at 1 January 2003, which has been calculated by adjusting the deficit shown by the 5 October 2002 valuation, is being charged to the profit and loss account over the average remaining service lives of current employees.

13. Pension obligations *(continued)*

(b) FRS 17 retirement benefits

The valuation used for FRS 17 disclosures is based on the most recent actuarial valuation as at 5 October 2002 as updated by Watson Wyatt to assess the liabilities of the scheme as at 31 December 2004 per the FRS 17 requirements. Scheme assets are stated at their market value as at 31 December 2004.

The financial assumptions used to assess the scheme liabilities under FRS 17 are:

	2004	2003	2002
Valuation method	**Projected unit**	Projected unit	Projected unit
Discount rate	**5.3%**	5.4%	5.6%
Inflation rate	**2.7%**	2.6%	2.3%
Rate of increase in salaries	**4.2%**	4.1%	3.8%
Rate of increase for pensions in payment	**2.7%**	2.6%	2.3%

The assets in the UK schemes and their expected rates of return at each balance sheet date were:

	2004		2003		2002	
	Long-term rate of return expected %	**Market value £m**	Long-term rate of return expected %	Market value £m	Long-term rate of return expected %	Market value £m
Equities	**8.0**	**216.1**	8.2	198.0	8.3	170.1
Government bonds	**4.6**	**32.4**	4.8	30.0	4.5	26.2
Other bonds	**5.3**	**32.1**	5.4	30.6	5.6	17.1
Property	**6.3**	**12.7**	6.5	11.5	6.4	11.9
Cash	**3.8**	**4.1**	3.8	3.4	4.0	8.7
	7.2	**297.4**	7.4	273.5	7.4	234.0
Present value of UK scheme liabilities		**(392.0)**		(365.3)		(323.7)
Deficit in the UK scheme		**(94.6)**		(91.8)		(89.7)
Related deferred tax asset		**28.4**		27.6		26.9
Net UK pension liability		**(66.2)**		(64.2)		(62.8)
Net overseas schemes' pension liability (after deducting deferred tax asset of £3.3m (2003: £1.5m))		**(5.0)**		(2.3)		(3.2)
		(71.2)		(66.5)		(66.0)

Notes to the accounts

13. Pension obligations *(continued)*

(b) FRS 17 retirement benefits *(continued)*

	2004 £m	2003 £m
Net assets		
Net assets excluding SSAP 24 pension asset and amounts provided overseas	**147.7**	140.5
FRS 17 pension liability	**(71.2)**	(66.5)
Net assets under FRS 17	**76.5**	74.0
Reserves		
Profit and loss account excluding SSAP 24 pension asset and amounts provided overseas	**91.8**	83.7
FRS 17 pension liability	**(71.2)**	(66.5)
Profit and loss account under FRS 17	**20.6**	17.2

The movements in the UK schemes' deficit were:

Deficit in the UK schemes at 1 January	**(91.8)**	(89.7)
Current service cost (which would be charged against operating profit)	**(4.6)**	(4.3)
Contributions paid	**6.9**	6.3
Other finance income	**0.5**	(0.7)
Actuarial loss (which would be recognised in statement of total recognised gains and losses)	**(5.6)**	(3.4)
Deficit in the UK schemes at 31 December	**(94.6)**	(91.8)

Analysis of profit and loss account charge under FRS 17 for UK schemes:

Charged to operating profit		
Current service cost	**4.6**	4.3
Charged to other finance income		
Interest on scheme liabilities	**19.5**	17.8
Expected return on assets	**(20.0)**	(17.1)
Net credit to other finance income	**(0.5)**	0.7
Net profit and loss charge before tax	**4.1**	5.0
Tax credit (after deferred tax charge of £0.9m)	**(1.2)**	(1.5)
Net UK schemes' profit and loss charge	**2.9**	3.5

13. Pension obligations *(continued)*

(b) FRS 17 retirement benefits *(continued)*

Summary of amounts that would be recognised in the statement of total recognised gains and losses in respect of the UK schemes:

	2004	2003
	£m	£m
Gain on assets	**8.6**	29.2
Experience loss on liabilities	**(0.6)**	(1.7)
Loss on change of financial and demographic assumptions	**(13.6)**	(30.9)
Actuarial loss before tax	**(5.6)**	(3.4)
Deferred tax on actuarial loss	**1.7**	1.0
Actuarial loss after tax	**(3.9)**	(2.4)

History of experience gains and losses in respect of the UK schemes:

		2004		2003		2002
		% of scheme assets/		% of scheme assets/		% of scheme assets/
	£m	**liabilities**	£m	liabilities	£m	liabilities
Gain on assets	**8.6**	**2.9%**	29.2	10.7%	(63.2)	27.0%
Experience loss on liabilities	**(0.6)**	**0.2%**	(1.7)	0.5%	(12.1)	3.7%
Total actuarial loss before tax	**(5.6)**	**1.4%**	(3.4)	0.9%	(88.7)	27.4%

14. Intangible fixed assets – goodwill

	Group 2004	Group 2003
	£m	£m
Cost		
At 1 January and 31 December	**9.0**	9.0
Amortisation		
At 1 January	**2.5**	2.0
Charge for the year	**0.4**	0.5
At 31 December	**2.9**	2.5
Net book amount	**6.1**	6.5

The cumulative amount of goodwill written off directly to reserves in respect of the Group's acquisitions since 1984 is £50.2m (2003: £53.6m).

Notes to the accounts

15. Tangible fixed assets

	Group			Company		
	Land and buildings £m	Plant and equipment £m	Total £m	Land and buildings £m	Plant and equipment £m	Total £m
Cost or valuation						
At 1 January 2004	58.5	203.0	261.5	2.0	1.9	3.9
Exchange differences	(0.6)	(2.4)	(3.0)	–	–	–
Additions	2.8	12.2	15.0	–	0.2	0.2
Business disposals (note 30)	(1.2)	(7.1)	(8.3)	–	–	–
Other disposals	(1.2)	(1.9)	(3.1)	–	–	–
At 31 December 2004	**58.3**	**203.8**	**262.1**	**2.0**	**2.1**	**4.1**
Depreciation						
At 1 January 2004	19.3	109.3	128.6	0.5	1.7	2.2
Exchange differences	(0.1)	(1.2)	(1.3)	–	–	–
Charge for year	2.4	12.0	14.4	0.1	0.2	0.3
Business disposals (note 30)	(0.4)	(4.0)	(4.4)	–	–	–
Other disposals	(0.9)	(1.4)	(2.3)	–	–	–
At 31 December 2004	**20.3**	**114.7**	**135.0**	**0.6**	**1.9**	**2.5**
Net book amount						
At 31 December 2004	**38.0**	**89.1**	**127.1**	**1.4**	**0.2**	**1.6**
At 31 December 2003	39.2	93.7	132.9	1.5	0.2	1.7

The net book value of assets held by the Group under finance leases at 31 December 2004 was £0.2m (2003: £0.3m).

	Group		Company	
	2004 £m	2003 £m	2004 £m	2003 £m
Net book amount of land and buildings				
Freehold	**33.5**	35.4	**1.4**	1.5
Long leasehold	**3.2**	3.8	**–**	–
Short leasehold	**1.3**	–	**–**	–
	38.0	39.2	**1.4**	1.5
Historical cost of land and buildings				
Cost	**45.0**	44.2	**0.2**	0.1
Valuations 1989	**2.0**	2.1	**–**	–
1988	**11.3**	12.0	**1.9**	1.9
earlier	**–**	0.2	**–**	–
At 31 December	**58.3**	58.5	**2.1**	2.0
Revaluation surpluses	**(1.7)**	(2.5)	**(1.1)**	(1.1)
Restated to historical cost	**56.6**	56.0	**1.0**	0.9
Depreciation	**(23.5)**	(22.1)	**(0.5)**	(0.3)
Historical net book amount At 31 December	**33.1**	33.9	**0.5**	0.6

16. Future commitments

	2004 £m	2003 £m
Group capital projects		
At 31 December 2004 the directors had authorised the following expenditure on capital projects		
Contracted but not provided for	**1.2**	2.9
Authorised but not contracted for	**3.3**	4.3
	4.5	7.2

	2004 Land and buildings £m	2004 Other £m	2003 Land and buildings £m	2003 Other £m
Operating leases				
At 31 December 2004 the Group's annual commitments were				
Operating leases which expire				
Within one year	**0.2**	**0.1**	0.3	0.3
From one to five years	**0.5**	**0.3**	0.3	0.3
After five years	**0.6**	**–**	0.5	–
	1.3	**0.4**	1.1	0.6

17. Subsidiary undertakings

	Shares £m	Loans £m	Total £m
Company			
Cost less amounts written off			
At 1 January 2004	100.4	35.1	135.5
Redemption of preference shares	(2.2)	–	(2.2)
Amounts repaid	–	(7.6)	(7.6)
Amounts invested	–	0.4	0.4
At 31 December 2004	**98.2**	**27.9**	**126.1**

The principal subsidiary undertakings are listed on page 67.

Notes to the accounts

18. Investments

	Associated undertaking £m	Other investments £m	Total £m
Group			
Cost or valuation of net equity			
At 1 January 2004 and 31 December 2004	**9.6**	**1.3**	**10.9**
Company			
Cost or valuation of net equity			
At 1 January 2004 and 31 December 2004	**1.6**	**1.1**	**2.7**

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

The associated undertaking and its issued share capital are

	Principal country of operation	Share capital held %
Baxenden Chemicals Ltd	England	
1,800,000 ordinary shares of £1 each		46.5

Other than dividends received from the associated undertaking there were no material transactions with the associated undertaking or other related parties.

19. Stock

	Group 2004 £m	2003 £m
Raw materials	**13.0**	12.8
Work in progress	**1.6**	1.2
Finished goods	**37.4**	37.8
	52.0	51.8

The replacement cost of stock held at 31 December 2004 was not materially different from the amounts shown above.

20. Debtors

	Group 2004 £m	2003 £m	Company 2004 £m	2003 £m
Trade debtors	**50.5**	51.5	**–**	–
Amounts owed by Group undertakings	**–**	–	**0.3**	0.5
Other debtors	**2.9**	3.0	**0.1**	0.1
Prepayments	**1.5**	2.8	**0.3**	0.9
	54.9	57.3	**0.7**	1.5
Pension fund prepayment	**35.6**	33.1	**–**	–
Total debtors	**90.5**	90.4	**0.7**	1.5
Amounts falling due after more than one year included above				
Pension fund prepayment	**35.6**	33.1	–	–

21. Creditors

	Group 2004 £m	2003 £m	Company 2004 £m	2003 £m
Amounts falling due within one year				
Borrowings (note 23)	**15.5**	20.1	**2.1**	4.7
Trade creditors	**19.2**	20.7	**0.2**	0.1
Bills of exchange payable	**1.6**	1.6	**–**	–
Corporate taxation	**4.8**	5.2	**0.5**	0.4
Other taxation and social security	**1.9**	1.7	**0.7**	0.6
Other creditors	**6.9**	5.8	**0.5**	0.7
Accruals and deferred income	**15.3**	16.3	**0.9**	0.6
Dividends payable to ordinary shareholders	**16.3**	15.5	**16.3**	15.5
Amounts owed to Group undertakings	**–**	–	**4.5**	5.6
	81.5	86.9	**25.7**	28.2

22. Creditors

	Group 2004 £m	2003 £m	Company 2004 £m	2003 £m
Amounts falling due after one year				
Borrowings (note 23)	**31.7**	36.7	**2.5**	5.0
Other creditors	**0.9**	0.9	**–**	–
Amounts owed to Group undertakings	**–**	–	**38.5**	24.9
	32.6	37.6	**41.0**	29.9

Notes to the accounts

23. Financial instruments

The Group's objectives, policies and strategies in respect of financial instruments are outlined in the financial review on pages 14 to 16 which form part of the annual report and accounts. Short term debtors and creditors have been excluded from all of the following disclosures.

(a) Maturity profile of financial liabilities

	Group 2004 £m	2003 £m	Company 2004 £m	2003 £m
Bank loans and overdrafts repayable on demand	**15.0**	19.3	**2.1**	4.7
Other bank loans	**3.4**	6.6	**2.5**	5.0
US$55m 7.37% guaranteed senior loan notes due 2008	**28.6**	30.7	**–**	–
Obligations under finance leases	**0.2**	0.2	**–**	–
	47.2	56.8	**4.6**	9.7
Bills of exchange payable	**1.6**	1.6	**–**	–
Preference share capital	**1.1**	1.1	**1.1**	1.1
	49.9	59.5	**5.7**	10.8
Amounts included above repayable by instalments	**29.5**	32.0	**–**	–

	Group 2004 £m	2003 £m	Company 2004 £m	2003 £m
Repayments fall due as follows				
Within one year				
– Bank loans and overdrafts	**15.4**	20.0	**2.1**	4.7
– Obligations under finance leases	**0.1**	0.1	**–**	–
– Bills of exchange payable	**1.6**	1.6	**–**	–
	17.1	21.7	**2.1**	4.7
After more than one year				
Loans repayable				
– Within one to two years	**9.9**	0.4	**–**	–
– Within two to five years	**21.7**	36.2	**2.5**	5.0
Obligations under finance leases payable between years two and five	**0.1**	0.1	**–**	–
Preference share capital repayable after five years	**1.1**	1.1	**1.1**	1.1
	32.8	37.8	**3.6**	6.1

23. Financial instruments *(continued)*

(b) Group borrowing facilities

As at 31 December 2004 the Group had undrawn committed facilities of £72.5m (2003: £35.0m) expiring in more than two years, £Nil (2003: £35.0m) expiring in one to two years and £5.2m (2003: £5.6m) expiring within one year. In addition the Group had other undrawn facilities of £73.3m (2003: £71.2m) available.

(c) 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	4.8	1.1	3.7	6.16	–
US Dollar	35.4	13.0	22.4	7.37	2.5
Euro currencies	5.5	–	5.5	–	–
Other	4.2	–	4.2	–	–
At 31 December 2004	**49.9**	**14.1**	**35.8**	**7.33**	**2.5**
Sterling	9.6	1.1	8.5	6.16	–
US Dollar	39.4	14.0	25.4	7.37	3.5
Euro currencies	4.7	–	4.7	–	–
Other	5.8	–	5.8	–	–
At 31 December 2003	59.5	15.1	44.4	7.33	3.5

The non-sterling floating rate liabilities include £12.1m (2003: £11.7m) held as cover for matching non-sterling receipts due to the Group in the UK. The floating rate liabilities are predominantly based on LIBOR and its overseas equivalents. The fixed rate sterling liabilities comprise the Group's preference share capital which has no fixed repayment date. The US Dollar fixed rate liabilities comprise the proportion of the 7.37% loan notes not covered by interest rate swaps.

(d) Interest rate and currency profile of Group financial assets

	2004 £m	2003 £m
Sterling	**9.4**	4.8
US Dollar	**14.2**	11.4
Euro currencies	**4.6**	7.0
Other	**5.5**	5.9
	33.7	29.1

All of the Group's financial assets are at floating rates of interest and are predominantly based on LIBOR and its overseas equivalents. The pension fund prepayment is excluded from the above analysis.

Notes to the accounts

23. Financial instruments *(continued)*

(e) Hedging of currency exposures

The Group does not actively seek to hedge its currency net asset position, though in seeking to match interest costs with trading income to hedge currency cash flows, an effective asset hedge often results.

The Group has substantial cross-border transactions which are denominated in currency other than that of the division carrying out the transaction. In these circumstances the Group policy is to hedge short term movements in exchange rates by selling or purchasing the appropriate currency to cover specific transactions. The principal exposures arise in the Group's UK manufacturing divisions who utilise foreign currency bank accounts and forward foreign currency contracts to hedge their respective positions.

At 31 December 2004 and 31 December 2003 the Group had no significant unhedged currency exposures that would give rise to currency gains or losses in the profit and loss account.

(f) Fair value of Group financial instruments

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 2004 £m	**Fair value 2004 £m**	Book value 2003 £m	Fair value 2003 £m
Financial assets and liabilities				
Cash deposits	**32.4**	**32.4**	27.8	27.8
Other investments	**1.3**	**1.3**	1.3	1.3
Borrowings repayable within one year	**(15.5)**	**(15.5)**	(20.1)	(20.1)
Bills of exchange payable	**(1.6)**	**(1.6)**	(1.6)	(1.6)
US$55m 7.37% guaranteed senior loan notes due 2008	**(28.6)**	**(31.1)**	(30.7)	(34.2)
Other long term borrowings	**(3.1)**	**(3.1)**	(6.0)	(6.0)
Preference shares	**(1.1)**	**(0.9)**	(1.1)	(0.9)
Derivative financial instruments held to manage interest rate profile				
Interest rate swap	**–**	**0.6**	–	1.1

The fair value of cash deposits and short term borrowings approximates to the book value due to the short maturity of these instruments. The fair value of forward foreign currency contracts hedging foreign currency debtors and creditors is not significant.

(g) Hedges of future transactions

The Group currently has no derivative financial instruments to manage currency profile or hedge any currency exposures on expected future sales and purchases. The Group does hedge currency exposures on committed sales and purchases through a mix of short term currency overdrafts (note 23(c)) and forward foreign currency contracts.

(h) *Financial instruments held for trading purposes*

The Group does not trade in financial instruments.

24. Provisions for liabilities and charges

	Environmental £m	Deferred taxation £m	Total £m
At 1 January 2004	14.0	18.2	32.2
Exchange differences	(0.1)	(0.1)	(0.2)
Charged to profit and loss account	–	2.3	2.3
Cash paid against provisions	(0.3)	–	(0.3)
At 31 December 2004	**13.6**	**20.4**	**34.0**

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. Environmental provisions are made where a constructive or legal obligation can be quantified and whilst the timing of the transfer of economic benefits relating to the provision cannot be ascertained with any degree of certainty the directors consider they will take place within 20 years.

25. Ordinary share capital

	Authorised 2004 £m	2003 £m	Issued and fully paid 2004 £m	2003 £m
Ordinary shares of 10p	**17.3**	17.3	**13.6**	13.6

There were no changes in the issued ordinary share capital during the year.

During the year the Company purchased 1,985,284 shares on the open market with a nominal value of £0.2m to be held as treasury shares for consideration of £6.4m. These shares have been deducted from shareholders' funds and will be held until such time as the Board decides to cancel them, reissue them, or utilise them to satisfy share options. The right to receive dividends has been waived.

In 2004 options were granted to employees under the Croda Savings-Related Share Option Scheme 1983 to subscribe for 206,080 ordinary shares at an option price of 226p per share and under the International Sharesave Scheme to subscribe for 194,862 shares at an option price of 226p per share. No options were granted in 2004 under the Senior Executive Share Option Scheme.

During the year consideration of £1.9m was received on the exercise of options over 768,804 shares. The options were satisfied with shares transferred from the Group's employee share trusts. Since the year end a further 99,607 shares have been transferred from the schemes.

Notes to the accounts

25. Ordinary share capital *(continued)*

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				
	1999	22,912	242p	1 November 2004 to 30 April 2005
	2000	285,521	186p	1 November 2005 to 30 April 2006
	2001	312,780	186p	1 November 2006 to 30 April 2007
	2002	353,554	194p	1 November 2007 to 30 April 2008
	2003	197,521	230p	1 November 2008 to 30 April 2009
	2004	203,043	226p	1 November 2009 to 30 April 2010
Croda International Overseas Sharesave Scheme				
	2000	182,293	186p	1 November 2005 to 30 November 2005
	2001	112,767	186p	1 November 2006 to 30 November 2006
	2002	141,278	194p	1 November 2007 to 30 November 2007
	2003	85,989	230p	1 November 2008 to 30 November 2008
	2004	191,037	226p	1 November 2009 to 30 November 2009
Croda International Senior Executive Share Option Schemes				
	1996	155,000	337p	3 April 1999 to 2 April 2006
	1997	400,000	307p	4 April 2000 to 3 April 2007
	1999	600,000	228p	30 March 2002 to 29 March 2009
	2000	667,700	256p	22 March 2003 to 21 March 2010
	2001	721,600	258p	7 March 2004 to 6 March 2011
	2002	797,000	261p	13 March 2005 to 12 March 2012
	2003	1,124,210	230p	5 March 2006 to 4 March 2013

26. Preference share capital

	2004 £000	2003 £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 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.

27. Reserves

	Share premium account £m	Revaluation reserve £m	Profit and loss account £m
Group			
At 1 January 2004	34.0	6.8	106.9
Profit for the financial year	–	–	26.4
Dividends	–	–	(16.4)
Unrealised exchange differences	–	–	(0.8)
Goodwill written back on disposals	–	–	3.4
Transfer of revaluation on disposals	–	(0.4)	0.4
Consideration paid for purchase of treasury shares (note 25)	–	–	(6.4)
Consideration paid for purchase of own shares (held in trust)	–	–	(0.4)
Consideration received for sale of own shares (held in trust)	–	–	1.9
At 31 December 2004	**34.0**	**6.4**	**115.0**
Company			
At 1 January 2004	34.0	2.1	78.8
Profit for the financial year	–	–	2.8
Dividends	–	–	(16.4)
Unrealised exchange differences	–	–	(0.1)
Consideration paid for purchase of treasury shares (note 25)	–	–	(6.4)
Consideration paid for purchase of own shares (held in trust)	–	–	(0.3)
Consideration received for sale of own shares (held in trust)	–	–	1.9
At 31 December 2004	**34.0**	**2.1**	**60.3**

Investments in own shares represent the Croda International Plc Qualifying Share Ownership Trust (QUEST), the Croda International Plc Employee Benefit Trust (CIPEBT) and the Croda International Plc AESOP Trust (AESOP) which each hold shares purchased on the open market to satisfy the future issue of shares under the Group's share option schemes. As at 31 December 2004 the QUEST was financed by a repayable on demand loan from the Company of £2.9m (2003: £3.8m) and held 1.1m (2003: 1.5m) shares at a cost of £2.9m (2003: £3.8m) with a market value of £3.7m (2003: £3.8m). As at 31 December 2004 the CIPEBT was financed by a repayable on demand loan from the Company of £10.0m *(2003: £10.6m) and held 3.8m (2003: 4.1m) shares at a cost of £10.0m (2003: £10.6m) with a market value of £12.3m (2003: £10.1m).* As at 31 December 2004 the AESOP was financed by contributions from the Company of £0.3m (2003: £0.3m) and held 0.1m (2003: 0.1m) shares at a cost of £0.2m (2003: £0.2m) with a market value of £0.2m (2003: £0.2m). All of the shares held by the QUEST and CIPEBT were under option at 31 December 2004 whilst those held by the AESOP are likely to be issued as matching shares under the Group's Share Incentive Plan within twelve months of the balance sheet date. Except for a nominal amount, the right to receive dividends has been waived.

28. Minority interests

	2004 £m	2003 £m
At 1 January	**1.2**	1.1
Exchange differences	**(0.1)**	0.2
Profit for the year	**0.1**	(0.1)
Dividend paid to minority shareholders	**(0.4)**	–
At 31 December	**0.8**	1.2

The profit for the year includes a credit of £0.2m (2003: £Nil) in respect of exceptional items.

Notes to the accounts

29. Contingent liabilities

The Company has guaranteed loan capital and bank overdrafts of subsidiary undertakings amounting to £40.8m (2003: £44.0m).

30. Disposals

During the year the Group sold its Firefighting Chemicals business to Kidde Fire Protection Services Limited and its rock anchor manufacturing business, Celtite, to DYWIDAG Systems International Pty Limited.

The financial impact of these transactions is summarised below:

	Firefighting £m	Celtite £m	Total £m
Assets leaving the Group were as follows			
Fixed assets	2.8	1.1	**3.9**
Stock	0.8	0.8	**1.6**
Cash	0.1	–	**0.1**
Other net current assets	0.8	0.4	**1.2**
	4.5	2.3	**6.8**
Profit on disposal before costs and writeback of goodwill	–	1.3	**1.3**
Cash received	4.5	3.6	**8.1**

The reduction in Group net debt arising from the above transactions, after costs (£1.2m) and allowing for cash balances disposed of as part of the transaction (£0.1m), was £6.8m. In addition to the above transactions, £0.6m was included in the exceptional item as a result of costs incurred during the year in respect of prior years' business disposals.

The operation of the above businesses had no significant effect on group cashflows.

Principal subsidiary companies

Principal operating companies	Incorporated and/or principally operating in	Managing Director/ Executive in Charge	Group beneficial interest %
Croda Application Chemicals Ltd†	UK	P J Mullinger	100
Croda Chemicals Europe Ltd	UK	D E Barraclough	100
Sales and marketing		S E Foots	
Operations		S Arnott	
Croda Food Services Ltd*	UK	J Dryden	100
John L Seaton & Co Ltd†	UK	M Coverdale	100
Baxenden Chemicals Ltd*†	UK	N Gee	46
Croda Argentina SA	Argentina	L Bartsch	100
Croda Australia	Australia	D Dowdell	100
Croda do Brasil Ltda	Brazil	M de Bellis	100
Croda Canada Ltd	Canada	F J Khory	100
Croda Chile	Chile	L Dufflocq	100
Croda Shanghai	China	J Wang	100
Croda France SAS	France	J L Pellé	100
Crodarom SAS	France	A Fournial	100
Sederma SAS	France	K Lintner	100
Croda GmbH	Germany	K L Helmdach	100
Croda Hong Kong	Hong Kong	P Chan	100
Croda Chemicals (India) Pvt Ltd*	India	A Shinde	100
Croda Italiana SpA	Italy	C V Aggio	100
Croda Japan KK	Japan	Y Yamanaka	100
Croda Mexico SA de CV	Mexico	R Yob	100
Croda Poland Sp z o o*	Poland	P Huczkowski	100
Croda Singapore Pte Ltd*	Singapore	C G Nottingham	100
Croda Chemicals (SA) Pty Ltd	South Africa	K A Woolward	100
Croda Korea	South Korea	B S Sim	100
Croda Oleochemicals Ibérica SA	Spain	J M Torres	100
Croda Nordica AB	Sweden	M Wildt	100
Croda Thailand	Thailand	S Chansutkirangkool	100
Croda Inc	USA	K F Gallagher	100
Croda Zimbabwe (Pvt) Ltd	Zimbabwe	K A Woolward	100

Principal holding companies

Croda Chemicals International Ltd*	UK		100
Croda Overseas Holdings Ltd*	UK		100

* Companies owned directly by Croda International Plc.
† Companies operating in the Other business sector. All other companies operate in the Oleochemicals business sector.

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

Sector heads

D E Barraclough	Oleochemicals Europe
K R Gregersen	Oleochemicals Americas
K Layden	Enterprise Technologies
K M Nutbrown	Global Manufacturing & Oleochemicals Asia Pacific
B M Richmond	Active Ingredients & Industrial Chemicals

Analysis of ordinary shareholders as at 18 February 2005

By size of holding	Number of holders	Number of shares	% of issued capital
1-1,000	2,320	986,184	0.72
1,001-5,000	1,835	4,286,266	3.14
5,001-10,000	252	1,808,588	1.33
10,001-50,000	225	7,441,084	5.46
50,001-100,000	93	22,549,853	16.55
100,001-500,000	55	82,439,489	60.50
500,001-upwards	2	16,757,380	12.30
	4,782	136,268,844	100.00

By type of holder

Private holders	3,785	8,921,642	6.55
Institutional and corporate holders	997	127,347,202	93.45
	4,782	136,268,844	100.00

Investor relations

Shareholders can now get up to date information on Stock Exchange announcements, corporate calendar, Croda share price, and brokers' estimates by visiting our corporate web site at www.croda.com and clicking on the investor centre.

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

Share dealing

A share dealing service is available for UK shareholders from Capita Share Dealing Services to either sell or buy Croda ordinary shares. For further information on this service, please contact:
www.capitadeal.com (on-line dealing)
0870 458 4577 (telephone dealing)

Share price information

As well as being available on our website, for the latest ordinary share price, available on the Financial Times Cityline service, call 0906 003 2278 or access the BBC's broadcast teletext service.

The middle market values of the listed share capital at 31 December 2004, or last date traded*, were as follows

Ordinary shares	321p
5.9% preference shares	86p*
6.6% preference shares	75p*

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

Corporate calendar

2005 Annual General Meeting	21 April 2005
2005 Half year results announcement	27 July 2005
2005 Full year results announcement	February 2006
2004 Final ordinary dividend payment	7 July 2005
2005 Interim ordinary dividend payment	January 2006
2005 Preference dividend payments	30 June 2005
	30 December 2005

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A M McIntyre (Assistant secretary)
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Auditors

PricewaterhouseCoopers LLP

Merchant bankers

UBS Warburg

Solicitors

Slaughter and May
Heptonstalls

Stockbrokers

Merrill Lynch International
UBS Warburg

Pension fund managers

UBS Global Asset Management (UK) Limited
Schroder Investment Management Limited
Legal & General Investment Management Limited

Consulting actuaries

Watson Wyatt Partners LLP

Five year record

Earnings

	2004	2003	2002	2001	2000
	£m	£m	£m	£m	£m
Turnover	**294.4**	303.4	313.6	312.4	365.9
Operating profit	**47.1**	41.6	40.5	37.0	46.9
Profit before tax	**45.0**	38.7	36.5	31.7	38.1
Profit after tax	**29.1**	25.0	23.5	19.0	23.7
Profit attributable to ordinary shareholders	**29.1**	25.0	23.4	18.9	23.6
	%	%	%	%	%
Operating profit as a % of turnover	**16.0**	13.7	12.9	11.8	12.8
Return on capital employed	**23.0**	19.6	18.4	14.8	17.0
Effective tax rate	**35.3**	35.4	35.6	40.1	37.8
	pence	pence	pence	pence	pence
Earnings per share	**22.2**	19.2	17.8	14.4	17.9
Dividends per share	**12.5**	11.85	11.5	11.3	11.0

The above earnings exclude exceptional items in order to present a clearer year on year comparison.

Summarised balance sheet

	£m	£m	£m	£m	£m
Fixed assets	**144.1**	150.3	159.0	180.6	184.5
Stock	**52.0**	51.8	51.5	60.5	68.7
Debtors	**54.9**	57.3	57.1	55.9	71.2
Creditors	**(45.8)**	(47.0)	(47.2)	(46.4)	(48.6)
Capital employed	**205.2**	212.4	220.4	250.6	275.8
Dividends, tax and provisions	**(55.1)**	(52.9)	(52.0)	(54.4)	(46.3)
Pension fund prepayment	**35.6**	33.1	32.2	28.7	27.6
	185.7	192.6	200.6	224.9	257.1
Shareholders funds	**170.1**	162.4	147.4	160.1	155.6
Minority interests	**0.8**	1.2	1.1	1.2	1.7
	170.9	163.6	148.5	161.3	157.3
Net debt	**14.8**	29.0	52.1	63.6	99.8
	185.7	192.6	200.6	224.9	257.1
Gearing (%)	**8.7**	17.7	35.1	39.4	63.4

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