Innovating for a Sustainable Future

Annual Report & Accounts 2012

CRODA

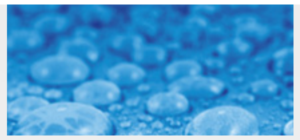
Business Overview

Introduction

At Croda, we strive to create value for our shareholders by driving profitable sales growth through successful new product development, moving ever closer to our customers and increasing our focus on fast growing markets. We are a business committed to financial growth, high returns, environmental protection and social progress.

Contents

Our Highlights

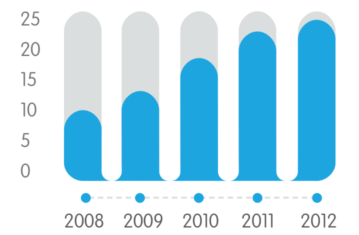




Ranked 25th in the Global Top 100 Most Sustainable Corporations and number one in the UK

THE INDEX COMPANY

From March 2012

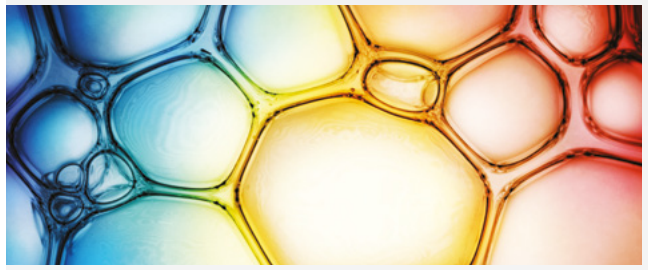
Return on Sales 2008-2012 (%)



£1,051.9m
Revenue*
2011: £1,028.0m ↑ 2.3%

£255.4m
Operating profit*
2011: £237.7m ↑ 7.4%





130.0p
Earnings per share*
2011: 120.1p ↑ 8.2%

59.5p
Dividends per share
2011: 55.0p ↑ 8.2%


15.2%
Energy from non-fossil fuel sources*

50%
Reduction in waste to landfill since 2010*

66.3%
Materials used from renewable sources

75%
Employee Save As You Earn Scheme membership in the UK and 48% of non-UK employees

92,668
Training hours covering 85% of employees

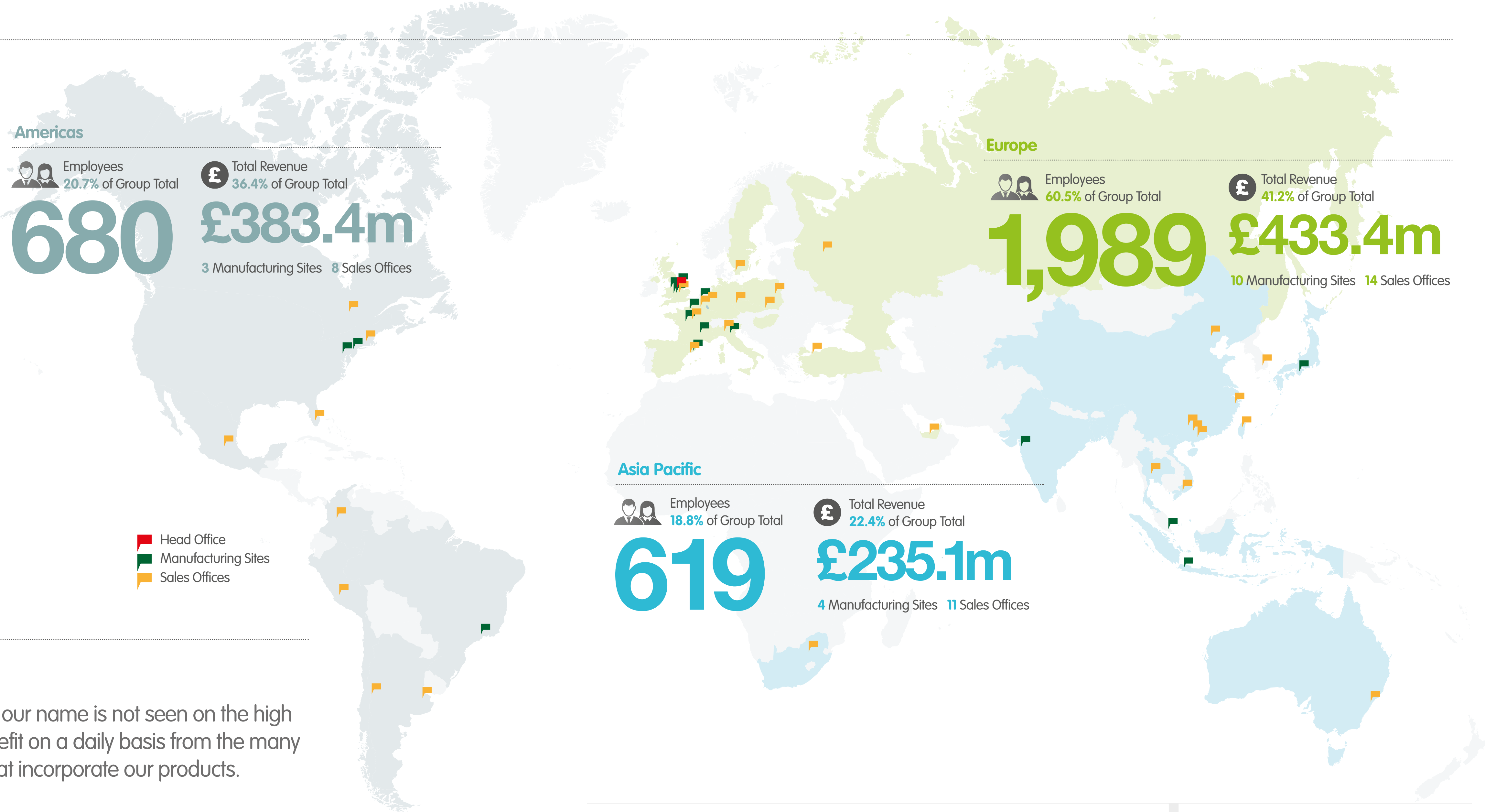
4,541
Employee volunteering hours through our 1% Club

*Continuing operations

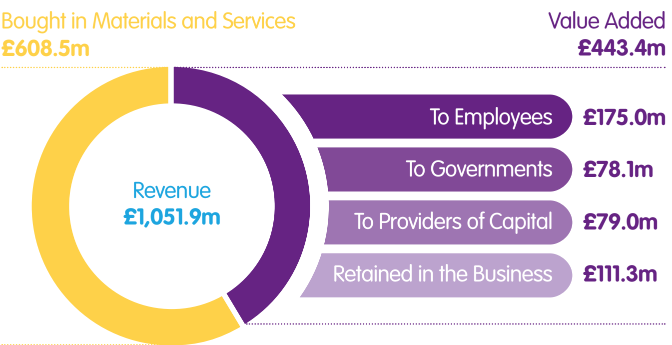
Our Operations

Locations

We are a global organisation with 3,288 employees across 34 countries. By being close to our customers around the world, we have a collaborative approach to business, which allows us to respond quickly and efficiently to unmet needs.



Revenue & Value Added



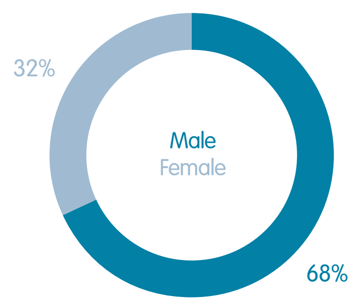
Products & Markets

We are a supplier of speciality chemicals so, whilst our name is not seen on the high street, millions of people throughout the world benefit on a daily basis from the many thousands of consumer and commercial goods that incorporate our products.

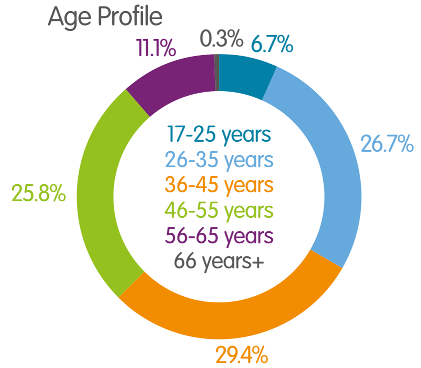
	Consumer Care	Performance Technologies	Industrial Chemicals
Revenue	£586.4m	£382.8m	£82.7m
	55.7% of Group Total	36.4% of Group Total	7.9% of Group Total
Operating Profit	£185.4m	£59.7m	£10.3m
	72.6% of Group Total	23.4% of Group Total	4.0% of Group Total

Employee Overview

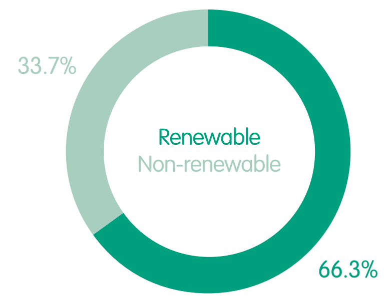
Gender Split



Age Profile



Raw Materials by Source



Chairman's Statement

I am pleased to report another year of strong financial and strategic performance for Croda. This achievement in tough economic conditions demonstrates the resilience of our Consumer Care and Performance Technologies businesses, with both sectors reporting higher profits and a further improvement in margins. Our progress reflects our strategic focus on sustainable growth through continued product innovation in niche markets and increasing investment in new technologies and emerging markets, particularly in Asia and Latin America. In 2012, small acquisitions have added exciting new technologies which will enhance our existing capabilities in key areas.

Turnover from continuing operations increased by **2.3%** to

£1,051.9m

(2011: £1,028.0m)

Pre-tax profit from continuing operations rose by **6.6%** to

£253.2m

(2011: £237.5m)

Full Year Results
Croda again achieved record sales, margins and profits in 2012. Turnover from continuing operations increased by 2.3% to £1,051.9m (2011: £1,028.0m) and operating profit grew by 7.4% to £255.4m (2011: £237.7m), a return on sales of 24.3% (2011: 23.1%). This was driven by strong underlying progress in the two principal business sectors of Consumer Care and Performance Technologies.

Pre-tax profit from continuing operations rose by 6.6% to £253.2m (2011: £237.5m), and earnings per share on the same basis increased by 8.2% to 130.0p (2011: 120.1p).

Sector Performance
Consumer Care sales increased by 2.6% over the year to £586.4m (2011: £571.4m), despite some weakness in the third quarter, while operating profit rose by 8.3% to £185.4m (2011: £171.2m). The return on sales of 31.6% (2011: 30.0%) was a new record for the Group, driven by exciting new product launches. We achieved profit growth in all three business areas, with Crop Care making the strongest progress. Personal Care and Health Care made modest progress despite the tough market conditions for consumer products in Europe.

In our new Performance Technologies reporting segment, sales rose by 2.5% to £382.8m (2011: £373.6m) and operating profit increased by 8.0% to £59.7m (2011: £55.3m). Return on sales improved to 15.6% (2011: 14.8%), representing good progress towards our medium term target of 20%. All business areas achieved underlying sales growth and Polymer Additives, Geo Technologies and Home Care also made strong profit progress, partially offset by slight declines in Lubricants and Coatings & Polymers due to the weakness of their European markets, particularly in the automotive sector.

Industrial Chemicals sales were 0.4% lower at £82.7m (2011: £83.0m) and operating profit declined by 8.0% to £10.3m (2011: £11.2m), a return on sales of 12.5% (2011: 13.5%). This reflected high raw material prices and competitive commodity and textile markets, though we did see an improving trend in the second half of the year.

Acquisitions
While the main driver of Croda's future growth is expected to be innovation generated from within the Group, an important part of our strategy is to enhance our progress through the acquisition of complementary new technologies.

In July 2012, we acquired Istituto di Ricerche Biotecnologiche (IRB) in Italy, the global leader in plant stem cell technology, for a total consideration of €7.7m. The acquisition has been successfully integrated within our Sederma skin care actives business and we have received a very encouraging response to its unique capabilities from our existing customers, with one major multinational client already incorporating an IRB product into a new global product formulation.

In December 2012, we acquired the trade and assets of Innovachem LLC in the US for a total consideration of US$2.8m. This acquisition is an excellent strategic fit for our Personal Care business, adding a number of exciting new patented product lines and technologies to our existing portfolio and enhancing its ability to service customers around the world.

Disposals
In November 2012, we sold our Cremona business in Italy, completing the disposal of the last remaining fatty acid and glycerine plant that we acquired with Uniqema in 2006. These undifferentiated technologies are not Croda's core competence, but our employees had worked tirelessly to deliver value from the site and we were delighted to conclude its sale to an Italian business.

Dividend
Croda is a highly cash generative business, allowing us to maintain a strong dividend policy while also funding significant capital investment in the business and making appropriate bolt-on acquisitions, and at the same time reducing net debt.

Economic uncertainty continues, particularly in Europe, but we have made an encouraging start to the year and the Board is confident that Croda will make further progress in 2013.

In 2011, we announced our intention to increase our dividend payout to between 40% and 50% of sustainable earnings, resulting in a 57.1% increase in our total dividend for 2011. Building on this new base, the Board is now recommending an increased final dividend of 32.75p (2011: 30.25p). Together with the interim dividend of 26.75p (2011: 24.75p) paid in October 2012, this makes a total dividend of 59.5p (2011: 55.0p), an increase of 8.2% for the year. This maintains the payout ratio around the middle of our target range at 46%.

Subject to future trading and the maintenance of a prudent approach to cash and balance sheet management, Croda expects to maintain its progressive dividend policy in the years ahead.

Outlook
Economic uncertainty continues, particularly in Europe, but we have made an encouraging start to the year and the Board is confident that Croda will make further progress in 2013.

Martin Flower, Chairman

Chief Executive's Review

Croda's record results underline the resilience of our unique and highly innovative business model, focused on fast growing niche markets and high value products where we can utilise our global reach.

75% of our UK employees participate in our SAYE scheme or Share Incentive Plan

Croda employs **3,288** people in 34 countries around the world

Business Performance
It has been a busy and very enjoyable first year at the helm as Chief Executive, and I am pleased to report that Croda has again delivered a strong set of results. This was achieved despite a weak macro global environment, driven largely by the European debt crisis, fiscal cliff concerns in the USA and a noticeable economic slowdown in China. The continuing strong demand for our products bears witness to the effectiveness of our strategy, focusing on differentiation, innovation and investment for a sustainable future.

Strategy
We have made significant progress in a number of areas this year. Separating Performance Technologies and Industrial Chemicals has allowed greater management focus in both segments, which is key to a continued improvement in their performance. The disposal of Cremona was an important step forward in making Industrial Chemicals more differentiated and market focused, with a growing emphasis on speciality products. We have created a fully resourced Enterprise Technology group charged with identifying the next generation of technologies and accelerating their capture, and this has already achieved two important successes with the acquisitions of IRB (plant stem cells) and Innovachem (specialised emollients), both with rich patent portfolios which we will consolidate and develop in our Consumer Care sector. To drive even faster growth in the emerging markets of Asia and Latin America, we have bolstered our commercial teams by significantly increasing resource in sales and marketing. We have also started to expand our R&D and manufacturing presence in both regions and this will continue in 2013 and beyond.

Geography
Geographically, underlying sales from continuing operations moved forward in all of our four main regions with the strongest progress being achieved in the USA where sales grew 6% and in Latin America where sales grew by 4%. Sales in Asia were 3% ahead, held back by the slowdown in China and our continued withdrawal from undifferentiated products in both our Performance Technologies and Industrial Chemicals portfolios. Europe held up relatively well given the lower overall market growth and the exchange rate headwinds, particularly acute in the second half of the year, ending the year only 0.5% behind 2011.

Sustainability
During the year, whilst the business has continued to grow, we have made excellent progress in respect of a number of our sustainability targets, notably in our reduced use of energy and water along with a significant reduction in the amount of waste we have sent to landfill. Our separate Sustainability Report provides detailed information on this progress and our continued commitment to sustainability.

We were delighted to receive recognition of our achievements in the latest report from Canadian company Corporate Knights, where we were ranked 25th in the Global Top 100 Most Sustainable Corporations in the World. We were the highest ranking UK based company in this survey, providing independent testimony to the effectiveness of fully integrating sustainability into our approach at all of our operations, both manufacturing and non-manufacturing.

The continuing strong demand for our products bears witness to the effectiveness of our strategy, focusing on differentiation, innovation and investment for a sustainable future.

People
Our people play a vital role in the success of our business. Croda employs around 3,300 people in 34 countries across the world. They all share an overriding commitment to working hard and delivering great results by putting our customers first. We have a terrific talent pool and I look forward to seeing our people grow and develop in the organisation.

Croda's continuing business success depends on our ability to attract and retain outstanding individuals who are passionate about personal and business development, and who want to make a significant contribution to the future of Croda. I am pleased to report that our staff retention rates around the world are at record levels. The fact that we have a highly motivated workforce who want to buy into the Croda story is reflected in the fact that more than 75% of our UK employees participate in our SAYE scheme or Share Incentive Plan, a performance that saw Croda honoured for best overall performance in fostering employee share ownership at the 2012 IFS Proshare awards.

I am grateful to all my colleagues for their contribution both individually and as team players.

Steve Foots, Group Chief Executive

Business Strategy

Our purpose is to be a leading speciality chemical company providing innovative technologies that will give our customers what they want and need to win in their markets.

Our Philosophy

We are a marketing and technology company

We create valuable intellectual property

We work closely in partnership with our customers, utilising our intimate knowledge of their needs, to help them create multi-million and billion pound brands

We make high quality speciality ingredients in world class, flexible manufacturing facilities that allow us to deliver outstanding customer service

Our Strategic Principles

To consolidate our global leadership as the number one supplier of speciality ingredients from natural and sustainable sources to our chosen markets

To target niche markets that are growing rapidly and where customers value our innovation

To supply customers both large and small and to continue to expand our direct selling model globally

To work as one global team to deliver outstanding results

Our Values

We will remain an independent company and operate as one global team

We will remain a "fun", lively, stimulating and exciting place to work, where all employees have the courage to question and all functions and individuals are valued

There will be a place for many styles of leadership, but all leaders will have as their primary objective the building of other leaders

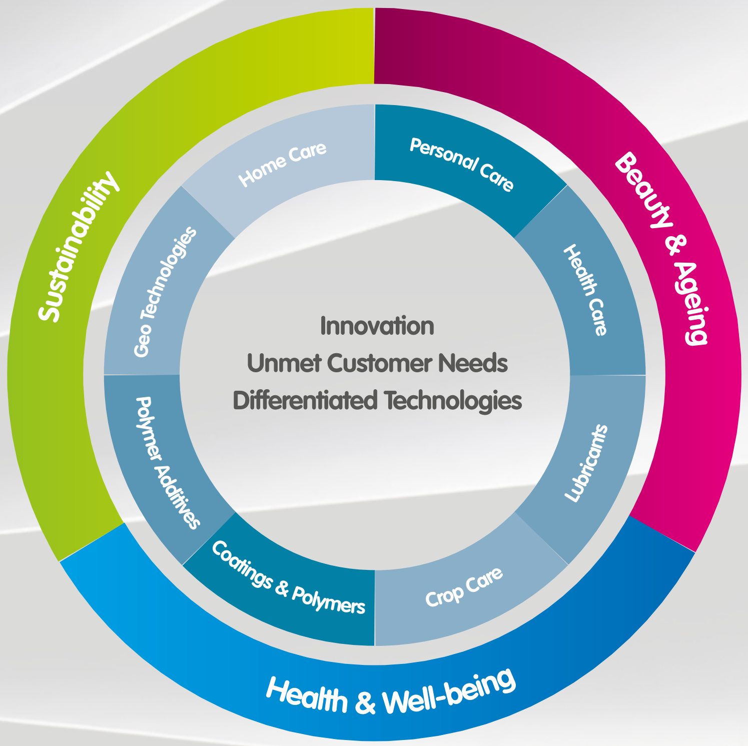
We will achieve our goals through excellent communication, consistent creativity and by setting clear objectives at every level

We will continue to improve

We will continue to be an ethical and responsible company

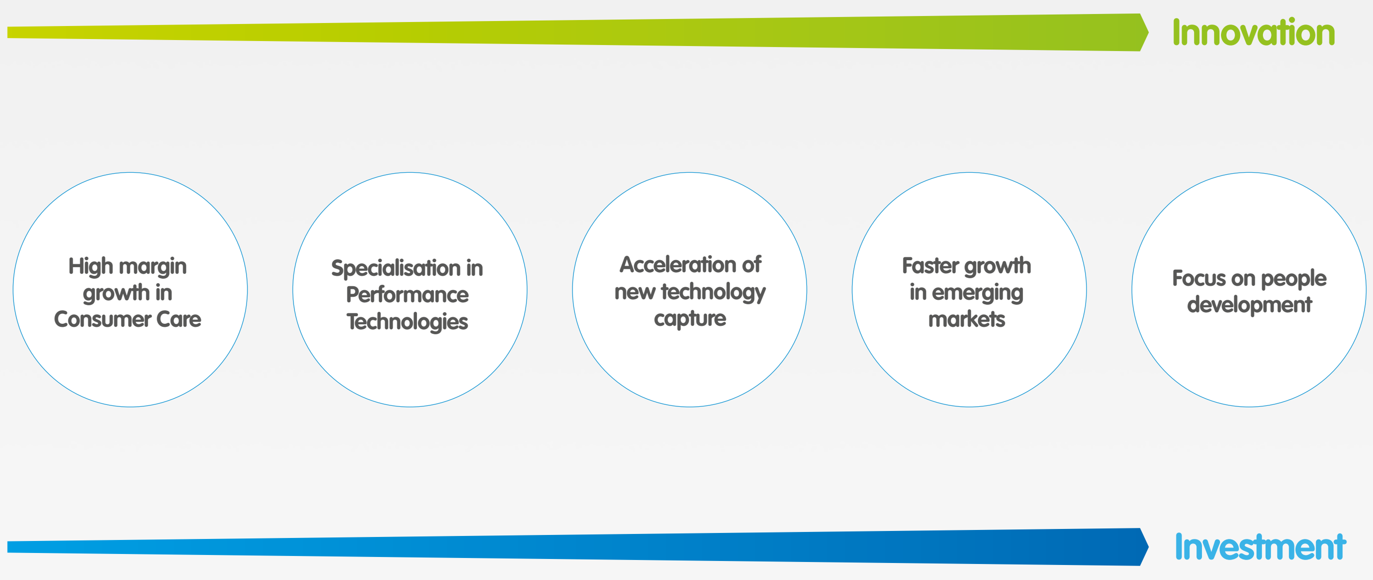
Mega Trends

We have identified three mega trends which will provide the catalyst for our future growth. Sustainability, Beauty & Ageing and Health & Well-being will impact right across our key business areas, and continued innovation coupled with our ongoing focus on naturally sourced raw materials will leave us well placed to take advantage of them.



Key Growth Themes

We have identified five key strategic growth themes that will enable the delivery of our ambitious goals. In each of these, our emphasis will be on relentless innovation and constant investment in our business to drive our continued growth.



Business Segments

We have set the following medium term targets and strategic priorities for our business segments:

	Consumer Care	Performance Technologies	Industrial Chemicals
Our targets	Sales to grow 5-10% pa Maintain current ROS	Sales to grow 4-8% pa ROS 20%	Maximise profitability
Strategic priorities	New technology capture New product and performance claims innovation Emerging market development	Niche market focus Emerging market development Specialisation of resource	Extract value Cost control

Consumer Care

Croda's Consumer Care sector consists of the global businesses in the following markets: **Personal Care, Health Care** and **Crop Care**.

Revenue

£586.4m

↑ 2.6% (2011: £571.4m)

Operating Profit

£185.4m

↑ 8.3% (2011: £171.2m)

Return on Sales

31.6%

↑ 1.6% points (2011: 30%)

Financial Highlights

"The first time in Croda's history that we have achieved a ROS in excess of 31%."

Markets

Consumer Care addresses fast growing niche markets which demand high quality, differentiated and patented technologies and exceptional customer relationships. This is a low volume, high value business. In all markets we are a leading speciality ingredient supplier offering unique performance claims to our customers, often with very small inclusion levels. Our Personal Care business addresses a wide range of sub-markets including hair care, skin care, sun care and colour cosmetics. In Health Care the markets we supply include human pharmaceuticals and dermatology, nutrition, animal health and active pharmaceutical ingredients (APIs). In Crop Care our ingredients bring value-added benefits to herbicides, fungicides and insecticides.

Products

We have extensive product ranges within each of our core sectors. Our business model is set up to supply thousands of products to thousands of customers, offering multiple different solutions for our customers' current and future needs. In many cases our products deliver unique performance benefits in our customers' formulations. In Personal Care our product range includes pentapeptides for skin actives, surfactants for hair care and novel delivery systems and metal oxides for UV filters. Our Health Care range extends from taurates/sarcosinates for oral care to Omega 3 for nutritional and pharmaceutical use, and super refining products for drug delivery. In Crop Care our polymeric dispersants, as well as other inerts and adjuvants, assist the performance of formulations in increasing yields.

2012 Performance

The sector continued to break all records, with sales growing by 2.6% to £586.4m (2011: £571.4m) and operating profit increasing by 8.3% to £185.4m (2011: £171.2m). Our return on sales (ROS) rose by 1.6 percentage points to 31.6%, the first time in Croda's history that we have achieved a ROS in excess of 31%.

It was particularly pleasing to see profit increases in each of the three business areas. Crop Care led the way, driven primarily by the very strong growth of our excipient and adjuvant business in Europe, the USA and Latin America. Health Care saw impressive growth in Latin America and Asia, led by the success of our Super Refining technology, partially offset by a quiet Europe and USA. Personal Care also moved forward with the help of new emerging market sales, led by Asia.

Sustainable, Efficacious Innovation…

IRB by sederma

We were delighted to announce the acquisition of Italian based Istituto di Ricerche Biotecnologiche SpA (IRB) in July 2012, the world leader in developing actives for Personal Care and Health Care applications from plant stem cells. This innovative, sustainable and renewable raw material source complements the product developments of our research team at Sederma, who launched our first product in this arena, Resistem™, in 2011.

IRB has an exclusive, versatile method to use biotechnology for sourcing plant stem cell ingredients from small amounts of leaf, flower and seed tissue. This process allows a truly sustainable path to plant based active ingredients and ensures a total absence of environmental contaminants. Comparative data against conventional agriculture shows a 99.9% decrease in water consumption, guaranteed purity with negligible soil occupation and the total absence of pesticides or other contaminants.

Looking Ahead

All our markets will continue to grow, driven by the rise in global population and consumer spending, and by the positive long term mega trends in beauty and ageing, health and well-being, and the increasing importance of sustainability and environmental protection. We are well placed to capitalise on these trends with a strong pipeline of new products in all areas of the business. Our continuing organic growth in Personal Care will be enhanced by the new Sederma skin actives developed using the cutting edge plant cell culture biotechnology of our IRB acquisition. We have an exciting range of opthalmic excipients in Health Care, while Crop Care will continue to benefit from a strong demand for our polymeric dispersants and adjuvants to help increase crop yields.

Performance Technologies

Croda's Performance Technologies sector consists of **Lubricants, Polymer Additives, Coatings & Polymers, Geo Technologies** and **Home Care**.

Revenue

£382.8m

↑ 2.5% (2011: £373.6m)

Operating Profit

£59.7m

↑ 8.0% (2011: £55.3m)

Sustainable Innovation in Niche Markets

Increasing environmental regulations in Oil & Gas acid fracturing have provided a niche opportunity for our expertise in demulsification. Kemelix™ D510 has outstanding performance in the emulsion prevention that customers require while also increasing efficacy and reducing environmental impact, meeting stringent US environmental regulations.

Markets

The markets for our Performance Technologies businesses possess similar characteristics to those addressed by Consumer Care. In both cases, our customers want differentiated and patented technologies and we focus on numerous, profitable niche market applications. Margins are high, though not as high as in Consumer Care, while volumes are more in the middle of the scale compared with the low levels typical of Consumer Care. In all sub-markets we have leading edge "world class" technologies. Our Coatings & Polymers business supplies additives for industrial and protective coatings; we supply ingredients in polyolefins in Polymer Additives and in Lubricants our products deliver superior performance in several automotive and industrial lubricant niches. Oil and gas is the fast growth segment of Geo Technologies, while in Home Care we supply innovative ingredients to the household, industrial and institutional (HI&I) cleaning industry around the world.

Products

We offer an extensive range of products that is rapidly expanding through our continued innovation. We are the global leaders in polymeric fatty acids for dispersancy, toughening and resin emulsification in Coatings & Polymers. Our Polymer Additives modify the surface of plastics to increase slip and improve clarity and antistatic properties, and include such globally recognised brands as Crodamide™ and Atmer™. In Lubricants, our speciality lubricity esters help to deliver improved fuel economy, energy efficiency and reduced emissions, as well as extending the working life of both equipment and lubricants. Our Geo Technologies business delivers innovative demulsifiers, dispersants and surfactants, while we supply a wide range of speciality surfactants in Home Care.

2012 Performance

The newly created Performance Technologies sector exceeded our expectations in its first year. Sales increased by 2.5% to £382.8m (2011: £373.6m) and operating profit grew by 8.0% to £59.7m (2011: £55.3m). Our return on sales (ROS) rose by 0.8 percentage points to 15.6% (2011: 14.8%). Our strategic aim in this sector is to replicate the success we have achieved in Consumer Care by launching many new products into profitable niche market applications, and these results reflected the good progress that was made during the year. Geo Technologies, Polymer Additives and Home Care all contributed to the strong profit growth of the sector, reflecting our continued product innovation and strong demand from the emerging markets of Asia, Latin America and the Middle East. In Lubricants, weaker sales in Europe outweighed the strong growth achieved in other parts of the world. Coatings & Polymers remained flat.

Looking Ahead

An exciting pipeline of product launches for the year ahead includes new patented technologies in toughening additives for epoxy resins, lubricity improvers for metalworking fluids and new demulsifiers for oil recovery applications. We will also be launching further products in our NatSurf and NatraSense ranges of bio based surfactants in Home Care, along with extensions of our Cirrasol finishes for hygiene products and new developments to promote easier and more effective cleaning. The pace of innovation, and increased activity in the emerging markets of Asia and Latin America, will be the key drivers of our continued growth.

Return on Sales

15.6%

↑ 0.8% points (2011: 14.8%)

The pace of innovation, and increased activity in the emerging markets of Asia and Latin America, will be the key drivers of our continued growth.

Industrial Chemicals

Croda's Industrial Chemicals business serves a variety of important industrial markets with ingredients, additives and processing aids.

Sustainable Construction

During 2012, a unique carbon neutral masonry brick was developed by Encos using a product from our BioStack range. Offering the ability to produce a high performing binder based on renewable biopolymer chemistry, this range provides an innovative route to sustainable new products for the construction industry.

Combined with Encos' patented method of manufacture, the production of these new bricks consumes no water, eliminates waste and uses 80% less energy compared to the construction of traditional clay bricks and brick slips.

Revenue

£82.7m

↓ 0.4% (2011: £83.0m)

Operating Profit

£10.3m

↓ 8.0% (2011: £11.2m)

Return on Sales

12.5%

↓ 1.0% points (2011: 13.5%)

Both sales and profits recovered strongly in the second half after a weak performance in the first half as a result of high raw material prices and intense competition in the commodity and textile markets.

Markets

Our Industrial Chemicals business, reporting separately for the first time this year, addresses a wide range of markets and applications in mostly industrial sectors that are not covered by our more focused Personal Care and Performance Technologies operations. Margins are lower and volumes higher than in our other reporting sectors, and tend to be more volatile as a result of our limited pricing power. The market applications for Industrial Chemicals' additives and intermediates include speciality and performance fibres, chemical manufacturing, advanced materials, performance emulsions, construction, textiles, leather, pet care, rubber and food emulsifiers.

Products

The divestment of Cremona during the year permits Industrial Chemicals to apply more focus on the sale of key Croda speciality ingredients including esters, amides, alkoxylates, polymeric dispersants and sarcosinates. It is also a major seller of polymerised fatty acids, building on the high quality of our products and our long-term relationships with the chemical manufacturers who utilise these building blocks. In Europe, Industrial Chemicals retains the lead role in driving Croda's oleo chemical sales and in maximising our returns on sales of co-products and residues.

2012 Performance

Sales from continuing operations showed a marginal reduction of 0.4% to £82.7m (2011: £83.0m) while operating profit declined by 8.0% to £10.3m (2011: £11.2m), a return on sales of 12.5% (2011: 13.5%). Both sales and profits recovered strongly in the second half after a weak performance in the first half as a result of high raw material prices and intense competition in the commodity and textile markets.

Looking Ahead

The disposal of Cremona and our targeted business development have already made Industrial Chemicals a more market focused business, and this will continue as we increase the proportion of its revenues derived from higher margin specialities that offer real growth potential. We will focus on understanding our customers' unmet needs and delivering speciality ingredients to meet them. Examples in the pipeline for 2013 include new environmentally friendly and carbon neutral products for the building and construction market. Our expertise in emulsification, dispersion, lubrication and wetting is also being applied to the development of new business in hi-tech markets, including the use of micro-particle technology for advanced materials. Coupling increased sales of speciality products with a reduction of our oleo chemical and co-product footprint will enable us to make further progress towards our strategic goal of maximising profitability in this sector.

Financial Review

In a difficult marketplace we have again increased sales, margins and profits despite adverse currency translation. We have strengthened the balance sheet, reducing both net debt and the pension deficit and all our key performance indicators have improved.

Sales

Underlying sales increased by 4.4% in 2012 with a steadily improving trend from the second quarter onwards. Adverse currency translation reduced the headline growth to 2.3% with turnover increasing to £1,051.9m (2011: £1,028.0m). The major element of the currency translation was a fall of 7% in the value of the Euro compared to Sterling.

Pre-tax Profit

Pre-tax profit increased by 6.6% to £253.2m (2011: £237.5m). This was a very good result in the face of tough trading conditions and two significant 'technical' negatives: the adverse currency translation and a £2.1m reduction in the (non-cash) pension funding credit.

We saw sales and profit growth in both Consumer Care and Performance Technologies, achieving our highest ever return on sales figures in each sector.

Operating profit in Consumer Care increased 8.3% to £185.4m (2011: £171.2m). Return on sales increased to 31.6% (2011: 30.0%). All business areas increased operating profit with the strongest growth again coming from Crop Care.

In Performance Technologies operating profit increased 8.0% to £59.7m (2011: £55.3m). Return on sales increased to 15.6% (2011: 14.8%), marking good progress towards our medium term target of 20%. At the business area level, the performance was mixed with strong profit growth in Polymer Additives, Geo Technologies and Home Care but slight profit declines in Lubricants and Coatings & Polymers due in part to their relative exposure to the European motor industry.

Despite a 22.0% year on year profit increase in the second half, Industrial Chemicals saw an 8.0% decline in profit to £10.3m (2011: £11.2m) for the year as a whole. At 12.5% (2011: 13.5%), we exceeded our return on sales target of 5-10%.

Overall, we saw good growth throughout the year apart from the month of September when some customers appeared to use an extended summer break to reduce inventories.

Continuing operating profit for the Group increased 7.4% to £255.4m (2011: £237.7m). The reduced pension funding credit reduced the increase in pre-tax profit to 6.6%.

Earnings per Share

The overall Group tax rate of 30.8% was slightly down from the 2011 level of 31.5% as UK rates reduce. The 2011 buyback reduced the average shares outstanding in 2012 to 134.6m (2011: 135.3m). As a result of these reductions, plus the Group's improved profitability, earnings per share from continuing operations increased by 8.2% to 130.0p (2011: 120.1p).

Discontinued Operations and Exceptional Items

In November 2012, the Group sold its Italian manufacturing assets based at Cremona, along with the associated business, to GreenOleo SpA for a consideration of £3.9m, generating a loss on disposal of £11.5m.

In January 2012, the loan note of £16.1m arising from the sale of the Group's Chicago site was repaid early by HIG Capital, the purchasers of the site. This early settlement gave rise to an exceptional profit of £1.6m.

The environmental provision relating to sites previously occupied by discontinued businesses has been increased by £2.6m in recognition of further information received in 2012 relating to potential future liabilities.

The Group closed its Bromborough site in 2009. During 2012 the final deferred consideration of £0.8m (2011: £1.0m) was received in relation to the disposal of the site. Other exceptional income of £0.3m was received in respect of other dormant sites.

Dividend

The Board is recommending a dividend of 59.5p for 2012, up 8.2% on the 55.0p 2011 dividend. This represents 46% of post-tax earnings, within the 40% to 50% range outlined in our dividend policy statement. Subject to shareholder approval, the final dividend will be paid on 31 May 2013 to all shareholders on the register on 3 May 2013.

Debt and Liquidity

Net debt reduced by £23.4m to £207.7m (2011: £231.1m) despite making £25.2m deficit reduction contributions to the pension fund and paying £76.8m to shareholders in dividends.

We have around £204m headroom against our committed facilities. We have improved our performance versus our two key bank covenanted ratios. Net debt/EBITDA has reduced to 0.7 times (2011: 0.8 times) against a covenant of <3 times. EBITDA interest cover increased to 36.8 times (2011: 33.5 times) against a covenant of >4 times. Our core bank syndicated facility expires in May 2015.

Capital Expenditure

We spent £52.3m on capital expenditure in 2012 (2011: £58.3m). At 1.6 times depreciation this was below our plan for the year. Part of this difference is the phasing of project spend. For 2013 we aim to spend around £70m. Major projects in the year included the acrylic polymer plant in Rawcliffe Bridge, significant capacity expansion in the US and Singapore and a new warehouse and offices in Germany.

Retirement Benefits

The pension deficit reduced by £33.1m to £165.8m (2011: £198.9m). The main reason was the £25.2m Company contribution to the funds (including £20.4m in the UK as part of the deficit reduction schedule agreed following the triennial valuation). The value of the investments also increased due to an improvement in equity markets. We made some changes to the IAS19 assumptions to bring them in line with market norms. The net financial impact of changes in actuarial assumptions on the Group's pension deficit, including a slight reduction in discount rates, was relatively small. We have agreed to pay £38.4m into the UK fund in 2013, falling to around £20m per annum thereafter.

Financial KPIs

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

	Target	2012	2011 As reported
Return on sales	Δ	24.3%	23.1%
EPS growth	+5-10%	+8.2%	+28.4%
Post tax ROIC	>WACC*†	23.8%	23.7%
Debt/EBITDA	<3x	0.7x	0.8x
EBITDA interest cover*	>4x	36.8x	33.5x

ΔSeparate targets for Consumer Care (maintain at current levels) Performance Technologies (achieve 20% in medium term) and Industrial Chemicals (maximise profitability).
†WACC: Weighted average cost of capital. 2012 average 6.8% (2011: 7.8%)
*excluding IAS 19 credit

We made further significant progress this year towards our medium term target for Performance Technologies of 20% return on sales. All other targets were again achieved in 2012.

Sean Christie, Group Finance Director

Pre-tax profit increased **6.6%** to

£253.2m

(2011: £237.5m)

Return on sales up to

24.3%

(2011: 23.1%)

Risk Management

Risk Management and Internal Control

Effective management of risks and opportunities is essential to the delivery of the Group's strategic, sustainability and financial objectives, ensuring that the Group delivers value to the shareholders, protects its reputation and meets the requirements of good corporate governance. Croda is committed to the effective management of key business risks throughout the organisation.

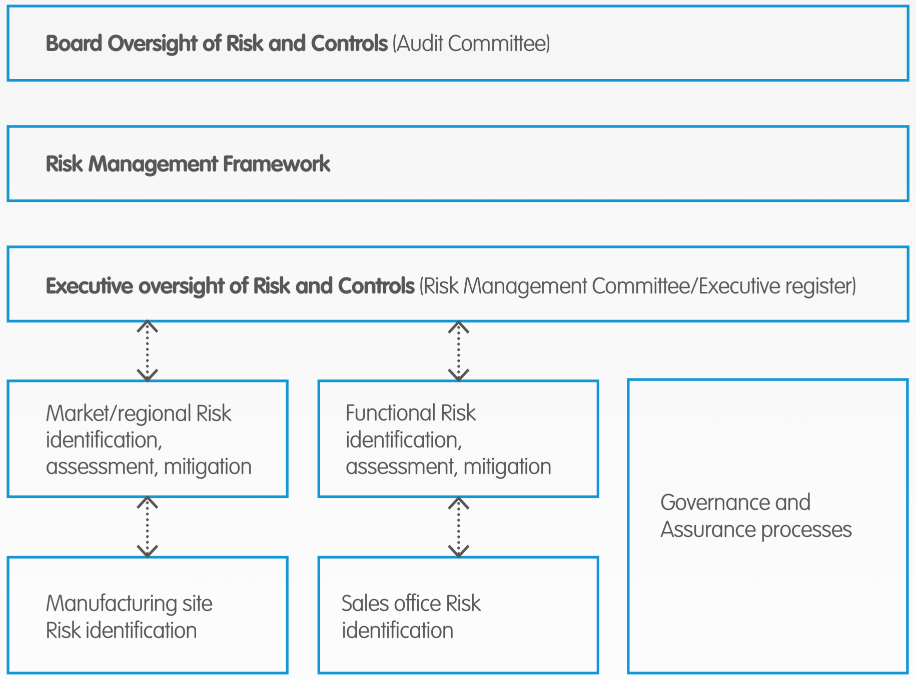
Our Risk Management Approach

The Group co-ordinates its global approach through the Risk Management Committee which meets quarterly and reports directly to the Board via the Audit Committee. The Risk Management Committee is chaired by the Group Finance Director and comprises the Regional Presidents, the President of Global Operations, the Chief Technology Officer, the Group Financial Controller and the Group General Counsel and Company Secretary, with the Group Risk and Control Manager in attendance.

The responsibility for risk identification, analysis, evaluation and mitigation rests with management at:

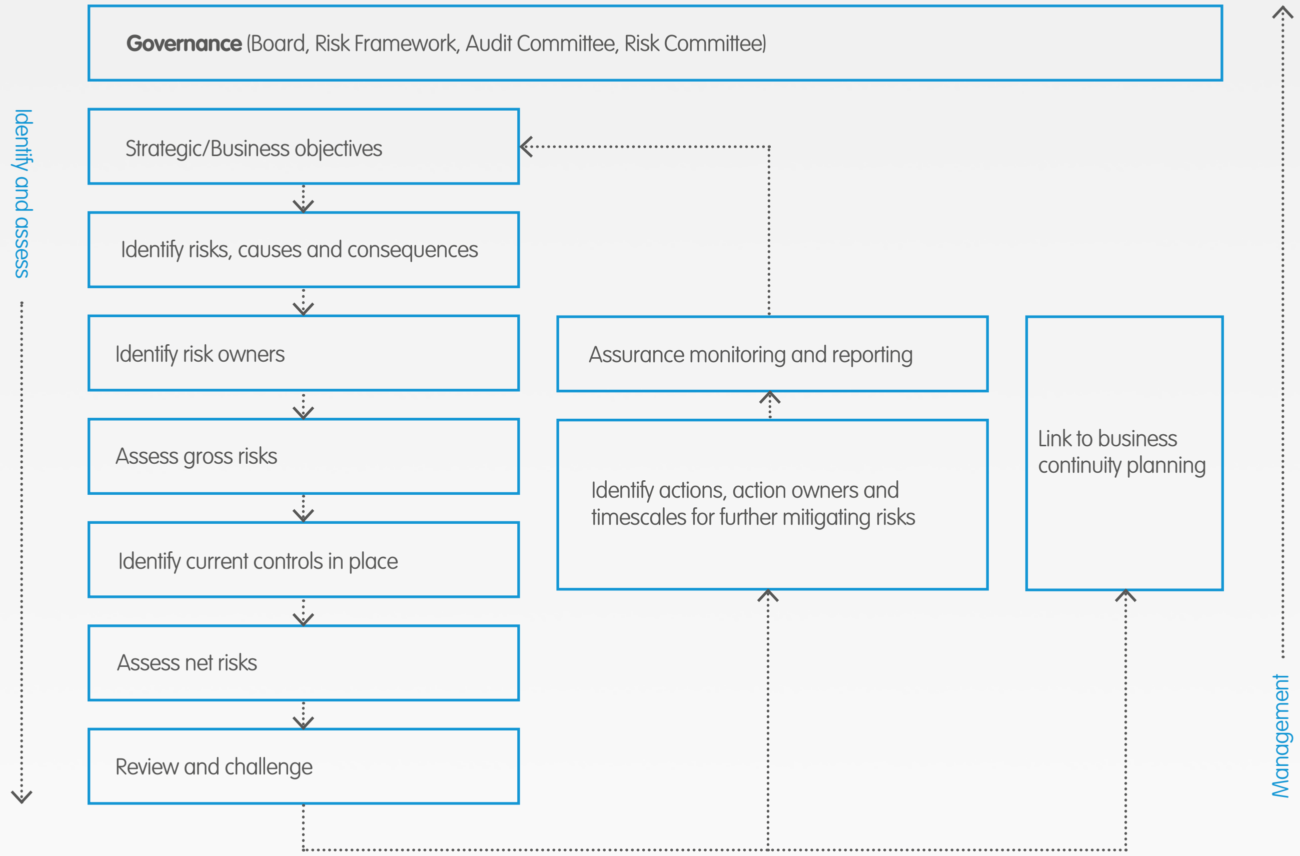
- Manufacturing sites and sales offices (review at least annually)
- Regional and functional level (review at least half yearly)
- Executive level (review quarterly)

These registers are reviewed and consolidated to ensure there is a comprehensive view of the material risks facing the Group, along with the controls in place to mitigate these risks.



Our Risk Framework

The risk register format, risk scoring and risk categories (which cover strategic, external environment, business systems, people and process and financial) are defined centrally in the Risk Management Framework. Each risk at every level must have an owner who is responsible for monitoring and managing the risk.



Activities During the Year and Priorities for 2013

The Audit Committee received a report from the Risk Management Committee at each meeting. The Group's highest risks were discussed and the adequacy and assurance over mitigating controls were reviewed. The Audit Committee received a summary of the findings from internal audit at each meeting, and of the key issues arising. More information on the activities undertaken by the Audit Committee is contained in the Corporate Governance section on page 36.

The Risk Management Committee undertook a full review of the bottom up risks from all risk registers against the identified key risks, as it does at least annually. Emerging risks were considered at each meeting, and a nominated member of the Committee is responsible for ensuring that best practice is followed in monitoring and addressing each of the key risks. Risk presentations were received by the Committee relating to IT security, innovation, implementation of new IT systems and the management of risks in the Acrylic Polymer plant project. In 2012 two risks have risen up the Executive Risk Register as a result of these reviews and are now included in the summary of key risks below.

Internal audit have visited sites based on an audit plan agreed with the Audit Committee to provide assurance over key controls in operation. Each site performs an annual self-assessment of their control environment against Group defined key controls. Our own in house Group SHE audit team have undertaken safety health and environmental related audits throughout the year.

An integrated assurance mapping exercise is currently in development which clearly links the three levels of assurance and the origin of that assurance against controls over the key business risks, as well as identifying in one document the work of all the assurance providers operating throughout the Group. This will be used to ensure that assurance is neither duplicated nor are there gaps in assurance provision.

Risk Management

Key Risks Identified by the Group

The nature of the industry in which we operate and our chosen strategy, expose the Group to a number of risks. The Board has considered the nature and extent of the key risks and these are summarised in the table below.

Risk	Description and Impact	Mitigation
Strategic		
Product and technology innovation	Croda operates in competitive markets in which product innovation is key to our success. Failing to deliver innovation could result in a lack of competitive products and erosions of margins and/or loss of market share.	We operate an open innovation model where we look to complement internal innovation with customer and market driven external innovation. This is achieved through a global network of relationships with academic and industrial centres of excellence.
Merger and acquisition strategy	The Group has experienced growth through acquisitions and continues to pursue acquisitions to meet its strategic objectives. Whether the Group realises the anticipated benefits from these acquisitions depends on the integration of the acquired businesses and their performance in relation to the Group's acquisition expectations.	The Group has established policies and processes in place to manage the acquisition process, integrate acquired businesses and monitor performance.
Loss of market share to competitors	Croda's core markets are subject to increasing competition. Loss of business to competitors resulting from failure to consider changes in established markets could have an adverse effect on Croda's financial position.	The Group has specialised commercial sales teams globally and a commitment to protect existing business with competitive and considered pricing policies.
Failure to grow position in emerging markets	One of our key strategic aims is for rapid growth in emerging markets. Failure to deliver on this objective may have an adverse effect on Croda's growth.	Resource levels in sales, marketing and research are being increased in the fastest growing regions. We are also committed to moving manufacturing closer to our target customers in these regions.
External Environment		
Product liability	Croda sells into a number of highly regulated markets. Non-compliance with quality regulations could expose the Group to liability and reputational damage.	Quality management procedures are in place for each site, and all manufacturing sites hold ISO9001 standards. Major sites have also been audited against GMP (Good Manufacturing Practice) standards.
Compliance with global chemical regulatory requirements	As a global chemical producer, Croda operates in a highly regulated environment. Violation or incomplete knowledge of the appropriate regulations could limit the markets into which we can sell, or subject the Group to fines or penalties.	Our Group regulatory team continue with the next phase of REACh product registration which remains the most significant chemical legislation change facing the Group.

Risk	Description and Impact	Mitigation
People and Process		
Major site event involving the loss of a site	Significant operational problems could have an adverse effect on Croda's financial position. We are reliant on the continued operation of our manufacturing sites.	Strict internal safety and maintenance programmes are operated which are audited by our Group SHE internal audit team. Business continuity plans are in place.
Major environmental incident	Violations of safety, health and environmental regulations could limit operations and expose the Group to liability, cost and reputational impact.	In addition to maintaining compliance with national and international safety standards, we maintain strictly audited internal safety and health programmes.
Interruption of raw material supply	Interruption in the supply of key raw materials would significantly impact operations and our financial position. Interruption of supply could arise from implementation of new, more rigorous legislation or from market shortage.	Wherever possible we multi source our key raw materials and/or we purchase them under medium to long term contracts. We manage our raw material stock levels taking these considerations into account.
Employees and the recruitment and retention of high quality staff	We rely on knowledgeable and specialised employees throughout the Group whose vision and experience is critical to maintaining the Group's success. The lack of an appropriately skilled workforce could adversely impact the Group's ability to perform in line with expectations.	We have procedures in place to identify and retain key employees and to develop succession plans for key positions, including a Global Talent review process. People development programmes are in place. Remuneration policies are in place to reward and motivate staff.
Business Systems		
IT systems and security failure	Croda relies heavily on IT systems and infrastructure to operate effectively and efficiently and to facilitate communication globally. Failure of these systems for a prolonged period of time will have an impact on operations and ultimately our financial position.	We have a global IT group who are very experienced in network and system security management and in project management. Key systems run on a high availability mirrored hardware and there are documented and tested recovery plans for key locations.
Financial		
Management of pension fund assets	Croda has legal commitments relating to the provision of pensions and the operation of our pension schemes. In volatile market conditions, increased future funding requirements may have an adverse effect on Croda's financial position.	The Group's pension schemes are overseen by the Trustees of the funds who take professional actuarial and investment advice as necessary. Trustees have the required skills as a result of experience and training, and where appropriate the Group will appoint professional trustees to its schemes.
Currency exchange rate movements	The global nature of the Group's business exposes it to volatility in currency exchange rates which could have an adverse impact on Croda's financial position.	We maintain a strategic spread of manufacturing assets and geographic markets which itself limits currency exposures. The Group hedges its currency exposure on accounts receivable and payable where appropriate. Speculative hedging is prohibited.

This year working capital management risk has been removed from the list of key risks in the light of the lower risk levels. Risks which have risen up the risk register are loss of market share to competitors and failure to grow position in emerging markets.

The Group faces other risks which are subject to regular review, but which have been assessed as lower risk and are therefore not included here. Some risk factors remain beyond the direct control of the Group and the risk management programme can only provide reasonable but not absolute assurance that key risks are managed to an acceptable level.

Our Sustainability Approach

Management & Governance

Sustainability underpins our business strategy, playing a holistic role across our business.

Implemented through our CSR activities, we ensure that the Material Issues of our business and key stakeholders are addressed as part of our sustainability strategy.

Our CSR Department is a corporate function and part of our dedicated CSR Steering Committee, who report directly into our Group Executive Committee and subsequently the Board. This is via an Executive Committee member who sits alongside the CSR Steering Committee Chairman.

Responsible for developing and supporting the implementation of our sustainability strategy and targets, our CSR Steering Committee consists of four Pillar Owners who are senior managers with expertise in one of our Four Pillars: Environment, People, Partners and Neighbours. Reflecting our overall business management approach, we also have four Regional Representatives who are supported by Regional CSR Steering Committees to ensure that our sustainability strategy, targets and progress are communicated and supported around the world.

We continually monitor and report progress against our targets to the Group Executive Committee. Our annual results, covering economic, social and environmental performance are communicated through our Annual Report & Accounts, Sustainability Report, online GRI response, CDP disclosure and on our website at www.croda.com. This open and transparent reporting ensures that our stakeholders are kept informed of our CSR activities and can see how our sustainability strategy is safeguarding our future.

Sustainability Strategy

We manage our business across the triple bottom line, as a product or service can only be considered truly sustainable when the demands of economy, environment and society are met. We will continually strive to align our operations with this strategy.

Our sustainability strategy is underpinned by our mission to:

- continue innovating to improve our products and processes by minimising their effect on the environment, whilst maximising the efficient use of all resources;
- safeguard the responsible management of our raw materials and products both up and down our supply chain;
- invest in truly global and profitable innovation where we will have long term growth;
- comply with all legislative requirements and, when appropriate, set our own more demanding standards;
- set consistent standards across all operations, so as to provide a safe and healthy environment in which to work;
- foster open and comprehensive dialogue with all stakeholders and work cooperatively to address our Material Issues;
- provide development opportunities for all employees to reach their full potential; and
- ensure fair and equitable employment conditions, providing a stimulating working environment based on respect and partnership.

To ensure that our sustainability strategy is well informed, we use our risk management framework, stakeholder engagement and strategic discussions with our Group Executive Committee to define our Material Issues.

Each Material Issue has a clear management approach within the business to establish clear strategy development, performance management and implementation responsibilities.

For more information see our 2012 Sustainability Report or visit www.croda.com/csr

Materiality

Our Materiality Matrix, established in 2011, maps the most significant issues that will affect the long term success of our business against their importance to our stakeholders.

Managed through our Four Pillar approach, we have six Material Areas and 18 Material Issues. CSR targets have been set with our Group Executive Committee to ensure that progress is made in addressing our Material Issues, which ultimately supports our sustainability strategy.

Our materiality and targets are reviewed on an annual basis at a Strategic Review Meeting between the CSR Steering Committee and our Group Executive Committee. As a result of this meeting in 2012, we have broadened our previous Landfill Waste Material Issue to Land Impact in order to reflect our growing focus on biodiversity. We have also redefined Ethical Supply Chain to incorporate product stewardship and product quality, and all three Community Material Issues have been revised to provide a better illustration of the community impact and resulting business benefit.

During 2012, particular focus was placed on two Material Issues following a risk review; responsible supply chain management and consistent community engagement. Increased communication and interaction with our suppliers, customers and community groups through our management of Corporate Stakeholders and Community ensured that we can report progress in these areas.

Our Material Issues

Environment
1. Air Quality & Climate Change
2. Water Quality & Supply
3. Land Impact

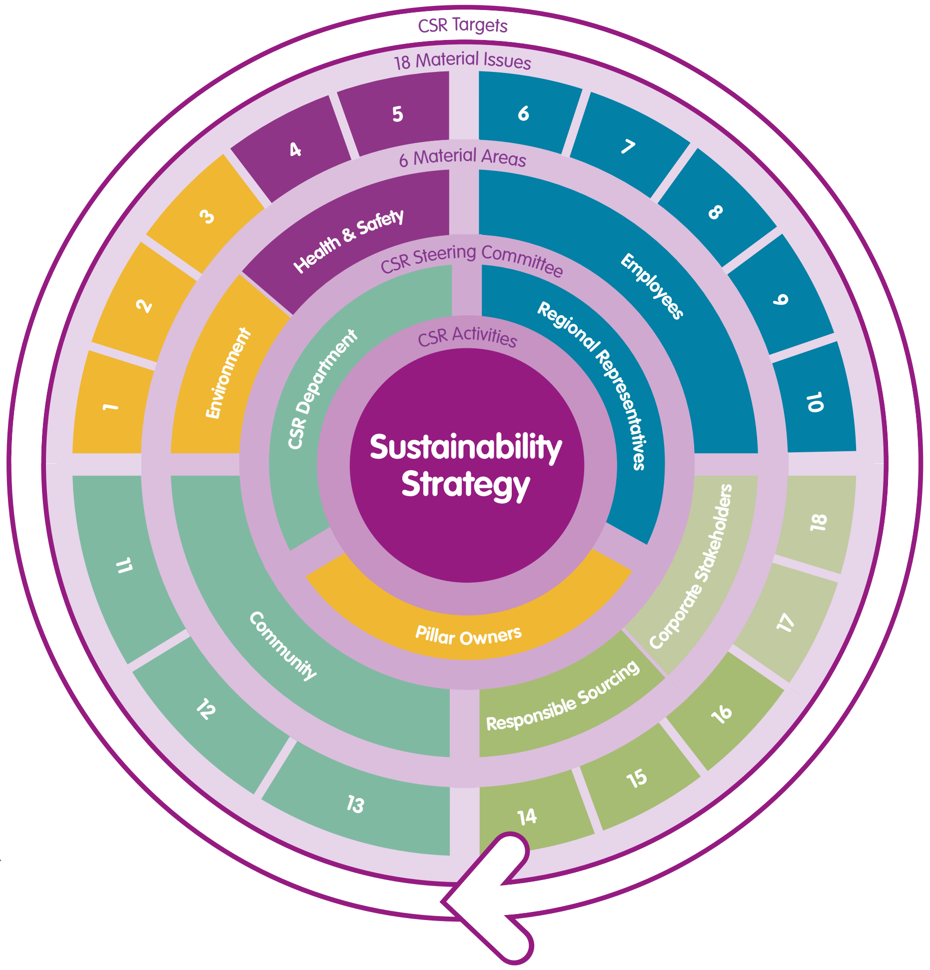
Health & Safety
4. Process Safety Management
5. Occupational Health & Safety

Employees
6. Recruitment & Retention
7. Compensation & Benefits
8. HR Policies & Systems
9. Talent Management & Employee Development
10. Performance Management

Community
11. Community Communication
12. Community Involvement
13. Community Education

Responsible Sourcing
14. Renewable Raw Materials
15. Responsible Palm Oil Sourcing
16. Product Data Gathering

Corporate Stakeholders
17. Corporate Stakeholder Engagement
18. Ethical Supply Chain



Environment

As an environmentally responsible company, we have established an effective means of managing the Material Issues of Air Quality and Climate Change, Water Quality and Supply and Land Impact. From our baseline year of 2010, we set five year targets to focus our efforts as we continually work towards reducing greenhouse gas (GHG) emissions and our impact on the increasingly stressed resources of water and land.

Material Issues

Air Quality & Climate Change

To reduce the emissions of greenhouse gases to the environment from our manufacturing sites to ensure that we progress towards more sustainable operations

Water Quality & Supply

To minimise the environmental burden arising from water usage and waste water discharges from our manufacturing sites

Land Impact†

To mitigate the environmental burden our activities place on land, water and air by seeking to preserve biodiversity and phase out the disposal of waste to landfill

Key Highlights

15.2%

Group energy from non-fossil fuel sources

572,000m³

Water reduction, equivalent to **240** Olympic swimming pools*

5.4%

Reduction in energy consumption*

50%

Reduction in waste sent to landfill, equivalent to over **120** truck loads

* Compared to 2010
† Previously Landfill Waste

For more information see our 2012 Sustainability Report or visit www.croda.com/csr

Health and Safety

We recognise the major business risk associated with the poor management of process risks, which is why Process Safety Management is placed at the top of our list of priorities. Occupational Health and Safety is just as important, requiring the sustained commitment of all employees to comply with legislation and our own high standards. We are dedicated to developing a competent workforce who take responsibility for the safety of our operations.

Material Issues

Process Safety Management

To reduce risks associated with all of our chemical processes to a point deemed to be as low as reasonably practicable (ALARP)

Occupational Health & Safety

To reduce the frequency of injuries to all of those who work at our operations to a level compatible with the top quartile of peer companies, with an aspiration goal of zero harm

Key Highlights

13

Point Quality Criteria for PRAs† implemented

½

Lost time injury rate well below the industry average*

*Most recent Cefic Responsible Care™ data
† Process Risk Assessments

Responsible Sourcing

The foundation of our business rests upon natural ingredients, with such a large percentage of our raw materials originating from renewable sources. Our new product developments also foster this principle, whilst meeting the demands of our customers and the stringent safety standards within our industry. This goes hand in hand with sustainable supply, which is why we continue to be strong advocates for the responsible sourcing of palm oil and its derivatives. To ensure that we make fully informed decisions, we place growing importance on the management of the increasing amounts of data regarding our products and processes.

Material Issues

Renewable Raw Materials

To ensure that our product portfolio is sustainable and to dedicate new product development to meeting our customer needs in this area

Responsible Palm Oil Sourcing

To fully support sustainable palm oil (PO) and palm kernel oil (PKO) and to keep working with the industry to secure a sustainable source of derivatives

Product Data Gathering

To ensure that we are leaders in the quality and quantity of product data to support all future customer needs and to allow further in depth sustainability analysis of our products internally

Key Highlights

66.3% of our raw materials originate from renewable sources, making us industry leaders

100% of PO and PKO used in 2012 supported sustainable palm oil

30% of new products originate from **≥99%** renewable raw materials

For more information see our 2012 Sustainability Report or visit www.croda.com/csr

Employees

Our employees are integral to our business success. Our HR teams, in conjunction with business leaders, ensure that we have an effective framework for recruiting, developing and retaining employees in a fair and supportive environment across all of the countries in which we operate. Our global HR Strategy builds on existing HR systems, policies and procedures across our five employee Material Issues.

Material Issues

Recruitment & Retention

To attract, recruit and retain high calibre employees to support our objectives and changing business requirements

Compensation & Benefits

To ensure that our compensation and benefits packages enable us to attract, recruit and retain key talent

HR Policies & Systems

To operate streamlined, fair and coherent employment policies and systems

Talent Management & Employee Development

To offer a wide range of development opportunities to enable our employees at all levels to gain the skills, competencies and experience necessary to attain individual, team and organisational goals and expectations

Performance Management

To instil a high performance culture through an integrated and consistent approach to performance management

Key Highlights

25th Anniversary of the Croda Graduate Programme

60% of our employees have access to company funded health checks

100% of new employees completed an induction during their first six months

Corporate Stakeholders

We are committed to upholding ethical and sustainable standards across all of our operations, and within our supply chain, to meet and exceed the expectations of others. By actively engaging with our key stakeholders, we are able to target the economic, environmental and social issues with the potential to affect the long term success of our business. Our proactive approach to sharing and developing our expertise, both within our industry and in areas relating to our Material Issues, sees us working with many different organisations to continuously improve product safety and quality.

Material Issues

Corporate Stakeholder Engagement

To have open, ongoing engagement with all key stakeholders to identify and review the Material Issues for our business and all our partners, thus ensuring that we take appropriate action

Ethical Supply Chain

To continually strive to increase engagement and standards within our supply chain to ensure that it is ethical and sustainable, so as to meet the future needs of our business

Key Highlights

Global Customer Sustainability Survey

Revised Supplier Code of Conduct sent to over **10,000** companies

Checking our Materiality with key stakeholders

For more information see our 2012 Sustainability Report or visit www.croda.com/csr

Community

Interaction with local communities has always been a major part of our culture. We are aware that our activities have a direct impact on the communities surrounding our operations, particularly our manufacturing sites and large offices. Our mission is to ensure that our proactive, engaging approach to community communication, involvement and education enhances our relationships and supports our local communities, whilst also improving employee morale and skills.

Material Issues

Community Communication

To develop relationships with the communities in which we operate through effective communication regarding our business operations and, in doing so, ensure that we consider local concerns to gain support for business growth

Community Involvement

To put community communication into action in order to deliver real benefits to the communities in which we operate and, in doing so, enhance the performance of our employees and support the recruitment needs of our business

Community Education

To raise the profile of science, technology and engineering by providing community education and training opportunities relevant to the communities in which we operate and, in doing so, enhance our brand and reputation, as well as develop employee skills

Key Highlights

4,541
1% Club volunteering hours, equivalent to c.£80,000

More than one in five employees used 1% Club time

314
Reported meetings with local community groups

Board Profiles

Martin Flower

Steve Foots

Sean Christie

Keith Layden

Martin Flower, Chairman

Appointment: Appointed to the Board in May 2005 and became Chairman at the end of September 2005.
Key strengths and experience: Considerable board and international experience and a broad knowledge of strategic management. Martin formerly held various senior executive positions over 36 years with Coats plc, culminating in a period as Chairman before his retirement in 2004, and he was Deputy Chairman and Senior Independent Director of Severn Trent Plc until June 2006. In 2010 he retired as Chairman of Autogrill Holdings UK Plc (formerly Alpha Group Plc).
External appointments: Chairman of Low & Bonar PLC and Senior Independent Director of The Morgan Crucible Company plc.
Committee membership: Chairman of Nomination Committee, member of Remuneration Committee.

Sean Christie, Group Finance Director

Appointment: Appointed to the Board as Group Finance Director in April 2006.
Key strengths and experience: Extensive experience in financial management and acquisitions and disposals. Sean previously held a number of senior finance positions in Northern Foods Plc and was Group Finance Director from 1996 to 2004. He was a Non-Executive Director of KCOM Group plc for eight years until 2007 and a Non-Executive Director of Cherry Valley Farms Ltd from 2006 until the company was sold in 2010.
External appointments: Appointed as a Non-Executive Director of Eminate Limited, a developer of intellectual property and a wholly owned subsidiary of The University of Nottingham, in November 2012.
Committee membership: Chairman of Risk Management Committee, member of Group Executive Committee and Finance Committee.

Steve Foots, Group Chief Executive

Appointment: Appointed to the Board in July 2010 and became Group Chief Executive at the beginning of 2012.
Key strengths experience: Strong business, operation and strategic leadership and wide ranging sales and marketing experience. Steve joined Croda as a graduate trainee in 1990 and has held a number of senior management positions in the Group, becoming President of Croda Europe in July 2010. Prior to this, Steve held a number of Managing Director roles across Croda's European business.
Committee membership: Chairman of Group Executive Committee and Finance Committee, member of Nomination Committee and Remuneration Committee.

Keith Layden, Chief Technology Officer

Appointment: Appointed to the Board as Chief Technology Officer in February 2012.
Key strengths and experience: Deep understanding of chemical innovation and broad operational and management experience. Keith joined Croda in 1984 and since 2004 has been President of Croda's Enterprise Technology and Actives businesses. Prior to this he held a number of Managing Director roles across Croda's European business.
External appointments: Keith currently represents Croda as a member of the advisory board for chemistry at the Universities of Newcastle, Nottingham and York and is a member of the Innovation Strategy Board for Chemistry Innovation and the Industrial Biotechnology Leadership Forum. Keith is a Representative of the Council of the Learning and Teaching Committee, University of Sheffield and a member of the Industry and Technology Division Council, Royal Society of Chemistry.
Committee membership: Member of Group Executive Committee, Risk Management Committee and Group SHE Steering Committee.

Tom Brophy, Group General Counsel and Company Secretary

Appointment: Appointed as Secretary to the Board in December 2012.
Responsibilities: Tom is a solicitor and has responsibility for legal affairs, corporate governance and insurance. Tom spent seven years at Wolseley plc in a number of legal roles, including as Deputy General Counsel and Company Secretary. Before then he worked as a corporate lawyer at City law firm, Hogan Lovells.
Committee membership: Secretary to the Audit, Remuneration and Nomination Committees. Member of the Group Executive Committee, Risk Management Committee and Group SHE Steering Committee.

Stanley Musesengwa

Nigel Turner

Steve Williams

Alan Ferguson

Stanley Musesengwa, Non-Executive Director

Appointment: Appointed to the Board in May 2007.
Key strengths and experience: Considerable operational experience in global manufacturing, sales and marketing. Stanley joined the Tate & Lyle Group in 1979 as a refinery manager and subsequently performed a number of different roles in Africa, before becoming Regional Director, Tate & Lyle Africa in 1995. In December 1999 he was appointed Group Chief Executive Officer of Tate & Lyle Europe. He was appointed to the Tate & Lyle Board in April 2003 and took up the position of Chief Operating Officer on 1 May 2003 until his retirement in 2008. Prior to that Stanley worked for Nestlé.
Committee membership : Chairman of the Remuneration Committee and member of Audit and Nomination Committees.

Steve Williams, Non-Executive Director

Appointment: Appointed to the Board in July 2010.
Key strengths and experience: Extensive industry, legal and board experience. Steve was General Counsel and Chief Legal Officer of Unilever plc and Unilever NV from 1986 until 2010. Prior to this he spent 11 years at Imperial Chemical Industries PLC as a commercial lawyer and Assistant Secretary. From 2004 until 2010 he was Senior Independent Director of Arriva plc. From 1995 until 2004 he was a Non-Executive Director of Bunzl plc.
External appointments: Since 2008 he has been a Non-Executive Director of Whitbread PLC where he is also the Senior Independent Director. In addition Steve is a Non-Executive Director of Eversheds LLP, an international law firm, and a senior advisor to Spencer Stuart LLP. He is Chairman of the De La Warr Pavilion Charitable Trust and a member of the Board of Leverhulme Trust and of Moorfields NHS Trust.
Committee membership: Member of Audit, Remuneration and Nomination Committees.

Nigel Turner, Non-Executive Director (Senior Independent Director)

Appointment: Appointed to the Board in June 2009 and was appointed Senior Independent Director in August 2011.
Key strengths and experience: Considerable City experience having spent over 35 years as a corporate financier in the UK and USA. Most Recently Nigel was the Chairman of Numis Securities Ltd and Deputy Chairman of Numis Corporation plc from December 2005 until his retirement in November 2007. From 2000 until 2005 he was with ABN AMRO responsible for Global Corporate Finance and Global Equities Divisions. Between 1985 and 2000 he was with Lazard Brothers in London and New York where he was Managing Director and a member of the Supervisory Board of the Lazard Group.
External appointments: Senior Independent Director of Genus plc since 2008.
Committee membership: Member of Audit, Remuneration and Nomination Committees.

Alan Ferguson, Non-Executive Director

Appointment: Appointed to the Board in July 2011.
Key strengths and experience: Extensive international financial management and board experience gained in a broad range of industries. Alan was Chief Financial Officer and a Director of Lonmin Plc until December 2010. Prior to that he was Group Finance Director of The BOC Group until it was acquired by the Linde Group in 2006. Before then he spent 22 years in a variety of roles at Inchcape plc, including 6 years as Group Finance Director from 1999. Alan is a Chartered Accountant.
External appointments: Has been a Non-Executive Director of Johnson Matthey PLC since January 2011 and was appointed as a Non-Executive Director of The Weir Group PLC in December 2011. He chairs the Audit Committes at both these companies.
Committee membership: Chairman of Audit Committee and member of Remuneration and Nomination Committees.

Corporate Governance

Dear Shareholder,

The Board is committed to high standards of corporate governance and to complying with the provisions of the UK Corporate Governance Code (the "Code") and I am pleased to report that except in one limited respect, the Company has complied with the UK Corporate Governance Code for the period under review. The Board is accountable to the Company's shareholders for good governance and this report, together with the Directors' Remuneration Report, set out on pages 42 to 56, describes how the main principles of governance set out in the Code have been applied by the Company.

Following the appointment of Steve Foots as the Company's Group Chief Executive in January 2012, in February 2012 Keith Layden was appointed to the Board as Chief Technology Officer. In support of the Group's strategy of innovation, Keith is responsible for the Enterprise Technology Group, charged with identifying the next generation of technologies and accelerating their capture.

Relationships at Board level were further strengthened during the year and both Steve Foots and I have fostered an open atmosphere in the boardroom where all the Directors are encouraged to engage in challenging but constructive debates on important issues and strategic areas.

An externally facilitated Board effectiveness review was conducted during the year in line with the requirements of the Code. The overall feedback from the review indicated that the Board and its Committees are operating well and the composition of the Board reflects a good range of appropriate skills and expertise. I have created an action plan for the Board following the review and personalised development plans for each Non-Executive Director. The review process, together with a summary of the actions the Board and its Committees are taking following the review are discussed further on page 34.

The Board fully supports greater diversity within our business. A greater diversity of ideas, skills, knowledge, experience, and, not least, gender throughout our organisation is very important for our continuing long term success. This also applies when it comes to the composition of our Board to ensure that it is well equipped to lead the business effectively, embrace new ideas and satisfy all the different stakeholders we have as a global organisation and member of the FTSE 100.

Whilst we have women in a number of senior roles including on our Executive Committee, we want to encourage more to join the business and progress within it. To achieve this, we are developing initiatives to create an environment where the next generation of women in our business have the opportunity to become future leaders, both at senior management level and on the Board.

Over the coming months our Nomination Committee will be looking closely at the balance and composition of the Board as part of its succession planning. The term of our longest serving Non-Executive Director, Stanley Musesengwa, is due to expire in May 2014. As usual every effort will be made to appoint a new Non-Executive Director whose skills and experience will not only be of significant benefit to Croda but will also be complementary to existing Board members and enhance the Board's overall effectiveness.

The Committee will ensure that the specification for a new Non-Executive Director is equally suited to both female and male applicants. We especially wish to attract and encourage talented women candidates to the role and, as with all our Board appointments, we will appoint search consultants that have signed up to the voluntary code on diversity and instruct them to compile a long list of candidates that includes a good proportion of strong women candidates. Regarding all future appointments to the Board, whether for Non-Executive or Executive positions, we will continue to carefully consider the benefits of greater diversity, including gender diversity, whilst ensuring that we fulfil our obligations to our shareholders to recruit the best person to the relevant role.

On pages 4 and 5 of the Group Chief Executive's review there is an explanation of the Group's business model and the basis on which the Group generates value over the long term and the plan for delivering our strategic objectives. In the coming year, the Board will undertake a detailed review of the Company's innovation strategy, the globalisation of manufacturing and its focus on emerging markets. The Board will also be overseeing the Executive led root and branch review of the Company's remuneration philosophy, framework and policies and in addition will develop a policy on Board diversity.

Martin Flower,
Chairman

Leadership

Role of the Board

The Board has ultimate responsibility for the overall leadership of the Company and in this role it assists in the development of a clear strategy for the Group, monitors operational and financial performance against agreed goals and objectives and ensures that appropriate controls and systems are in place to manage risk. It has a formal schedule of matters specifically reserved for it, a full copy of which can be found on the Company's website (www.croda.com). The principal matters reserved for the Board are set out on page 32.

At the date of this report the Board comprises the Chairman, the Group Chief Executive, the Group Finance Director, the Chief Technology Officer and four independent Non-Executive Directors, who have a broad range of business, financial and international skills and experience. This provides an appropriate balance and diversity within the Board. Biographical notes appear on pages 28 and 29.

Details of the Company's Board and Committee governance structure are set out below. The terms of reference for each Committee of the Board can be found on the Company's website. Membership and activities of the various committees are summarised on the following pages.

Membership of the Board as at 31 December 2012 and attendance (eligibility) at Board meetings held during the year.

Meetings during the year	**8**
Current members	
Martin Flower (Chairman)	8 (8)
Sean Christie	8 (8)
Alan Ferguson	8 (8)
Steve Foots	8 (8)
Keith Layden	8 (8)
Stanley Musesengwa	8 (8)
Nigel Turner	8 (8)
Steve Williams	8 (8)

Governance Structure

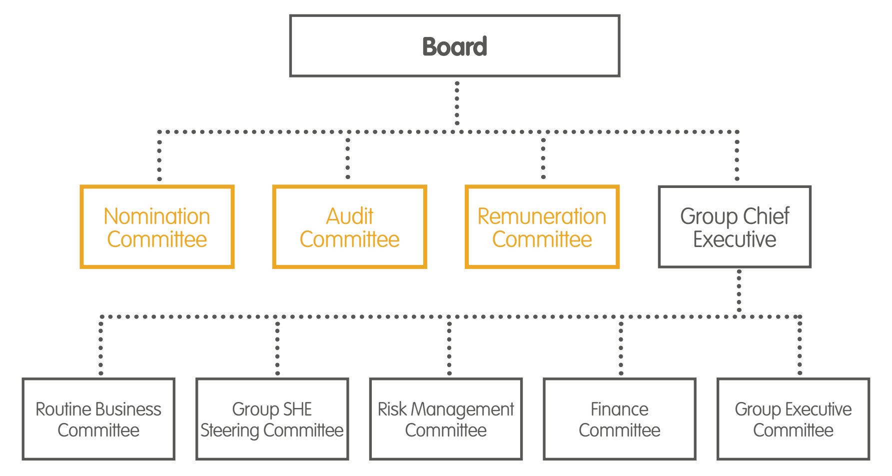
The Board has three main committees, the Audit Committee, the Remuneration Committee and the Nomination Committee.

Audit Committee – Chaired by Alan Ferguson
The Committee monitors the integrity of the Company's financial statements/announcements, the accounting processes and effectiveness of internal controls and risk management. For more information on the Audit Committee see pages 38 and 39.

Remuneration Committee – Chaired by Stanley Musesengwa
The Committee approves the Company's remuneration policy and framework and determines the remuneration packages for members of senior management. For more information on the Remuneration Committee see page 50.

Nomination Committee – Chaired by Martin Flower
The Committee reviews the structure, size and composition of the Board and its Committees. It identifies and nominates suitable candidates for appointment to the Board and is responsible for succession planning. For more information on the Nomination Committee see page 40.

The day to day operational management of the business is delegated by the Board to the Group Chief Executive, who utilises a number of committees to assist him in this task: the Group Executive Committee, the Finance Committee, the Risk Management Committee, the Group SHE Steering Committee and the Routine Business Committee. For further information on each of these committees see page 41.



The overall feedback from the review indicated that the Board and its Committees are operating well and the composition of the Board reflects a good range of appropriate skills and expertise.

Corporate Governance

Leadership

Principal Matters Reserved for the Board

Strategy and management	• Approval and review of the Group's long term objectives, commercial strategy and budget
Financial reporting and controls	• Approval of the Group's financial statements • Recommending or declaring dividends • Approval of treasury policies
Internal controls	• Ensuring maintenance of a sound system of internal control and risk management
Public communication	• Approval of shareholder circulars and significant communications
Board membership and other appointments	• The size, structure and composition of the Board and its Committees • Succession planning and appointments to the Board and senior management
Delegation of authority	• Approval of the roles of the Chairman and Group Chief Executive and the terms of reference of Board Committees
Remuneration	• Determination of the remuneration policy for the Directors and other senior executives
Contracts, acquisitions, disposals and investments	• Approval of material corporate and commercial transactions and commitments
Policies	• Approval of key Group policies
Other	• Appointment and removal of the Group's principal professional advisors and external auditors • Major changes to the rules of the Group's pension schemes

Role of Chairman, Group Chief Executive and Senior Independent Director

The roles of the Chairman and Group Chief Executive are separate and clearly defined with the division of responsibilities set out in writing and agreed by the Board.

The Chairman leads the Board and is responsible for promoting an open and effective communication between the Executive and Non-Executive Directors and for creating an environment at Board meetings in which all the Directors contribute to boardroom discussions and feel comfortable in engaging in healthy debate and constructive challenge. The Chairman sets the annual Board agenda programme and Board meeting agendas and determines the number of meetings to be held during the year. He ensures that there is adequate time dedicated during meetings and throughout the year to discuss all material matters, including strategic, financial, operational, business, risk, HR and governance issues.

The Chairman leads the annual Board effectiveness review process and ensures all new Directors undertake an appropriately tailored induction process. The Chairman is responsible for ensuring effective communication with shareholders and for ensuring the Board develops an understanding of the views of major shareholders. The Chairman also ensures that the Company complies with good practice in corporate governance, ethical, environmental and human resources matters and upholds high standards of integrity and probity.

The Group Chief Executive has day to day responsibility for the effective management of the Company's business and in ensuring the implementation of decisions of the Board. The Group Chief Executive plays a key role in devising and reviewing sustainable strategies for the development of the Company for discussion and approval by the Board. He is tasked with providing regular reports to the Board on all matters of significance relating to the Company's business or its reputation to ensure the Board has accurate, timely and clear information on all matters on which a decision of the Board is required. The Group Chief Executive promotes the Company's culture and standards.

The Chairman and Group Chief Executive liaise closely and have frequent meetings, face-to-face or by telephone, in which the Chairman is kept appraised of significant developments between Board meetings. This also ensures any areas of potential conflict between the Executive and Non-Executive Directors are minimised.

The Senior Independent Director's role includes providing a sounding board for the Chairman and acting as an intermediary for the Non-Executive Directors, where necessary. He is available to shareholders where communication through the Chairman or Executive Directors has not been successful or where it may not seem appropriate. The Senior Independent Director is responsible for leading the Non-Executive Directors in appraising the performance of the Chairman and in their discussions of the Chairman's term of appointment and fees.

In addition to the formal Board meetings, all the Directors attended a half day meeting to review the Group's strategy and attended the Annual General Meeting ("AGM"). They also met with the Company's financial and public relations advisers to discuss the feedback from investors and analysts on the Group's 2011 annual results. The Chairman and Non-Executive Directors meet together without the Executive Directors present on an ad hoc basis and the Non-Executive Directors meet at least annually in the absence of the Chairman in order to appraise his performance.

In addition, senior management are invited to attend and present on specific issues at Board meetings which provides an opportunity for the Non-Executive Directors to meet the Group's business leaders and enhance their understanding of the business. Advisers also attend some meetings for discussion of specific topics.

The Board's Activities During the Year and Priorities for 2013

The Board has an annual agenda programme to ensure that strategic, operational and business, financial, HR and corporate governance items are discussed at the appropriate time at Board meetings during the year. Some key highlights of the Board's activities during the year, and areas for focus during 2013, are set out below.

Strategy	The Board held a strategy day in October 2012 at which senior management presented their proposals for the strategic development of the business. At each Board meeting the Board discusses strategic corporate development and M&A opportunities. During the year the Board agreed to acquire two companies, Italian based IRB and US based Innovachem. During 2013 the Board will be undertaking detailed reviews of its innovation strategy, the globalisation of its manufacturing and its focus on emerging markets.
Operations and business	The Board were given regular quarterly updates on Safety, Health and Environment (SHE), Corporate Social Responsibility (CSR), and IT. The Board invites senior managers from across the business to give presentations on their business. These items will also be discussed in 2013.
Finance	The Board monitored regularly the Group's financial performance and approved the financial statements, dividend policy and treasury policies.
HR	The Board undertook a detailed review of succession planning and talent development during the year. In 2013 the Board will oversee the Executive led root and branch review of the Company's remuneration philosophy, framework and policies.
Corporate Governance	The Board launched a comprehensive anti-bribery and corruption policy, training and awareness campaign that will continue in 2013. The Board undertook an externally facilitated review of its effectiveness and the effectiveness of its Committees, further details of which can be found on page 34. During 2013 the Board will develop a Board diversity policy.

Board Re-election

The Board contains a broad range of skills and experience from different industries and advisory roles as well as across international markets. These skills support the strategic aims of the Company for the future. Following individual performance assessments, the Board is satisfied that each Director continues to perform effectively, allocates sufficient time to discharge their duties and remains fully committed to their role in the Company.

The Company's Articles of Association require the Directors to offer themselves for re-election at least once every three years and for newly appointed Directors to offer themselves for election at the first AGM after the date of their appointment. However, in accordance with the UK Corporate Governance Code, all Directors will stand for re-election at the 2013 AGM. Full biographies for the Directors can be found on pages 28 and 29.

The Company's Articles of Association require the Directors to offer themselves for re-election at least

once every three years

During 2013 the Board will be undertaking detailed reviews of its innovation strategy, the globalisation of its manufacturing and its focus on emerging markets.

Corporate Governance

Effectiveness

The Nomination Committee
The Nomination Committee Report, which describes the membership of the Nomination Committee, its responsibilities, its main activities during the year and its priorities for 2013, is set out on page 40.

Board Evaluation
The Board undertakes a formal review of its performance and that of its Committees each year. This year we commissioned our first externally facilitated review in accordance with the Code. The review was conducted by Sheena Crane, an experienced consultant, who does not have any other connection with the Company.

Mrs Crane attended the October 2012 Board and Committee meetings and conducted a series of one-to-one meetings with each of the Directors to gather their views overall on how the Board is working and on specific areas considered most valuable (including: strategy; financial monitoring; risk management; Board dynamics; balance and composition; and succession planning and HR).

The Board had a feedback session, facilitated by Mrs Crane, which included an open and detailed discussion of the findings. Separately, the Chairman provided feedback on a one-to-one basis to each of the Non-Executive Directors and to the Group Chief Executive and has created personalised development plans for 2013 for each Non-Executive Director.

The review concluded that the Board is aligned to the Group's strategy, with its focus on emerging markets and innovation. The Board has good oversight of financial reporting and it was noted that the Group Chief Executive and the Chairman of the Audit Committee have provided increased confidence in this area during the year.

The Company has a sound control environment with robust risk management systems and a strong safety record. The Board is collegiate with trusted relationships based on mutual respect. The size and composition of the Board encourages good open debate and there is a good range of skills and experience at Board level.

Actions and objectives have been agreed based on the feedback and the Board has already begun to implement many of the action points. The key actions are summarised below.

- The Board agenda programme has been updated to include more time for discussion and monitoring of non-financial risks, health and safety, CSR and sustainability.
- The Board will develop a Board diversity policy and consider diversity in the context of the wider Croda organisation.
- The Board will be looking at Non-Executive Director succession planning, examining the skills and experience that will be of significant benefit to Croda in the future.
- The Board will be developing succession planning for the Group Chief Executive.
- The Remuneration Committee will oversee the Executive led root and branch review of remuneration and incentivisation throughout the Company.
- The Board will be engaged earlier and throughout the year in the strategic planning process and development.
- The Chairman and Group Chief Executive will review the overall timetabling of Board and Committee meetings and agenda design to ensure the most efficient use of the Board's time.
- The Chairman will create development plans for each Non-Executive Director to ensure they continue to build a deep understanding of the Group's businesses.

The review concluded that the Board is aligned to the Group's strategy, with its focus on emerging markets and innovation.

The size and composition of the Board encourages good open debate.

Directors' Induction
On joining Croda, Directors receive a tailored induction programme based on their experience as a Director of a listed company and knowledge of the industry sector. This includes: time with the Company Secretary, members of the Executive Committee and other senior management across the business; meetings with advisers; visits to operations around the Group; and provision of current and historical information about the Company and the Group and specific details on duties of Directors.

Board Support
Each Director has access to the Company Secretary for his advice and services. Where necessary the Directors may take independent professional advice at the Company's expense. Directors are granted an indemnity from the Company in respect of liabilities incurred as a result of their positions to the extent permitted by law. In addition the Company maintained Directors' and Officers' liability insurance cover throughout the year.

Training and briefings are available to all Directors on appointment and subsequently, as appropriate, taking into account their existing experience, qualifications and skills. In order to build and increase the Non-Executive Directors' familiarity with, and understanding of, the Group's people and businesses and the markets in which it operates, presentations from senior managers are made at Board meetings on a regular basis. The Board also usually holds at least one Board meeting a year at a Croda operating site. In September the Board held its meeting in Singapore, which gave the Non-Executive Directors the opportunity to visit our Singapore manufacturing site, observe the operations at first hand and to meet with the senior management and local employees of our Asian region and gain their insight into the Asian business. Non-Executive Directors also undertake site visits on an individual basis.

Prior to each meeting, the Company Secretary ensures papers and other information are delivered sufficiently in advance of the meeting to assist in ensuring that each Director has the time and resources to fulfil their duties.

During the year the Board moved to the electronic distribution of Board papers via iPad. This ensures Directors have more time to review the information for Board meetings and embrace more efficient methods of communication.

Non-Executive Directors
Croda complies with the Code in having experienced Non-Executive Directors who represent a source of strong advice, judgement and challenge to the Executive Directors. At present there are five such Directors, including the Chairman and the Senior Independent Director, Nigel Turner, each of whom has significant commercial experience. Their understanding of the Group's operations is enhanced by regular business presentations and by site visits.

The independence of the Non-Executive Directors is kept under review. The Chairman was independent on his appointment in 2005 but, as Chairman, is not classified as independent. Steve Williams has consultancy roles with Eversheds LLP, which provides some legal services to the Group and Spencer Stuart, a search consultancy firm that has previously been used by the Group. The Board does not consider that these roles would affect his judgement in relation to Croda and its business and, therefore, it is the Board's opinion that all the Non-Executive Directors who have served during the year are independent in character and judgement with no relationships or circumstances which are likely to affect, or could appear to affect, their judgement.

The Board has an established process for declaring and monitoring actual and potential conflicts. The Articles of Association of the Company allow the non-conflicted members of the Board to authorise a conflict or potential conflict situation. In addition to the potential conflicts of Steve Williams (noted above), Nigel Turner declared a potential conflict in relation to the possible sale of farm produce (oilseed rape) through agents to Croda. In November 2012 Sean Christie was appointed as a non-executive director of Eminate, a subsidiary of Nottingham University whose IP could possibly be of interest to Croda. After careful review the Board authorised these potential conflicts.

Details of the professional commitments of the Chairman and the Non-Executive Directors are included in their biographies on pages 28 and 29. The Board is satisfied that these do not interfere with the performance of their respective duties to the Company.

As noted above, during the year Sean Christie was appointed as a non-executive director of Eminate. Details of the payments received in respect of this appointment are set out in the Directors' Remuneration Report on page 48.

During 2012 no Non-Executive Director or the Chairman had served on the Board for more than nine years from the date of their first election.

The terms and conditions of appointment of Non-Executive Directors can be viewed on the Company's website (www.croda.com). They can be inspected during normal business hours at the Company's registered office by contacting the Group General Counsel and Company Secretary and will be available for inspection at the AGM.

Training
The Board receives regular briefings from the Company Secretary on governance, legal and regulatory matters and briefings from the Company's professional advisers. As noted on page 30 personalised training and development plans have been prepared for each Non-Executive Director for 2013.

Time Commitment
Each Director is aware of the need to allocate sufficient time to the Company to discharge their responsibilities effectively. The Board monitors the extent of any interest and conflicts of each Director. During the year Alan Ferguson undertook a temporary role providing financial support to Lonmin Plc who were undertaking a refinancing and rights issue. Mr Ferguson had previously been Chief Financial Officer of Lonmin, a role he had held until the end of 2011. Before agreeing to fulfil the temporary role, Mr Ferguson discussed this appointment with the Chairman. Mr Ferguson's commitment and availability to Croda and in his role as Chairman of the Audit Committee were not affected.

External Consultants
The Board effectiveness review was conducted by Sheena Crane, an experienced consultant, who does not have any other connection with the Company. New Bridge Street, now part of Aon plc, acts as remuneration consultant to the Remuneration Committee. Whilst the Aon group provides insurance services to the Company, these services are not provided by New Bridge Street.

On joining Croda, Directors receive a tailored induction programme based on their experience as a Director of a listed company and knowledge of the industry sector.

Corporate Governance

Accountability

The Audit Committee

The Audit Committee Report, which describes the membership of the Audit Committee, its responsibilities, its main activities during the year and its priorities for 2013, is set out on pages 38 and 39.

Risk Management and Internal Control

The Board acknowledges its responsibility for ensuring the maintenance of a sound system of internal controls and risk management. In accordance with the Turnbull guidance (2005) and in order to discharge this responsibility, the Directors have utilised an organisational structure with clear operating procedures, lines of responsibility, and delegated authority.

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

- Financial reporting, with clear policies and procedures governing the financial reporting process and preparation of the financial statements. A clear framework of controls which are expected to be in place is documented and each reporting location prepares an annual self assessment of compliance with these controls. This is assured via planned internal audit visits which are approved by the Audit Committee.
- Comprehensive monitoring and quantification of business risks, under the direction of the Risk Management Committee. The Group's approach to risk management is discussed in more detail in the Financial Review on pages 16 to 19 and in the Group's separate Sustainability Report.
- Capital investment, with detailed appraisal, risk analysis, authorisation and post-investment review;

The Board has discharged its responsibility for reviewing the operational effectiveness of the systems of internal control and risk management throughout the financial year and up to the date of approval of the annual report using a process which involved:

- Written confirmations from relevant senior executives and divisional directors concerning the operation of those elements of the system for which they are responsible;
- Internal audit work carried out by KPMG LLP who report through the Group Risk & Control Manager to the Audit Committee; and
- Reports from the external auditors.

Such a system is designed to mitigate rather than eliminate the risk of failure to achieve business objectives and provides reasonable but not absolute assurance against material misstatement or loss. The Board also, where appropriate, ensures that necessary actions have been, or are being, taken to remedy significant failings or weaknesses identified from the review of effectiveness of internal controls.

Relations with Shareholders

Communication with Shareholders

The Company recognises the importance of communicating with its shareholders. The Group Chief Executive and the Group Finance Director maintain regular contact with major shareholders and they ensure that their views are communicated to the Board as a whole through the reporting of feedback from shareholder meetings and the provision of brokers' reports. The Board invites the Company's brokers and financial public relations advisers to attend at least one meeting each year at which the economic and investment environment, Croda's performance, both generally, and in comparison with its sector peers, and investor reaction are discussed.

The Chairman met with shareholders throughout the year and he and the Non-Executive Directors attended the Company's results announcements and capital markets day.

The Company has not complied with part of Code provision E.1.1, which provides that "non-executive directors should be offered the opportunity to attend scheduled meetings with major shareholders" and that the "senior independent director should attend sufficient meetings with a range of major shareholders to listen to their views in order to help develop a balanced understanding of the issues and concerns of major shareholders". The Board considers that there is sufficient dialogue with shareholders through the Group Chief Executive, Group Finance Director and the Chairman, who meet with shareholders on a regular basis. These meetings provide an appropriate mechanism for the views of shareholders to be listened to and the Board is regularly apprised of shareholders views and key issues. The Board does not believe that it is necessary for the Senior Independent Director or other Non-Executive Directors to attend further meetings with major shareholders. All the Non-Executive Directors are, however, available to attend such meetings if requested by shareholders and the Senior Independent Director would be available to discuss matters relating to the Chairman should the need arise.

The Board believes both that its practices are consistent with the relevant main principle of the Code concerning dialogue with shareholders and are consistent with good governance.

> The Company recognises the importance of communicating with its shareholders.

Shareholder Information

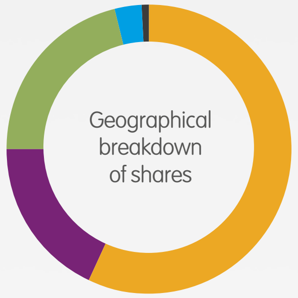
Substantial Shareholders

As at 31 December 2012, the Company had received notification of the following material shareholdings pursuant to the Disclosure and Transparency Rules of the UK Listing Authority:

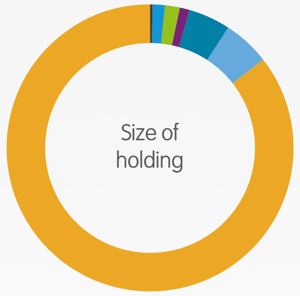
	Ordinary shares	% of share capital
Mondrian Investment Partners	6,180,992	4.57%
Legal & General Investment Management	5,404,596	3.99%
MFS Investment Management	4,935,950	3.65%

Investor Concentration – Analysis of ordinary shareholders as at 31 December 2012

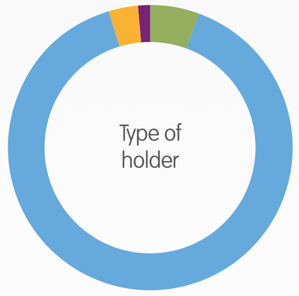
Geographical breakdown	Number of shares	% of issued capital
UK	87,362,632	62.43%
Europe (excluding UK)	21,892,148	15.64%
North America	26,083,789	18.64%
Asia	3,700,869	2.64%
Rest of World	910,531	0.65%



Size of holding	Number of holders	Number of shares	% of issued capital
1-1000	2,455	590,966	0.42%
1,001-5,000	2,037	2,155,772	1.54%
5,001-10,000	679	2,169,043	1.55%
10,001-50,000	234	1,662,518	1.19%
50,001-100,000	268	6,266,359	4.48%
100,001-500,000	101	7,375,064	5.27%
500,001-upwards	190	119,730,247	85.55%



Type of holder	Number of holders	Number of shares	% of issued capital
Private holders	3,370	7,442,755	5.32%
Institutional and corporate holders	2,590	126,800,216	90.60%
Treasury shares	1	4,646,198	3.32%
Shares held in Croda trusts	3	1,060,800	0.76%



Annual General Meeting

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

The AGM will be held at Carlton Towers, Carlton, Goole, East Yorkshire DN14 9LZ on Thursday, 25 April 2013 at 12 noon.

Deadlines for Exercising Voting Rights

Votes are exercisable at a General Meeting of the Company in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy, or in relation to corporate members, by corporate representatives. The Articles of Association of the Company provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.

Corporate Governance

Audit Committee

Report of the Audit Committee for the financial year 31 December 2012

Governance

Members and attendance (eligibility) at meetings held during the year ended 31 December 2012.	
Meetings during the year	**4**
Current members	
Alan Ferguson (Chairman)	4 (4)
Stanley Musesengwa	4 (4)
Nigel Turner	4 (4)
Steve Williams	4 (4)

Dear Shareholder,

The Committee is made up of four Non-Executive Directors. The Board considers the Chairman (Alan Ferguson) and each of the members to be independent within the definition of the Code and that each of them has relevant financial experience. Alan Ferguson has held a number of senior financial roles, most recently as Chief Financial Officer of Lonmin Plc and is currently chairman of the Audit Committee of two other FTSE 100 companies. This provides the Board with assurance that the Audit Committee has the appropriate skills and experience and that it meets the Code requirements that at least one member of the Committee has significant, recent and relevant financial experience.

The Chairman of the Board, the Group Chief Executive, the Group Finance Director, the Group Financial Controller, the Group Risk and Control Manager and representatives from the external and internal auditors regularly attend meetings by invitation. The Committee periodically meets separately with the Group Risk and Control Manager, who is responsible for the internal audit function, and also with the external auditors without the Executives being present.

The Committee's remit is to assist the Board to fulfil its responsibility for ensuring that the Group's financial systems provide accurate and up to date information on its financial position and that the Group's published financial statements represent a true and fair reflection of this position.

The Key Responsibilities of the Committee are to:

- monitor the integrity of the financial statements and results announcements of the Company, including its annual and half-yearly reports, interim management statements, preliminary results announcements and any other formal announcement relating to its financial performance;
- review significant financial reporting issues and judgements;
- keep under review the adequacy and effectiveness of the Company's internal controls and risk management systems;
- review the adequacy and security of the Company's whistleblowing arrangements, the procedures for detecting fraud and the systems and controls for the prevention of bribery;
- monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
- consider and make recommendations in relation to the appointment, re-appointment and removal of the Company's external auditor;
- develop, implement and monitor the Company's policy on external audit and on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter;
- oversee the relationship with the external auditor including approval of their remuneration and terms of engagement;
- assess the independence and objectivity of the external auditor and assess their expertise and resources and the effectiveness of the audit process; and
- monitor the co-ordination of the internal and external auditors

The Chairman of the Audit Committee will be available at the 2013 AGM to respond to any questions shareholders may raise on any of the Committee's activities.

Key Financial Reporting and Accounting issues

In undertaking its role of monitoring the financial statements and results announcements of the Company, the Committee reviewed whether suitable accounting policies had been adopted and whether management had made appropriate estimates and judgements. With support from the external auditors, the key financial reporting and accounting issues were discussed and the main issues for the year ended 31 December 2012 are described in the following table.

Intangible assets: the Committee reviewed the assumptions made in testing for impairment.

Inventory: the Committee reviewed the carrying value of inventory and considered this was appropriate.

Pensions: the Committee continued to monitor the Group's pension arrangements, and in particular the liability in respect of the defined benefit plans in the UK, US and Netherlands. The Committee considered management's actuarial assumptions to be reasonable.

Provisions: the Committee reviewed whether certain environmental, reorganisation, fair value, litigation and other legal provisions were considered sufficient to cover estimated costs and were satisfied they were reasonable and appropriate.

Tax: the Committee reviewed the basis of calculation of the effective tax rate.

Main Activities During the Year

The Committee met four times during the year and I reported the key issues covered to the subsequent Board meeting. The main activities of the Committee during the year were as follows:

- The Committee monitored the financial statements and results announcements of the Company and reviewed key financial reporting and accounting issues (as further described on page 38).
- During the year the Committee reviewed and approved the internal audit plan and considered the results of internal audits, the adequacy of management's response to the matters raised and the time taken to resolve any such matters.
- At each meeting the Committee received a report from the chairman of the Risk Management Committee and the Group Risk and Control Manager and monitored compliance with the Group risk management programme. The Group's highest risks were discussed and the adequacy of mitigating controls was reviewed.
- The Committee undertook regular reviews of the Group's material litigation.
- The Committee reviewed the effectiveness of the Group's whistleblowing programme.
- The Committee assessed the performance of the external auditor to confirm the appropriateness of their reappointment and undertook a review of the independence and objectivity of the external auditor.
- The Committee reviewed the provision of non-audit services by the external auditor and updated the Company's policy in this area.
- The Committee agreed the external audit plan for the year, including the scope and materiality level and the audit fees.
- The Committee received an update on material accounting standards and governance changes that would impact the Company.
- The Committee met with both internal audit and external audit without management being present.
- The Committee reviewed and updated its terms of reference in the year and prepared an annual plan to help ensure appropriate time is allocated to agenda items.

External Auditor's Audit and Non-Audit Fees

The total fees paid to the Group's external auditors, PricewaterhouseCoopers LLP ("PwC") in the year ended 31 December 2012 were £2.6m (2011: £2.0m) of which £1.8m related to non-audit fees (2011: £1.3m). Of the total of non-audit fees £1.1m related to work carried out in assisting the implementation of the Group's ERP (Enterprise Resource Planning) systems (2011: £0.7m). This cost was capitalised in accordance with the Company's accounting policy for Intangible Assets.

During the year the Committee undertook a detailed review of the provision of non-audit services by PwC and updated the Company's policy in this area. Assignments awarded to PwC are subject to controls by management that have been agreed by the Audit Committee in order to ensure 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, which were lowered from £50,000 to £20,000 in recognition by the Committee of the level of spend on non-audit services performed by PwC. Part of the Committee Chairman's review is to determine that other potential providers of the services have been properly considered.

As first disclosed in the 2010 report and accounts, PwC is providing advisory services in relation to the implementation of the ERP computer system which increased significantly their non-audit activities for 2011 and 2012. Given the nature of these services the full Audit Committee considered and approved PwC's appointment. This work, undertaken in a number of the Group's smaller locations, will continue in 2013 as the Group completes the roll out of its ERP system to the global sales network. All responsibility for the design and implementation of the ERP system resides with management. This includes managing the system's operation, monitoring its internal controls and ensuring data integrity. PwC's role is restricted to assessing the system's implementation against the design criteria developed by management.

The Committee examined carefully the continued use of PwC on the ERP roll out and were satisfied that given their continued high performance and excellent knowledge of the Group's systems it was appropriate. In reaching its decision the Committee had regard to the fact that a change in provider could extend completion of the roll out programme considerably, that the programme was nearing completion and that PwC's continued role did not compromise their independence as auditor of the Company. Notwithstanding the fact that in 2013 we will incur approximately £0.5m in non-audit fees as PwC complete their work on this three year project, it is the intention that total non-audit spend will not exceed audit spend unless the Committee feels this would be in the best interest of shareholders.

Audit independence

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

PwC were the Company's joint auditors from 1970 to 1980 and have been sole auditors since 1981. To ensure objectivity, the rotation of audit partners' responsibilities within PwC is required by their profession's ethical standards, is actively encouraged and has taken place. The PwC lead audit partner for the Company has held the position since 2010.

The scope of the audit was discussed in advance by the Audit Committee and audit fees are reviewed by the Committee and then referred to the Board for approval. During the year the Committee reviewed PwC's effectiveness (taking into account the views of management) and feedback is to be provided to senior members of PwC unrelated to the audit. The Committee considered the degree to which the auditor was able to assess key accounting and audit judgements. A review of effectiveness also forms part of PwC's own system of quality control. The Committee concluded that the audit was effective and that the effectiveness should be kept under review.

The Committee recognises the changes made by the UK Financial Reporting Council to mandatorily retender auditors and will discuss during the year when would be the appropriate time to retender the audit.

In July, the Committee adopted a policy that governed how and when employees and former employees of the Company's auditors can be employed by the Company.

Priorities for 2013

- **Review work required to comply with the recent changes to the UK Corporate Governance Code, including the appropriate timing for audit retender.**
- **Continue to monitor PwC's non-audit fees.**
- **Receive presentations from key members of the operational finance team.**
- **Receive annual reviews on Tax and Treasury.**
- **Review integrated assurance mapping exercise.**

Alan Ferguson
Chairman of the Audit Committee

Corporate Governance

Nomination Committee

Governance

Members and attendance (eligibility) at meetings held during the year ended 31 December 2012.	
Meetings during the year	**2**
Current members	
Martin Flower (Chairman)	2 (2)
Alan Ferguson	2 (2)
Steve Foots (appointed 1 January 2012)	2 (2)
Stanley Musesengwa	2 (2)
Nigel Turner	2 (2)
Steve Williams	2 (2)

Dear Shareholder,

The Nomination Committee consists of the Chairman of the Board, the Non-Executive Directors and the Group Chief Executive. It meets on an ad hoc basis and is responsible for nominating, for approval by the Board, candidates for appointment to the Board and succession planning.

Main Activities During the Year

During the year the Committee recommended that the Board extend Nigel Turner's term of office for a further three years until May 2015 and that he retain his role as Senior Independent Director.

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

In accordance with the Code, all Non-Executive Directors with a term beyond six years have been subject to a rigorous review. In January 2013 the Committee recommended the extension of Stanley Musesengwa's term of office for a further one year to May 2014, which would bring his term to seven years. The Nomination Committee felt the extension of his term beyond six years was in the best interest of the Company as Mr Musesengwa would be asked to take the lead in overseeing the Executive led root and branch remuneration review during 2013 and his experience as the Chairman of the Remuneration Committee would be invaluable.

Since the end of the financial year, the Committee has recommended that the Board extend Steve Williams' term of office for a further three years until June 2015. Nigel Turner, Senior Independent Director, also chaired the Committee in its discussion of Martin Flower's term of office. The Committee recommended the Board extend Martin's term of office as Chairman of the Board for a further two years until September 2015.

The Key Responsibilities of the Committee are to:

- Review regularly the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes.
- Give full consideration to succession planning for Directors and other senior Executives in the course of its work, taking into account the challenges and opportunities facing the Company and what skills and expertise are therefore needed on the Board in the future.
- Where a Board vacancy is identified, evaluate the balance of skills, knowledge, experience and diversity on the Board and, in the light of that evaluation, prepare a description of the role and capabilities required for a particular appointment.
- Identify and nominate, for the approval of the Board, candidates to fill Board vacancies as and when they arise.
- Keep under review the leadership needs of the organisation, both Executive and Non-Executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- Review annually the time required from a Non-Executive Director and the Chairman.
- Make recommendations to the Board on succession planning for the Board.

The Chairman of the Nomination Committee will be available at the 2013 AGM to respond to any questions shareholders may raise on any of the Committee's activities.

Priorities for 2013

- **Having regard to the findings of the recent Board evaluation, review the balance, experience and skills of the Board (including gender).**
- **Given the expiry of Stanley Musesengwa's term of office in May 2014, undertake a search for a new Non-Executive Director.**
- **Develop succession planning for the Group Chief Executive.**
- **Develop a Board diversity policy.**

Martin Flower
Chairman of the Nomination Committee

Other Committees

The management of the business is delegated by the Board to the Group Chief Executive. He utilises a series of committees to assist him in this task. The role of each of the Executive level committees is set out below together with a table showing the membership of each committee during 2012.

There were a number of changes made to the Executive level committees during the year.

In February 2012 Steve Foots relinquished his role as President, Europe and the European business was divided into two areas under the leadership of Sandra Breene, President – Consumer Care Europe and Maarten Heybroek, President – Performance Technologies & Industrial Chemicals Europe. Consequently, both have joined the Group Executive Committee, the Finance Committee, the Risk Management Committee and the Group SHE Steering Committee.

Graham Myers – Group Financial Controller and Treasurer, was appointed to the Group Executive Committee and Risk Management Committee in July 2012. Graham was already a member of the Finance Committee and joins the Group SHE Steering Committee.

At the end of June 2012 Kevin Nutbrown retired and Stuart Arnott took the role of President – Global Operations. In this role Stuart Arnott joined the Group Executive Committee, the Finance Committee, the Risk Management Committee and became Chairman of the Group SHE Steering Committee.

In June 2012 Miguel De Bellis retired and Nick Challoner took the role of President – Latin America. In this role Nick Challoner joined the Group Executive Committee, the Finance Committee, the Risk Management Committee and the Group SHE Steering Committee.

In December 2012 Louise Scott stepped down as Company Secretary and Legal Counsel and Tom Brophy joined as Group General Counsel and Company Secretary. In this role Tom Brophy joined the Group Executive Committee, the Finance Committee, the Risk Management Committee, the Group SHE Steering Committee and became an alternate on the Routine Business Committee.

Group Executive Committee

The Committee meets quarterly and its remit is responsibility for the development and implementation of strategy, operational plans, policies, procedures and budgets, the monitoring of operating and financial performance, the assessment and control of risk and the prioritisation and allocation of resources.

Finance Committee

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

Risk Management Committee

The Committee's role is to evaluate, propose policies and monitor processes to control the business, operational and compliance risks faced by the Group. It normally meets four times a year.

Group SHE Steering Committee

The Group operates a Safety, Health and Environment ("SHE") Steering Committee that meets quarterly and monitors progress against the Group SHE objectives and targets, reviews safety performance, safety audits and determines the requirement for new or revised SHE policies, procedures and objectives. Stuart Arnott, President – Global Operations replaced Kevin Nutbrown as the Chairman of the Committee in July 2012. The Committee comprises the Regional Presidents, heads of operational functions, the Chief Technology Officer, the Group General Counsel and Company Secretary, the Group Financial Controller and the Vice President Group SHE.

Routine Business Committee

The Routine Business Committee comprises the Group Chief Executive and the Group Finance Director with the Group General Counsel and Company Secretary and Group Financial Controller acting as alternates. The Committee may make decisions with one Executive Director and the alternate for the other Executive Director being present. It attends to business of a routine nature and to the administration of matters, the principles of which have been agreed previously by the Board or the Group Executive Committee.

Committee Membership		Group Executive Committee	Finance Committee	Risk Management Committee
Steve Foots	Group Chief Executive	Chairman	Chairman	
Stuart Arnott [1]	President – Global Operations	Member	Member	Member
David Barraclough	President – Asia	Member	Attendee	Member
Sandra Breene [2]	President – Consumer Care Europe	Member	Attendee	Member
Tom Brophy [3]	Group General Counsel and Company Secretary	Member	Attendee	Member
Sean Christie	Group Finance Director	Member	Member	Chairman
Nick Challoner [4]	President – Latin America	Member	Attendee	Member
Kevin Gallagher	President – North America	Member	Attendee	Member
Maarten Heybroek [5]	President – Performance Technologies & Industrial Chemicals – Europe	Member	Attendee	Member
Keith Layden	Chief Technology Officer	Member	Attendee	Member
Graham Myers	Group Financial Controller and Treasurer	Member	Member	Member
Members who left during the year				
Miguel De Bellis [6]	(formerly President – Latin America)	Member	Attendee	Member
Kevin Nutbrown [7]	(formerly President – Global Operations)	Member	Member	Member
Louise Scott [8]	(formerly Company Secretary and Legal Counsel)	Member	Attendee	Member

Chairman Member Attendee

[1] Joined in July 2012 [2] Joined in February 2012 [3] Joined in December 2012 [4] Joined in June 2012 [5] Joined in February 2012 [6] Left in June 2012 [7] Left in June 2012 [8] Left in December 2012

Remuneration Report

Dear Shareholder,

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for 2012, for which we will be seeking approval from our shareholders at our Annual General Meeting. This report covers the remuneration of Executive and Non-Executive Directors.

Consistent with the draft proposals on directors' pay published by the Department for Business, Innovation & Skills (BIS), the report has been split into two sections: a Remuneration Policy Report which sets out the policy on the remuneration of the Executive and Non-Executive Directors and an Implementation Report which discloses how the current remuneration policy has been implemented in the year ended 31 December 2012. We will be seeking your support for both parts of the report by way of a single advisory vote at the forthcoming AGM on 25 April 2013.

In addition to adopting a number of the proposals from BIS on disclosure, this Directors' Remuneration Report has been prepared in accordance with the requirements of the Companies Act 2006 and Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts & Reports) 2008 Regulations which set out the current requirements for the disclosure of directors' remuneration, and also in accordance with the requirements of the Listing Rules of the Financial Services Authority.

The current legislation requires the auditors to report to the Company's members on the 'auditable parts' of the Directors' Remuneration Report and to state whether, in their opinion, the parts of the report that have been subject to audit have been properly prepared in accordance with the relevant legislation. The parts of this report which have been audited have been highlighted.

The Implementation Report sets out what has been paid in respect of the year under review with the Remuneration Policy Report setting out the policy that will apply in 2013 (which is the same broad policy that applied in the year under review) and, subject to a review to be undertaken in 2013, for subsequent years. The report has been approved by the Board and signed on its behalf by myself, the chairman of the Remuneration Committee.

Performance and Reward for 2012

As described in the Business Review, 2012 was another robust year of growth for Croda achieved despite challenging trading conditions, particularly in Europe.

The results demonstrate the ability of our business to continue to deliver growth in difficult market conditions and, in particular, the strength of the Group's strategy, focusing on innovation and bringing high margin products to market, and the effective leadership of our dynamic management team.

The Remuneration Committee (the "Committee") consider the remuneration paid to our management team to fairly reflect their performance during the year. The annual bonus paid out at 28% (arising from the 2012 income, as calculated for the purpose of the bonus scheme), and the 2010 LTIP and BCIP awards' performance targets were also met in full, which reflected a growth in earnings per share before exceptional items of 156.4% over the three year period ended 31 December 2012 and a total shareholder return created of over 230% (which resulted in Croda being ranked 6th against other FTSE 250 companies over the three year performance period).

Remuneration Policy for 2013

The Committee considers our current remuneration policy of paying competitively against comparable international businesses, with an incentive structure weighted towards long-term performance, to continue to serve the business well.

With a substantial proportion of the total package weighted towards long-term performance, the requirement to defer part of the annual bonus into the Company's shares, the operation of clawback in both annual and long-term incentives arrangements and minimum share ownership guidelines, the Committee is comfortable that the current arrangements motivate the right types of behaviour across the executive population and do not inadvertently encourage undue risk taking.

Furthermore, the Committee has a clear track record of aligning pay with performance and shareholder value creation. As a result, our broad policy framework is to be retained for 2013.

Shareholders' Views

The Committee continues to take an active interest in shareholders' views and developments in 'best practice' guidance (for example, clawback provisions were introduced into the Company's executive incentive plans in 2011 as a result of the updated recommendations included in the 2010 UK Corporate Governance Code and shareholder guidance).

No major issues were raised by the vast majority of shareholders in respect of our 2011 Directors' Remuneration Report which received circa 98% support from the Company's voting shareholders.

The Committee will continue to take the views of shareholders into account when setting remuneration policy in future years. Shareholders' current best practice expectations will be taken into account when the Committee undertakes its annual review of remuneration in advance of setting remuneration policy for 2014.

As in prior years any substantive changes arising from the Committee's review would be the subject of appropriate consultation with the Company's major shareholders.

On behalf of the Board, I would like to thank shareholders for their continued support. The Committee looks forward to your support of our remuneration policy at the 2013 AGM.

Stanley Musesengwa
Chairman of the Remuneration Committee

Remuneration Policy Report (Unaudited Information)

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 UK Corporate Governance Code;
- to ensure a balance between fixed and performance related remuneration with the latter being related to objective measurement of the financial performance of the Company;
- to place a substantial weighting in the overall package on variable pay, with the greatest proportion of pay being delivered through long-term variable pay at maximum performance levels; and
- to set stretching performance targets that are linked to the key performance objectives of the Group which are structured so that they do not encourage undue financial or operational risk-taking or give rise to environmental, social or governance risks by inadvertently motivating irresponsible behaviour.

The table below summarises the main components of Croda's remuneration policy:

Purpose and link to strategy	Operation	Performance Metrics	Application of policy for 2013
Basic Salary*			
To assist in the recruitment and retention of high calibre executives.	Reviewed annually with increases effective from 1 January. Base salaries will be set by the Committee taking into account: • the performance and experience of the individual concerned • any change in responsibilities • rates of pay in international manufacturing and pan-sector companies of a comparable size (market capitalisation and turnover) and complexity • pay and employment conditions elsewhere in the Group • rates of inflation and market wide wage increases across international locations	None	**Salaries for 2013 are as follows:** • Group Chief Executive: £550,000 (from £500,000) • Group Finance Director: £360,700 (from £350,208) • Chief Technology Officer: £288,400 (from £280,000) The salary increase awarded to the Group Chief Executive is consistent with phasing his salary to comparable market benchmarks (as detailed in last year's Remuneration Report) over a period of time. The salary increases for the Group Finance Director and Chief Technology Officer are within the typical range of increases awarded to high performers across the Company
Pension & Benefits*			
To provide competitive benefits and to act as a retention mechanism and reward service.	Pension benefits are typically provided either through (i) participation in the Group's defined benefit pension plan with a cash supplement provided above the pension salary cap or (ii) a cash supplement provided in lieu of pension. Only basic salary is pensionable. Other benefits include company cars (or a cash allowance), private fuel allowance, health and other insured benefits. Executive Directors may also participate in the Group's HMRC tax approved all-employee share plans on the same basis as other employees.	None	**Pension benefits:** • Group Chief Executive and Group Finance Director: defined benefit pension (1/60th accrual up to capped salary of £187,500) and cash allowance above the cap • Chief Technology Officer: pensions supplement of £56,000 **Other benefits:** • Company car or car allowance to the value of £11,400 per annum • Private fuel allowance to the value of £5,820 per annum • Private medical insurance offering family level cover • Life insurance cover

* Changes to policy for 2013: None

Remuneration Report

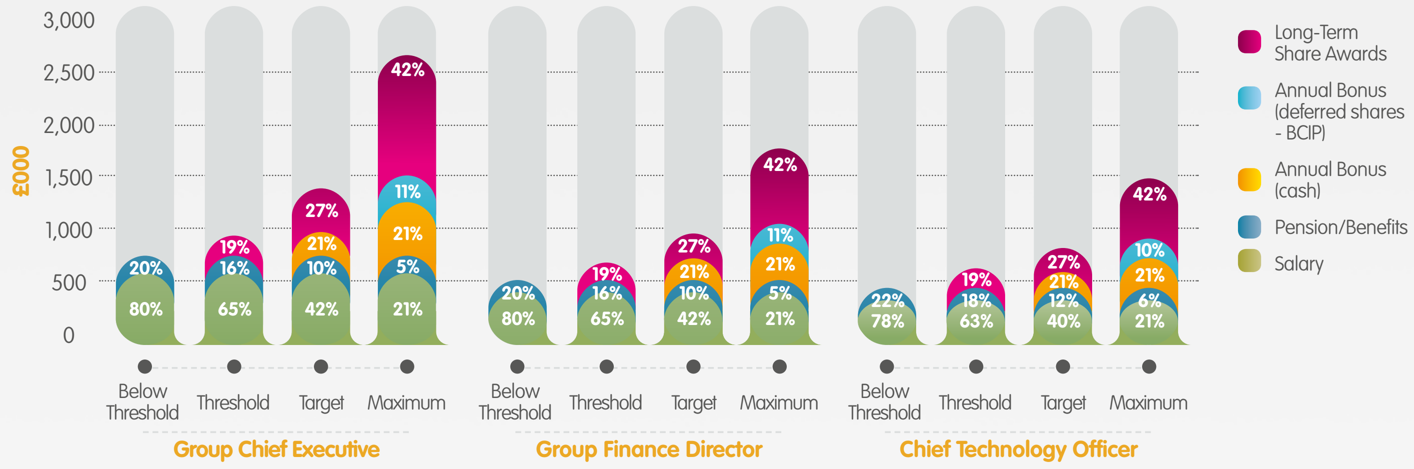
Remuneration Policy Report (Unaudited Information)

Purpose and link to strategy	Operation	Performance Metrics	Application of policy for 2013
Performance Related Bonus*			
To incentivise and reward the delivery of the Company's key annual financial objectives. Compulsory deferral of part of bonus into shares provides longer-term alignment with shareholders.	Maximum opportunity of 100% of salary. Compulsory deferral (above 50% of salary earned) into shares for three years with the balance paid in cash unless the executive chooses to further defer bonus into shares on a voluntary basis for the purposes of receiving a higher matching award. From 2012, bonuses paid are subject to potential clawback in the event of a material misstatement of results or serious misconduct.	A challenging range of income growth targets (where income is Group EBITDA for continuing operations before exceptional items and any charges or credits under IFRS2 'Share based payments' less a notional interest charge on working capital employed during the year).	Maximum bonus will be payable at a growth rate of 10% over 2012 base income plus CPI. Clawback provisions are in place in the event of any misstatement in the financial results.
Bonus Co-investment Plan ("BCIP")*			
To incentivise and reward the execution of the business strategy over the longer term. Rewards sustained profit growth.	Each year, the net of tax bonus earned above 50% of salary is compulsorily invested in shares. Additional net of tax bonus may be voluntarily invested In the Company's shares. Invested shares are the subject of a matching award determined by the Committee which can be earned, subject to the delivery of performance goals, over a three year performance period. BCIP awards (from 2012) are subject to potential clawback in the event of a material misstatement of results or serious misconduct.	Matching awards vest based on achievement against a challenging sliding scale of EPS growth targets.	Compulsory deferred bonus will be the subject of a matching award along with any voluntarily deferred bonus.
Long-Term Incentive Plan ("LTIP")^			
To incentivise and reward the execution of the business strategy over the longer term. Rewards sustained growth in (i) profit and (ii) shareholder value.	Each year, performance shares are allocated which can be earned, subject to the delivery of performance goals, over a three year performance period. Maximum opportunity of 200% of salary although, to date, awards have been restricted to 100% of salary. From 2012, LTIP awards are subject to clawback in the event of a material misstatement of results or serious misconduct.	Half of any award vests based on achievement against a challenging sliding scale of EPS growth targets with the other half vesting based on the relative total shareholder return ("TSR") performance of the Company compared against an appropriate peer group.	Awards are anticipated being granted at the following levels in 2013: • Group Chief Executive: 100% • Group Finance Director: 100% • Chief Technology Officer: 70%
Share ownership guidelines*			
To align Executive Directors with shareholders.	A shareholding of 100% of salary is expected to be achieved within five years through retention of 50% of the net of tax number of vested shares.	N/A	Each of the Executive Directors has met and exceeded the target shareholding.

* Changes to policy for 2013: None
^Changes to policy for 2013: The Committee changed the TSR peer group from the constituents of the FTSE250 index to the constituents of the FTSE350 index for the 2013 LTIP grants.

Remuneration Scenarios for Executive Directors

The charts below show how the composition of each of the Executive Directors' remuneration packages varies at different levels of performance under the new remuneration policy, as a percentage of total remuneration opportunity and as a total value:



Notes: 1. Chart labels show proportion of the total package comprised of each element 2. For the purposes of simplicity, the potential impact of share price growth has been ignored 3. No voluntary deferral of annual bonus into shares is assumed until a maximum bonus is payable at which point the entire annual bonus is assumed to be deferred

Relative Importance of Spend on Pay

The following chart sets out the change on adjusted profit, dividends and total employee remuneration costs in 2012 compared to 2011.

	2012 £m	2011 £m	% Change
Profit after tax	175.1	162.6	7.7%
Dividends	80.2	73.9	8.5%
Employee Remuneration Costs	175.0	172.4	1.5%

How Employees' Pay is Taken into Account

The Committee takes due account of remuneration structures elsewhere in the Group when setting pay for the Executive Directors (for example, consideration is given to the overall salary increase budget and the incentive structures that operate across the Group).

How Executive Directors' Remuneration Policy Relates to the Wider Group

The remuneration policy summarised above and described in detail below provides an overview of the structure that operates for the Group Executive Directors, the Group Executive Committee and the Finance Committee which includes the eleven most senior executives in the Group (noting that there are some differences in LTIP participation and levels within this group).

Croda operate a global grading scheme below the Executive Committee. All roles sit within seven grades .

The performance related bonus scheme as described in the remuneration policy table operates on a tiered basis from 100% of salary down to 30% of salary across the most senior global grades. The BCIP is offered voluntarily to the most senior global grade (outside of the Executive Directors). At this level, executives can invest up to 50% of their annual bonus payment (net of tax) into the plan. Invested shares are the subject of an award determined by the Committee. The performance metrics are the same as detailed in the remuneration policy table.

Base salaries are operated under the same policy as detailed in the remuneration policy table with comparator groups being country or industry specific.

Outside of these tiers of executive, neither the BCIP nor LTIP is operated as this arrangement is reserved for those anticipated as having the greatest potential to influence Group level performance.

However, the Committee believes in wider employee share ownership and promotes this through the operation of a HMRC tax approved UK SAYE Scheme and the Croda Share Incentive Plan (SIP) which are open to all UK employees. Other similar share schemes are offered in other jurisdictions where local securities laws allow.

How Shareholders' Views are Taken into Account

The Committee considers shareholder feedback received in relation to the AGM each year and guidance from shareholder representative bodies more generally. This feedback, plus any additional feedback received during any meetings held with shareholders from time to time, is then considered as part of the Company's ongoing review of remuneration policy.

As noted earlier, since no major issues were identified by the vast majority of shareholders in relation to our 2012 remuneration policy, it was not considered necessary to make material adjustments to the Company's remuneration policy in relation to 2013.

With regards to 2014, the Committee intends to undertake a review of remuneration policy and will, as a matter of best practice, engage with the Company's major shareholders if substantive amendments to policy are to take place in respect of 2014. This is in line with a wider company review of Reward Strategy.

Remuneration Report

Implementation Report (Unaudited Information)

Base Salary

Base salaries are reviewed annually with effect from 1 January, taking into account the performance of the individual, their responsibilities (including any changes during the year), appropriate rates of pay in comparably sized and complex comparators and pay and employment conditions in the wider workforce.

The salary levels of the Executive Directors are set out in the table below:

Director	Basic salary at 1 January 2013	Basic salary at 1 January 2012	% Increase
Steve Foots	£550,000	£500,000	10%
Sean Christie	£360,700	£350,208	3%
Keith Layden	£288,400	£280,000*	3%

*With effect from 6 February 2012

The increase in salary for Steve Foots, as described in last year's Directors' Remuneration Report and consistent with the policy set out in the earlier table, represents a phasing of the individual's salary towards an appropriate market rate following his promotion to Group Chief Executive at the beginning of 2012. On appointment, his salary was set at around the lower quartile of appropriate market data. The increase in respect of 2013 is the first step in the process of achieving a market competitive level of base salary with the Committee's intention being to review salary each year, based on performance in post, with a view to achieving an appropriate salary positioning in light of its policy detailed in the summary table above.

The increases awarded to Sean Christie and Keith Layden were consistent with the typical range of salary increases awarded across the Group and reflects their continued strong performance.

Pension and Other Benefits

Croda has a number of different pension plans in the countries in which it operates. Pension entitlements for Croda's executives are tailored to local market practice, the length of service and age of the participants. The principal pension plan in the UK is a defined benefit scheme which provides a pension based on a proportion of final salary with a salary cap imposed from 6 April 2011 onwards. A salary supplement in lieu of pension provision above the salary cap now applies.

The Company is flexible in the manner in which pension provision is made for Executive Directors with the aim of balancing the needs of the Director against the liability of the Company. Hence, it makes contributions by direct contribution to the Croda defined benefit pension scheme ("CPS") and/or by way of a cash supplement in lieu of pension benefits to enable the funding of personal pension arrangements.

Steve Foots' Pension Provision

Steve Foots accrues pension benefits under the CPS with an accrual rate of 1/60th and an entitlement to retire at age 60. From 6 April 2011 onwards, pension benefits accruing are based on a capped salary of £187,500. If Steve Foots retires before age 61, a reduction will be applied to the element of his pension accrued after 5 April 2006, and if he retires before age 60 a reduction will also be applied to the element of his pension accrued before 6 April 2006, unless in either instance he is 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. Steve Foots' pension in payment is guaranteed to increase in line with the rate of inflation up to a maximum of 10% per annum for benefits accrued prior to 6 April 2006, and in line with inflation up to a maximum of 2.5% per annum for benefits accrued from 6 April 2006 onwards.

Sean Christie's Pension Provision

Sean Christie accrues pension benefits under the CPS with an accrual rate of 1/60th and an entitlement to retire at age 65. From 6 April 2011 onwards, pension benefits accruing are based on a capped salary of £187,500. If Sean Christie retires before age 65 a reduced pension is payable unless retiring at the Company's request. In the event of death a pension equal to 50% of the Director's pension would become payable to the surviving spouse. Sean Christie's pension in payment is guaranteed to increase in line with the rate of inflation up to a maximum of 2.5% per annum.

Steve Foots and Sean Christie are both also entitled to death in service benefits from the CPS.

The above Executive Directors each also receive a cash allowance above a pension benefit cap of £187,500. This payment relates to a change in benefit structure that was made with effect from 6 April 2011 and each individual's cash supplement above the cap was set to be cost neutral to the Company given defined benefit pension benefits are no longer provided above the £187,500 cap which was the case prior to 6 April 2011.

Keith Layden's Pension Provision

Keith Layden withdrew from active membership with effect from 6 April 2011 and has a deferred pension with the entitlement to retire from age 60. However if he retires before age 61 the pension accrued prior to 6 April 2006 would be unreduced from age 60 and the pension accrued between 6 April 2006 and 5 April 2011 would have a reduction applied. The elements of his deferred pension increase each year between the date of his withdrawal and the date he draws his pension by various percentages. Once in payment, the pension will increase in line with RPI to a maximum of 10% per annum for pension accrued prior to April 2006 and a maximum of 2.5% for pension accrued thereafter. He is able to draw this deferred pension with company consent while continuing in employment. Keith is paid a pension supplement of 20% of base salary to enable him to make independent provision for his retirement and has an agreement with the Company to provide death in service benefits outside of the CPS.

Other customary benefits such as company cars or car allowances, fuel allowance and health benefits are made available to Executive Directors.

Benefits in kind and bonuses are not pensionable. The Committee reviews the individual components and the balance of these components from time to time.

Performance-Related Annual Bonus

The Company bonus scheme for its Directors and senior executives incentivises and rewards for the delivery of income growth.

Income growth is the growth in underlying profitability (defined for bonus purposes as Group EBITDA for continuing operations before exceptional items and any charges or credits under IFRS 2 "Share based payments") less a notional interest charge on working capital employed during the year. This measure is used as it looks to reward two key performance indicators that are used within the business, namely the growth in underlying profitability and the efficient use of working capital. In addition, income is measured after providing for the cost of any bonuses.

For 2013, the bonus structure will continue to operate on a similar basis to that operated in prior years which will require the income delivered in 2013 (as described above) to exceed that delivered in 2012 for any bonus to be earned. The targets operate as a sliding scale between the targets shown below:

Level of Award	Basis	% of Bonus Payable
Threshold	Equivalent to 2012 actual	0%
Maximum	2012 actual plus CPI plus 10%	100%

Once the level of bonus has been determined against the targets set at the start of the year, the Committee has the discretion to take health, safety and environmental performance into consideration when determining the actual overall level of individual bonus payments and it may reduce the bonus awards if it considers it appropriate to do so (e.g. if health, safety and environmental performance is not considered satisfactory during the period over which the bonus was earned).

The Committee considers the range of income targets set for 2013 to be equally as challenging as the range of targets set for the 2012 annual bonus given that 2012 was another robust year and the fact that current economic circumstances remain challenging, particularly in Europe.

The Committee remains comfortable that the structure of the annual bonus does not encourage the pursuit of strategies that may involve inappropriate risk-taking and that the mandatory reinvestment of net bonuses in excess of 50% of salary into shares (other than if an individual is within three years of a normal retirement date) is considered to provide clear alignment with shareholders and foster a longer-term link between annual performance and reward.

Furthermore, the 2013 annual bonus is also subject to clawback provisions which will enable the Committee to recover the value overpaid to an Executive Director in respect of 2013 performance in the event of a misstatement of the Company's financial results, an error being made in assessing the extent to which performance targets were ultimately achieved or in the event of serious misconduct. The clawback provisions will operate for a three year period following the date on which the bonus is paid.

Long-Term Incentives

Long-term incentives are provided to Executive Directors through two long-term incentive plans, the BCIP and the LTIP.

Bonus Co Investment Plan ("BCIP")

The BCIP operates in conjunction with the annual bonus scheme and requires the net of tax amount of bonus earned above 50% of salary to be invested into the Company's shares for the purposes of receiving a matching award. In addition, the BCIP allows participants to voluntarily invest a proportion of any remaining net annual cash bonus (up to a maximum of 100% of salary) into the Company shares which is also eligible to receive a matching award. Matching awards are granted under the plan based on the pre-tax number of shares purchased from the net of tax annual cash bonus. The level of matching awards is determined by the Committee and for 2012, was set at 2.0833:1.

Matching awards vest to the extent that (i) participants hold the invested shares for three years and remain employed (other than in certain 'good leaver' circumstances) and (ii) challenging three-year earnings per share ("EPS") growth performance targets are met.

The maximum number of shares over which an award can be granted to an employee in a single year is limited to shares having a market value not exceeding 100% of the executive's salary (i.e. the full net annual bonus at the maximum performance level would need to be invested in the Company's shares for a maximum matching award to be eligible to be granted).

The 2013 matching awards will vest, as in prior years, subject to the achievement of a challenging sliding scale of adjusted EPS growth targets in excess of retail price inflation ("RPI"):

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

EPS continues to be a key internal measure used to assess the performance of the business and is aligned with the Company's objectives of continuing to deliver profitable growth and operating a progressive dividend policy. With regard to the range of targets set, they are considered to remain appropriate, providing a stretching but realistic target from a robust result in 2012.

Long Term Incentive Plan ("LTIP")

The maximum annual award limit permitted under the LTIP is 200% of salary with the 2013 LTIP awards vesting subject to (i) participants remaining employed (other than in certain 'good leaver' circumstances) and (ii) the achievement of challenging three-year EPS growth and total shareholder return ("TSR", share price growth plus dividends) performance targets.

2013 Award Levels

While the normal annual award limit is set at 200% of salary, in practice, awards have been limited to 100% of salary to date.

With regards to the quantum of awards to be granted in 2013, awards are expected to be at the following levels:

Director	2013 LTIP Award (multiple of salary)
Steve Foots	100%
Sean Christie	100%
Keith Layden	70%

Award levels are set after taking due account of the overall market positioning of total remuneration, the award's performance targets and the Company's prevailing share price.

Remuneration Report

Implementation Report (Unaudited Information)

2013 Performance Targets
As in prior years, LTIP awards will be subject to a performance condition which is split into two equal separate parts, each with a separate performance condition.

With regards to the half of the award subject to relative TSR, Croda's TSR performance is compared against the TSR performance of the constituents of the FTSE 350 Index (FTSE 250 Index used for 2012 awards). The FTSE 350 Index was chosen as a comparator group as the Company is a current member and it represents a broad-based index of companies of a similar size and with similar historic volatility of TSR returns to the Company. Vesting under this part of the performance condition will take place on the following sliding scale:

Rank of the Company's TSR against FTSE 350	Vesting % (TSR part)
Below median	0%
Median	30%
Upper quartile	100%
Between median and upper quartile	30% - 100% pro rata

The remaining half of the awards vest based on the same EPS growth condition that is set for the BCIP, with vesting thus taking place on the following slide scale:

Adjusted EPS growth over the three year period	Vesting % (EPS part)
Less than RPI + 12%	No vesting
RPI + 12%	30%
RPI + 24%	100%
Straight-line vesting occurs between these points	

Use of relative TSR in tandem with EPS growth targets is considered appropriate since it provides clear alignment between executives and shareholders in focusing management to deliver above market total returns at the same time as incentivising executives to deliver growth in EPS which, as described above, is a key internal measure of performance.

LTIP and BCIP awards granted in 2013 to Executive Directors will also be subject to clawback provisions (as per the 2012 awards) which will enable the Committee to clawback the value overpaid to an Executive Director in respect of performance during the three years ending 31 December 2015 in the event of a material misstatement of the Company's financial results or misconduct. The clawback provisions will operate for a three year period following the date on which the awards vest.

All-Employee Share Plans
In line with the wider UK employee population, Executive Directors are invited, on the same terms, to participate in the HMRC tax approved UK SAYE Scheme and the Croda Share Incentive Plan (SIP).

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

All the Executive Directors have holdings well in excess of the target shareholdings.

Sourcing of Shares and Dilution
Awards under all the Group share schemes may be satisfied using either newly issued shares, treasury shares or shares purchased in the market and held in the Company's employee benefit trust.

Awards under the Group's discretionary schemes which may be satisfied by new issue shares must not exceed 5% of the Company's issued share capital in a 10-year period, and the total of all awards satisfied via new issue shares under all plans must not exceed 10% of the Company's issued share capital in a 10-year period.

As at 31 December 2012, the headroom under the Company's 5% and 10% limits was 1.53% and 2.51% of shares respectively, out of an issued share capital of 139,949,969 shares. As at 31 December 2012, the employee benefit trust held 4,646,198 shares.

Service Contracts and External Appointments Policy
The Remuneration Committee's policy on Executive Directors' service contracts is for them to contain a maximum notice period of one year. In respect of termination, the Committee's policy is to deal with each case on its merits, in accordance with the law and any further policy adopted by the Committee at the time. In the event of early termination, other than for cause, the relevant Director's then current salary and contractual benefits would be taken into account in calculating any liability of the Company. For clarification, the Company's policy is that no entitlement to unearned bonus will be taken into account when determining payments on early termination.

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

Specific Contracts
Steve Foots, Sean Christie and Keith Layden have service contracts dated 16 September 2010, 15 December 2006 and 6 February 2012 respectively which are terminable by the Company on one year's notice and by them on six months' notice.

The Company may also terminate the contracts at any time with immediate effect and they would be entitled to receive compensation equivalent to twelve months' salary plus the value of their pension benefits (valued at 20% of basic salary) and the value of other benefits, payable in equal monthly instalments for twelve months or, if less, the remaining period of any notice period not yet completed. Such payments would discontinue or reduce to the extent that they obtained alternative employment (i.e. any such payments would be phased and subject to mitigation to the extent that any alternative employment was commenced).

External Appointments
Executive Directors are permitted to accept external Non-Executive appointments with the prior approval of the Board. It is normal practice for Executive Directors to retain fees provided for Non-Executive appointments. Sean Christie was appointed as a Non-Executive Director of Eminate Limited in November 2012 for which he receives no fixed remuneration but is entitled to a share of the value created by the company's future projects.

Policy on Non-Executive Directors' Remuneration
The Board is responsible for determining the policy on, and level of, the remuneration of Non-Executive Directors. The aim is to attract Non-Executive Directors who through their experience can further the interests of the Company through their stewardship and contribution to strategic development. The Board's policy is to provide cash fees at a level commensurate with companies of Croda's size, set fees to reflect the anticipated time commitment of fulfilling the relevant Non-Executive's duties, not to grant share options to Non-Executive Directors and to encourage Non-Executive Directors to establish a holding of Croda shares.

Components of Non-Executive Directors' Remuneration
Non-Executives' pay comprises cash fees, paid monthly. All Non-Executive Directors are reimbursed for travel and related business expenses reasonably incurred in performing their duties. The Chairman's fees are determined by the Committee and the fees of the remaining Non-Executive Directors are determined by the Chairman and the Executive Directors.

With effect from March 2013 the Chairman receives an all encompassing fee of £200,000, fixed for the remainder of his current term. This compares to a fee of £170,000 in 2012. Other Non-Executive Directors' fees are structured as follows:

Fee Type	2013 Fee Level	2012 Fee Level
Basic Fee	£52,000	£46,000
Supplementary fees:		
1. Senior Independent Director	£5,000	£5,000
2. Committee Chairman's fee	£8,000	£8,000

The Non-Executive Director fee has been increased for 2013 for the first time since 2011. The increase in base fees for the Chairman and the Non-Executive Directors was agreed after consideration of the time commitment and workload as well as market conditions.

Non-Executive Directors' Terms of Appointment
The Chairman and Non-Executive Directors have letters of appointment for an initial fixed term of three years subject to earlier termination by either party on written notice. In each case, this term can be extended by mutual agreement. The Chairman's term of office was due to expire in September 2013 after eight years, but the Board has agreed that the Chairman's period of office should be extended for a further two years to September 2015 at which time he will retire from the Board. The discussions were led by the Senior Independent Director who consulted with the other members of the Board.

The Board has agreed to extend Steve Williams' term of office by a further three years and Stanley Musesengwa's term of office by a further one year, at which point he will retire from the Board.

The Non-Executive Directors have no entitlement to contractual termination payments. The dates of their initial appointments are set out below.

Director	Original appointment date	Expiry date of current term
Martin Flower	16th May 2005	28 September 2015
Alan Ferguson	1 July 2011	30 June 2014
Stanley Musesengwa	7 May 2007	6 May 2014
Nigel Turner	1 June 2009	31 May 2015
Steve Williams	1 July 2010	30 June 2016

With regards to policy in future years, while the Remuneration Committee anticipates operating the broad framework detailed above, it intends to oversee a Group wide root and branch review of remuneration policies and procedures, including policies and objectives to promote diversity to ensure the Group's practices take due account of current best practice thinking.

Total shareholder return
220.3%
3 years to 31 December 2012

EPS growth
156.4%
3 years to 31 December 2012

Remuneration Report

Implementation Report (Unaudited Information)

The role of the Remuneration Committee

The Committee reviews and approves the annual salaries, incentive arrangements (including setting the performance targets and payments/vesting events), service agreements and other employment conditions of the Executive Directors and certain members of the senior executive management team designated by the Board. The Committee has delegated responsibility for setting the remuneration of the Chairman. The full terms of reference of the Committee are published on the Company's website (www.croda.com).

Membership and Operation

The Committee comprises all Non-Executive Directors including the Chairman and is chaired by Stanley Musesengwa.

Members and attendance (eligibility) at meetings held during the year ended 31 December 2012.

Meetings during the year	**4**
Current members	
Martin Flower	4 (4)
Alan Ferguson	4 (4)
Stanley Musesengwa (Chairman)	4 (4)
Nigel Turner	4 (4)
Steve Williams	4 (4)

Key Committee Activities during 2012

- Determining and agreeing with the Board the remuneration policy for the newly promoted Group Chief Executive, the Group Finance Director and Chief Technology Officer;
- Setting 2013 Executive Director salary levels;
- Determining annual bonus awards in respect of 2011 performance;
- Finalising the annual bonus plan terms for 2012;
- Testing of performance targets for the Company's 2009 long-term incentive awards;
- Determining 2012 long-term incentive award levels, the associated performance targets and granting the awards;
- Considering the corporate governance environment and the proposed regulatory changes to voting and reporting on Executive Directors' remuneration; and
- Noting remuneration trends across the Group.

Priorities for 2013

- **Oversight of the Executive led root and branch remuneration review**

Remuneration Committee Advice

The Remuneration Committee invites individuals to attend meetings to provide advice so as to ensure that decisions are informed and take account of pay and conditions in the wider Group. During 2012 these individuals included:

- Other Directors and employees of the Company, including Steve Foots, Samantha Brook (VP Human Resources), Graham Myers (Group Financial Controller/Treasurer) and Louise Scott (former Company Secretary).
- New Bridge Street (part of Aon plc) were retained as the appointed adviser to the Committee during 2012 to provide independent advice on remuneration policy and practice. New Bridge Street has no connection with the Company other than in the provision of advice in relation to executive remuneration. Another subsidiary of Aon plc, the ultimate parent company of NBS, provides insurance broking services to the Group. The Committee is comfortable that no conflicts arise out of these relationships.

Shareholder Voting at 2012 AGM

At last year's AGM (26 April 2012) the Directors' Remuneration Report received the following votes from shareholders:

	Total number of votes	% of votes cast
For	84,314,186	98.1%
Against	820,958	1.0%
Discretionary (Chairman and Other)	102,048	0.1%
Total votes cast (for and against)	85,237,192	99.2%
Votes withheld	711,844	0.8%
Total votes cast (including withheld votes)	85,949,036	100%

Implementation Report (Audited Information)

Directors' Remuneration

The remuneration of the Directors for the year ended 31 December 2012 payable by Group companies was as follows:

	Basic salary £	Pension supplement< £	Bonus‡ £	Benefits £	Fees £	2012 Total £	2011 Total £
Executive Directors							
S E Foots	500,000	62,500	300,000	23,193	–	885,693	638,251
M S Christie	350,208	32,542	340,008	23,275	–	746,033	722,647
K Layden*	272,670	54,750	199,008	18,840	–	545,268	438,361
M Humphrey† (former Director)	–	–	–	–	150,000	150,000	1,303,095
Subtotal	1,122,878	149,792	839,016	65,308	150,000	2,326,994	3,102,354
Non-Executive Directors							
M C Flower	–	–	–	504	170,000	170,504	166.254
S Musesengwa	–	–	–	–	54,000	54,000	52,520
P N N Turner≠	–	–	–	–	53,083	53,083	46,834
S G Williams	–	–	–	–	46,000	46,000	44,751
A M Ferguson^	–	–	–	–	54,000	54,000	26,334
Subtotal	–	–	–	504	377,083	377,587	336,693
Total	**1,122,878**	**149,792**	**839,016**	**65,812**	**1,649,961**	**2,704,581**	**3,439,047**

† M Humphrey retired as a Director on 31 December 2011 and, as disclosed in last year's Directors' Remuneration Report, became a Senior Adviser providing strategic advice to the Board for the period ended 31 December 2012. This role and payment has now ceased.
< The pension supplement is the amount paid to directors in 2012 in relation to benefits provided above the final salary pension cap of £187,500 as described on page 43.
‡ The bonus is the amount paid in 2012 in respect of 2011 performance.
* K Layden was appointed to the Board on 6 February 2012.
^ A M Ferguson was appointed as a Non-Executive Director on 1 July 2011.
≠ P N N Turner was paid £2,083 in respect of prior year's fees.

Material Contracts

There have been no other contracts or arrangements during the financial year in which a Director of the Company was materially interested and/or which were significant in relation to the Group's business.

Details of Variable Pay Earned in Respect of 2012

As detailed in last year's Directors' Remuneration Report, the 2012 bonuses for Executive Directors were calculated by reference to the amount by which the income for the year (defined as detailed in the Policy Report), exceeded the income for 2011 calculated on the same basis (the "base income"). Bonuses for 2012 are payable against a graduated scale once the 2012 income exceeds the base income by inflation (defined as the consumer prices index (CPI)), with maximum bonuses due at CPI plus 10%.

With regard to the actual performance delivered during 2012, 2012 income exceeded base income by 5.5% above CPI. Following an assessment of the health, safety and environmental performance of the Group in 2012, which was considered satisfactory, the bonuses payable to each of the Executive Directors were at 28% of salary reflecting the fact that 28% of the maximum target was achieved.

Actual bonus payments for 2011 performance are included in the table above.

Remuneration Report

Implementation Report (Audited Information)

BCIP and LTIP Awards Granted in 2012

The BCIP awards granted on 30 April 2012 were as follows:

Director	Number of BCIP shares awarded	Face/Maximum Value of Awards at Grant Date*	% of Award Vesting at Threshold (Maximum)	Performance Period
Steve Foots	9,026	£173,365	30% (100%)	01.01.12 – 31.12.2014
Sean Christie	14,747	£283,250	30% (100%)	01.01.12 – 31.12.2014
Keith Layden	8,622	£165,605	30% (100%)	01.01.12 – 31.12.2014

* Face value/Maximum Value of award calculated based on the first 30 dealing days of 2012

The 2012 BCIP awards will vest, as in prior years, subject to the achievement of a challenging sliding scale of adjusted earnings per share growth ("EPS") targets in excess of retail price inflation ("RPI"). The range of targets set is shown on the right.

With regard to the range of targets set, as disclosed in last year's Directors' Remuneration Report, they were considered to be appropriate, providing a stretching but realistic target from a record result in 2011.

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

The LTIP awards granted on 22 February 2012 were as follows:

Director	Number of LTIP shares awarded	Face/Maximum Value of Awards at Grant Date*	% of Award Vesting at Threshold (Maximum)	Performance Period
Steve Foots	25,920	£497,853	30% (100%)	01.01.12 – 31.12.2014
Sean Christie	18,154	£348,689	30% (100%)	01.01.12 – 31.12.2014
Keith Layden	10,160	£195,146	30% (100%)	01.01.12 – 31.12.2014

* Face value/Maximum Value of award calculated based on the first 30 dealing days of 2012

The 2012 LTIP awards, as in prior years, were subject to a performance condition which is split into two equal separate parts.

Half of the award was subject to a relative total shareholder return (TSR) performance condition, comparing Croda's TSR performance against the constituents of the FTSE 250 (excluding investment trusts) over a three year performance period. The FTSE 250 was considered the appropriate peer group as it is the index that Croda has been a constituent of for the majority of the past five years.

Vesting under this part of the performance condition will take place on the following sliding scale:

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

The remaining half of the awards vest based on the same EPS growth condition with vesting taking place on the following sliding scale:

Adjusted EPS growth over the three year period	Vesting % (EPS part)
Less than RPI + 12%	No vesting
RPI + 12%	30%
RPI + 24%	100%
Straight-line vesting occurs between these points	

The rationale for using relative TSR and EPS in tandem for long-term incentive awards in 2012 was as detailed above in the Remuneration Policy Report in respect of the 2013 awards.

SIP Shares Awarded in 2012

Details of shares purchased and awarded to Executive Directors under the UK SIP. A brief description of the UK SIP is set out on page 97.

Director	SIP Shares held 01.01.12	Partnership shares acquired in year	Matching shares awarded in year	Total shares held 31.12.12	SIP shares that became unrestricted in the year	Total unrestricted SIP shares held at 31.12.12
Steve Foots	5,222	68	68	5,358	478	3,750
Sean Christie	1,786	68	68	1,922	314	314
Keith Layden	5,222	68	68	5,358	478	3,750

Steve Foots, Sean Christie and Keith Layden each acquired 68 partnership shares and were awarded 68 matching shares. Unrestricted shares (which are included in the total shares held at 31 December 2012) are those held until there is no longer a tax liability if they are withdrawn from the plan.

SAYE Shares Options Granted in 2012

Details of shares awarded under the UK SAYE are set out below. The awards granted took place on 21 September 2012 and have an earliest exercise date of 1 November 2015 and an expiry date of 30 April 2016. A brief description of the UK SAYE is set out on page 93.

Director	Number held at 01.01.12	Granted in year	Exercise Price	Exercised in year	Total number held at 31.12.12
Steve Foots	592	92	1942p	340	344
Sean Christie	1,702	463	1942p	1,702	463
Keith Layden	-	463	1942p	-	463

Pension Rights

The pension rights that accrued during the year (in line with the benefits set out in the Remuneration Policy Report were as follows:

Defined benefit schemes

Director	Accrued pension at 31.12.12[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 31.12.11[4] £000	Transfer value of accrued pension at 31.12.12[4,7] £000	Increase/ (decrease) in transfer value over the year[5,7] £000	Transfer value of the increase in the accrued pension[6,7] £000
Steve Foots	97	5	3	1,233	1,277	29	27
Sean Christie	29	3	3	284	336	37	21
Keith Layden	103[8]	5	2	1,998	2,038	40	41

Steve Foots and Sean Christie are also entitled to death in service benefits from the CPS. Keith Layden has a separate agreement which provides death in service benefits outside of the CPS.

Notes

1 The figures shown represent: the amount of annual pension benefits which would have been preserved had the Director left service on 31 December 2012, based on service to, and pensionable earnings at, that date. Accrued pension revalued from 5 April 2011 to 31 December 2012 for Keith Layden.

2 The figure represents the difference between the total accrued pension at 31 December 2012 and the corresponding pension at the beginning of the year.

3 The figure represents the difference between the total accrued pension at 31 December 2012 and the corresponding pension at the beginning of the year after an adjustment to exclude inflation was provided as required under paragraph 9.8.8 (12) (a) of the Listing Rules.

4 Transfer values are quoted on the basis recommended by the Scheme Actuary for valuation of accrued benefits if the member had transferred benefits to another approved scheme on the relevant date. The increase/decrease in transfer value between 31 December 2011 and 31 December 2012 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 2012 and 31 December 2011, less contributions paid by the Director or on his behalf under the Company's salary sacrifice scheme.

6 The figure represents the transfer value of the increase in accrued benefits over the period, adjusted for inflation, less contributions paid by the Director or on his behalf under the Company's salary sacrifice scheme.

7 Following the triennial valuation, the Trustee of the CPS amended the transfer value basis with effect from October 2012. The impact of updating the basis was a reduction in the Directors' transfer values of around 5%.

8 Keith Layden became a Direcor on 6 February 2012. The accrued pension disclosed above has been calculated taking into account his entire pensionable service (including the period before his promotion to Director).

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

During 2012, Steve Foots was paid £62,500 (2011: nil), Sean Christie was paid £32,541 (2011: £22,876) and Keith Layden was paid £54,750 in addition to their basic salary to enable them to make independent provision for their retirement. This contribution reflects the introduction of a cap to the maximum salary on which benefits at retirement are based under the CPS. Accordingly, benefits above this cap are now provided by a salary supplement in lieu of pension benefits above the cap of £187,500. This change in benefit structure is expected to be cost neutral for the Company.

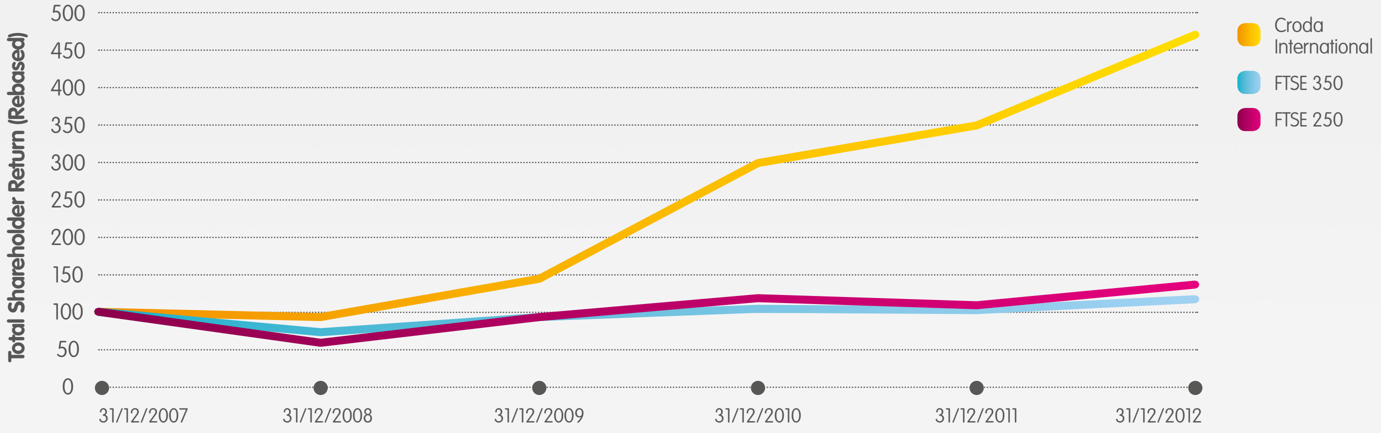
The salary supplements in lieu of pension benefits provided above the cap are included in the emoluments table on page 51.

Remuneration Report

Implementation Report (Audited Information)

Total Shareholder Return: Croda International vs FTSE 250 and FTSE 350

The graph below shows the value, by 31 December 2012, of £100 invested in Croda International Plc on 31 December 2007 compared with the value of £100 invested separately in both the FTSE 350 Index and FTSE 250 Index.



Source: Datastream (Thomson Reuters) (unaudited)

In the opinion of the Directors the FTSE 250 Index and the FTSE 350 Index are the two most appropriate indices against which the total shareholder return of the Company should be measured because Croda has been a constituent of the FTSE 250 Index for the majority of the past five years and is currently a constituent of the FTSE 350 Index.

Summary of Past Share Awards

SAYE Share Options

Date of grant	Earliest exercise date	Expiry date	Exercise price	Number at 1 January 2012 (10p shares)	Exercised in year	Granted in year	Number at 31 December 2012 (10p shares)
Steve Foots							
15 September 2009	1 November 2012	30 April 2013	533p	340	340	-	-
20 September 2011	1 November 2014	30 April 2015	1432p	252	-	-	252
21 September 2012	1 November 2015	30 April 2016	1942p	-	-	92	92
				592	**340**	**92**	**344**
Sean Christie							
15 September 2009	1 November 2012	30 April 2013	533p	1,702	1,702	-	-
21 September 2012	1 November 2015	30 April 2016	1942p	-	-	463	463
				1,702	**1,702**	**463**	**463**
Keith Layden							
21 September 2012	1 November 2015	30 April 2016	1942p	-	-	463	463
				-	**-**	**463**	**463**

During 2012, the highest mid-market price of the Company's shares was 2464p and the lowest was 1804p. The year-end closing price was 2376p. The year end mid-market price was 2357.17p.

BCIP

Details of the awards made under the BCIP are set out below (performance targets applying to each award are as described on pages 44):

Date of award	Earliest vesting date	Market price at date of award	Number at 1 January 2012 (10p shares)	Granted in year	Released in year	Number at 31 December 2012 (10p shares)
Steve Foots						
30 April 2009	30 April 2012	544p	9,878	-	9,878	-
29 April 2010	29 April 2013	990p	9,022	-	-	9,022
3 May 2011	3 May 2014	1881p	12,358	-	-	12,358
30 April 2012	30 April 2015	2262p	-	9,026	-	9,026
			31,258	**9,026**	**9,878**	**30,406**
Sean Christie						
30 April 2009	30 April 2012	544p	30,765	-	30,765	-
29 April 2010	29 April 2013	990p	17,940	-	-	17,940
3 May 2011	3 May 2014	1881p	16,734	-	-	16,734
30 April 2012	30 April 2015	2262p	-	14,747	-	14,747
			65,439	**14,747**	**30,765**	**49,421**
Keith Layden						
30 April 2009	30 April 2012	544p	9,878	-	9,878	-
29 April 2010	29 April 2013	990p	5,589	-	-	5,589
3 May 2011	3 May 2014	1881p	5,212	-	-	5,212
30 April 2012	30 April 2015	2262p	-	8,622	-	8,622
			20,679	**8,622**	**9,878**	**19,423**

All outstanding awards under the BCIP were granted as nil exercise price options. To the extent that they vest, they are normally exercisable from 3 to 4 years from grant. The BCIP awards made in April 2010 reached the end of their performance period on 31 December 2012. The Remuneration Committee determined that 100% of the awards should vest, the Company having achieved an EPS growth of 156.4% relative to a target of 37.2%. Accordingly, these awards will vest in full on 29 April 2013, the third anniversary of grant. During 2012, the highest mid-market price of the Company's shares was 2464p and the lowest was 1804p. The year-end closing price was 2376p. The year end mid-market price was 2357.17p.

LTIP

Details of historic awards made under the LTIP are set out below (performance targets applying to each award are as described on page 44):

Date of award	Award price	Earliest vesting date	Market price at date of award	Number at 1 January 2012 (10p shares)	Exercised in year	Granted in year	Number at 31 December 2012 (10p shares)
Steve Foots							
18 February 2009	503p	18 February 2012	509p	19,894	19,894	-	-
24 February 2010	802p	24 February 2013	900p	13,089	-	-	13,089
23 February 2011	1535p	23 February 2014	1588p	17,102	-	-	17,102
22 February 2012	1929p	22 February 2015	2171p	-	-	25,920	25,920
				50,085	**19,894**	**25,920**	**56,111**
Sean Christie							
18 February 2009	503p	18 February 2012	509p	45,211	45,211	-	-
24 February 2010	802p	24 February 2013	900p	28,937	-	-	28,937
23 February 2011	1535p	23 February 2014	1588p	22,151	-	-	22,151
22 February 2012	1929p	22 February 2015	2171p	-	-	18,154	18,154
				96,299	**45,211**	**18,154**	**69,242**
Keith Layden							
18 February 2009	503p	18 February 2012	509p	18,800	18,800	-	-
24 February 2010	802p	24 February 2013	900p	12,029	-	-	12,029
23 February 2011	1535p	23 February 2014	1588p	6,482	-	-	6,482
22 February 2012	1929p	22 February 2015	2171p	-	-	10,160	10,160
				37,311	**18,800**	**10,160**	**28,671**

All outstanding awards under the LTIP were granted as nil exercise price options. To the extent that they vest, they are normally exercisable from 3 to 10 years from grant. The LTIP awards made in February 2010 reached the end of their performance period on 31 December 2012. The Remuneration Committee determined that 50% of the awards should vest, the Company's TSR was in the upper quartile of the peer group and EPS growth of 156.4% was achieved. Accordingly, these awards will vest on 24 February 2013, the third anniversary of grant. During 2012, the highest mid-market price of the Company's shares was 2464p and the lowest was 1804p. The year-end closing price was 2376p. The year end mid-market price was 2357.17p.

Remuneration Report

Implementation Report (Audited Information)

Gains Made on Exercise of Share Options and LTIPs

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

Director	Exercise date	Shares exercised	Scheme	Exercise price	Market price	Gain (before tax)
Steve Foots	16 March 2012	19,894	LTIP	Nil	2233p	444,233
	30 April 2012	9,878	BCIP	Nil	2262p	223,391
	1 November 2012	340	SAYE	533p	2094p	5,307
						672,931
Sean Christie	15 March 2012	45,211	LTIP	Nil	2222p	1,004,588
	30 April 2012	30,765	BCIP	Nil	2262p	695,750
	22 November 2012	1,702	SAYE	533p	2317p	30,364
						1,730,702
Keith Layden	27 March 2012	18,800	LTIP	Nil	2140p	402,226
	30 April 2012	9,878	BCIP	Nil	2262p	223,391
						625,617

Directors' Interests in the Share Capital of the Company

The interests of the Directors (all of which were beneficial), who held office at 31 December 2012, are set out in the table below:

	Legally owned		LTIP Awards		BCIP Awards		SAYE		SIP		Total	% of salary Held Under Shareholding Guideline
	31.12.12	31.12.11	Unvested	Vested	Unvested	Vested	Unvested	Vested	Unrestricted	Restricted	31.12.12	(100% of salary)
Executive Directors												
S E Foots	95,670	74,746	56,111	-	30,406	-	344	-	1,560	3,798	**187,889**	>100%
M S Christie	193,688	148,538	69,242	-	49,421	-	463	-	1,560	362	**314,736**	>100%
K Layden	64,486	60,329	28,671	-	19,423	-	463	-	1,560	3,798	**118,401**	>100%
Non-Executive Directors												
M C Flower	25,925	22,925	-	-	-	-	-	-	-	-	**25,925**	-
S Musesengwa	15,000	15,000	-	-	-	-	-	-	-	-	**15,000**	-
P N N Turner	15,000	15,000	-	-	-	-	-	-	-	-	**15,000**	-
S G Williams	10,524	10,000	-	-	-	-	-	-	-	-	**10,524**	-
A M Ferguson	2,500	-	-	-	-	-	-	-	-	-	**2,500**	-

There have been no changes in the interests of any Director between 1 January 2013 and the date of this report except for the purchase of five SIP shares and five matching shares by each Executive Director, in both January and February 2013.

On behalf of the Board

Stanley Musesengwa
Chairman of the Remuneration Committee
1 March 2013

Other Disclosures

Principal Activities and Business Review

Croda International Plc is a marketing and technology company that produces and sells speciality chemicals. It is the parent company of a group with operations across the globe with its headquarters at Cowick Hall, Snaith, Goole, East Yorkshire. The Group carries out research and development activities in the main markets it serves, further details of which can be found in the Chief Executive's review on pages 4 and 5.

The Companies Act 2006 requires the Company to set out in this report a fair review of the business of the Group during the financial year ended 31 December 2012 including an analysis of the development and performance of the Group during the year and the position of the Group at the end of the financial year, and a description of the principal risks and uncertainties facing the Group (known as a "Business Review").

The information which makes up the Business Review can be found in the following sections of the annual report:

- Chairman's statement on pages 2 and 3
- Chief Executive's review on pages 4 and 5
- Financial review on pages 14 and 15
- Sustainability review on pages 20 to 27
- Principal risks and uncertainties as discussed in the Financial Review section on pages 16 to 19.

Further information on Sustainability can be found in our full Sustainability Report or on our website at www.croda.com.

Pages 1 to 60 inclusive (together with the sections of the annual report incorporated by reference) constitute a Directors' Report that has been drawn up and presented in accordance with applicable English company law and the liabilities of the Directors in connection with that report are subject to the limitations and restrictions provided by that law.

Going Concern

The financial statements which appear on pages 61 to 98 have been prepared on a going concern basis as, after making appropriate enquiries, including a review of forecasts, budgets 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.

Research and Development

Research and development activities are undertaken with the prospect of gaining new scientific or technical knowledge and understanding.

Profit and Dividends

The results for the year are set out on page 62. The Directors are recommending a final dividend of 32.75p per share (2011: 30.25p). If approved by shareholders, total dividends for the year will amount to 59.5p per share (2011: 55.0p per share). Details of dividends are shown in note 9 on page 77 and details of the Company's Dividend Reinvestment Plan can be found on page 110.

Directors

The Company's Articles of Association (the "Articles") give the Directors power to appoint and replace Directors. Under the terms of reference of the Nomination Committee, any appointment must be recommended by the Nomination Committee for approval by the Board of Directors. The present Directors of the Company are shown on pages 28 and 29. In accordance with the UK Corporate Governance Code each Director will be standing for election at the AGM. Details of the Directors' service contracts are given in the Directors' Remuneration Report on pages 42 to 56.

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

The Directors are recommending a full year dividend of

59.5p

↑ 8.2%

(2011: 55.0p)

Other Disclosures

A statement indicating the beneficial and non-beneficial interests of the Directors in the share capital of the Company, including share options, is shown in the Directors' Remuneration Report on page 56.

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

Directors' Indemnities

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

Share Capital

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

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

- details of the structure of the Company's share capital and the rights attached to the Company's shares are set out on pages 92 and 97
- details of employee share schemes are set out on pages 93 to 97.

Power to Issue or Buy Back Shares

At the 2012 AGM, authority was given to the Directors to allot unissued shares in the Company up to a maximum amount equivalent to approximately one third of the issued share capital (excluding shares held in treasury) for general purposes, plus up to a further one third of the Company's issued share capital (excluding shares held in treasury), but only in the case of a rights issue. No such shares have been issued. A further special resolution passed at that meeting granted authority to the Directors to allot equity securities in the Company for cash, without regard to the pre-emption provisions of the then Companies Act 1985. Both these authorities expire on the date of the 2013 AGM to be held on 25 April 2013 and so the Directors propose to renew them for a further year.

At last year's AGM the members renewed the Company's authority to purchase up to 10% of its ordinary shares. No purchases were made during the year. As a result the Company will be seeking to renew its authority to purchase its own shares at the 2013 AGM. Shares will only be purchased if the Board believes that such purchases will improve earnings per share and be in the best interests of the shareholders generally. It is the Company's intention that any shares purchased will be held as treasury shares. At the date of this report the company holds 4,646,198 shares in treasury.

Articles of Association

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

Significant Contracts and Change of Control

The Group has borrowing facilities which may require the immediate repayment of all outstanding loans together with accrued interest in the event of a change of control. The rules of the Company's employee share plans set out the consequences of a change in control of the Company on participants' rights under the plans. Generally such rights will vest and become exercisable on a change of control subject to the satisfaction of performance conditions. None of the Executive Directors' service contracts contain provisions which are affected by a change of control and there are no other agreements to which the Company is a party which take effect, alter or terminate in the event of a change of control of the Company which are considered to be significant in terms of their potential impact on the Group.

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

The Company will be seeking to renew its authority to purchase its own shares at the 2013 AGM. Shares will only be purchased if the Board believes that such purchases will improve earnings per share and be in the best interests of the shareholders generally.

Employees

Diversity – Croda is committed to the principle of equal opportunity in employment and to ensuring that no applicant or employee receives less favourable treatment on the grounds of gender, marital status, race, ethnic origin, religion, disability, sexuality, or age, or is disadvantaged by conditions or requirements which cannot be shown to be justified. Group HR Policies are clearly communicated to all our employees and are available through the Company intranet.

Recruitment & Progression – It is established policy throughout Croda that decisions on recruitment, career development, promotion and other employment related issues are made solely on the grounds of individual ability, achievement, expertise and conduct.

Croda gives full and fair consideration to applications for employment from disabled persons. Should an employee become disabled during their employment with Croda, they are fully supported by its occupational health provision. Efforts are made to continue their employment with reasonable adjustments being made to the workplace and role where feasible. Retraining is provided if necessary.

Development & Learning – Croda recognises that the key to future success lies in the skills and abilities of its dedicated global workforce. It is only through the continuous development of our employees that we will be able to meet the future demands of our customers in relation to enhanced creativity, innovation and customer service. During 2012 our employees had an average of 28 hours of training.

Involvement – Croda is committed to ensuring that employees share in the success of the Group. Owning shares in the Company is an important way of strengthening involvement in the development of the business and bringing together employee and shareholders' interests. In 2012 over 56% of employees participated in one of our all-employee share plans, indicating a continued desire of employees to be involved in the Company. This performance saw Croda honoured for best overall performance in fostering employee share ownership at the 2012 IFS Proshare Awards.

Employees are kept informed of matters of concern to them in a variety of ways, including the Crodaway (the Company magazine), quarterly updates, Croda Connect (the Company intranet), team briefings, webinars and Croda Now (email messages). These communications help achieve a common awareness among employees of the financial and economic factors affecting the performance of Croda and of changes happening within the business. Croda is also committed to providing employees with opportunities to share their views and provide feedback on issues that are important to them. All regions have undertaken an employee survey since 2010. The largest of these targeting our European employees was completed during 2011.

Corporate Social Responsibility

Croda continue to believe that good corporate social responsibility is essential to the long term success of the business. Details of our corporate responsibility initiatives and activities are set out on pages 20 to 27 of this report. Our separate Sustainability Report, available in print and online at www.croda.com/csr, expands on the core themes of CSR within Croda as well as providing more quantitative information on our performance against our CSR targets.

Under the supervision of the CSR Steering Committee, responsibility is now completely embedded within the regional business units, which are fully accountable for delivering business objectives. Croda's CSR Steering Committee is comprised of representatives from all regional business units and is responsible for the strategic management of CSR within the Group as well as ensuring all reporting obligations can be satisfied through the effective collation of robust data.

Community Engagement

Community engagement is of great value within Croda and enables us to meet our business aims as well as satisfying our moral obligations to our employees and the local communities in which we live and operate. Community engagement extends across the three key areas of communication, involvement and education. The effects of our activities in these three areas combine to create beneficial outputs such as increased morale, better skills development/training, easier employee recruitment, enhanced public relations and a positive reputation with our stakeholders. In 2011 we embarked on an ambitious programme of improving our educational offering in the area of science by developing a programme aligned to the needs of pupils following the UK National Curriculum. This was further developed in 2012 and we have an aim to see this extended into other geographies in the coming years.

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 2012, the Group had an average of 30.6 days (2011: 31.2 days) purchases outstanding in trade payables. The Company's trade payables are not material.

During 2012 over 56% of employees participated in one of our all-employee share plans.

Other Disclosures

Market Value of Properties
The Group's property, plant and equipment are included in the financial statements at depreciated historic cost where the assets were acquired in the normal course of business or depreciated fair value if the assets were acquired as part of a business combination. The properties are in continuing use and many of them were acquired when market values were substantially lower than at present. The Directors consider that a surplus over book value exists, but have not quantified the excess.

Charitable and Political Donations
Charitable donations made by the Group in the year amounted to £19,000 (2011: £11,000). No donations were made for political purposes (2011: £Nil).

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

Directors' Responsibilities
The Directors are responsible for preparing the annual report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing those financial statements, the Directors are required to:
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether IFRSs, as adopted by the European Union, and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements respectively; and
- prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the Group financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Each of the Directors, whose details are set out on pages 28 to 29 confirms that, to the best of their knowledge:
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Business Review contained in this report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

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

The Directors' report is the 'management report' for the purposes of the Financial Services Authority Disclosure and Transparency Rules (DTR 4.1.8R). The Directors' report was approved by the Board on 1 March 2013 and is signed on its behalf by

Tom Brophy
Group General Counsel and Company Secretary
1 March 2013

Financial Statements

Group Independent Auditors' Report to the Members of Croda International Plc

We have audited the Group financial statements of Croda International Plc for the year ended 31 December 2012 which comprise the Group income statement, Group statement of comprehensive income and expense, Group balance sheet, Group statement of changes in equity, Group statement of cash flows, Group cash flow notes, the Group accounting policies, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective Responsibilities of Directors and Auditors
As explained more fully in the Directors' Responsibilities statement set out on page 60, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the Audit of the Financial Statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements
In our Opinion the Group Financial Statements:
- give a true and fair view of the state of the Group's affairs as at 31 December 2012 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on Other Matters Prescribed by the Companies Act 2006
In our Opinion:
- the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on Which we are Required to Report by Exception
We have nothing to report in respect of the following:
Under the Companies Act 2006 we are required to report to you if, in our opinion:
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:
- the Directors' statement, set out on page 57, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Other Matter
We have reported separately on the parent company financial statements of Croda International Plc for the year ended 31 December 2012 and on the information in the Remuneration Report that is described as having been audited.

Richard Bunter
Senior Statutory Auditor for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors, Hull
1 March 2013

Financial Statements

Group Income Statement

for the year ended 31 December 2012

	Note	2012 £m	2011 £m
Revenue	1	**1,051.9**	1,028.0
Cost of sales		**(694.6)**	(687.7)
Gross profit		**357.3**	340.3
Net operating expenses	2	**(101.9)**	(102.6)
Operating profit	1	**255.4**	237.7
Financial expenses	4	**(9.3)**	(10.2)
Financial income	4	**7.1**	10.0
Profit before tax		**253.2**	237.5
Tax	5	**(78.1)**	(74.9)
Profit after tax from continuing operations		**175.1**	162.6
(Loss)/profit after tax from discontinued operations	7	**(13.2)**	4.9
Profit for the year	3	**161.9**	167.5
Attributable to:			
Owners of the parent		**161.9**	167.5
		161.9	167.5

		Pence per share	Pence per share
Earnings per 10p share			
Basic			
Total	8	**120.2**	123.7
Continuing operations	8	**130.0**	120.1
Diluted			
Total	8	**118.6**	121.6
Continuing operations	8	**128.3**	118.0

Group Statement of Comprehensive Income and Expense

for the year ended 31 December 2012

	2012 £m	2011 £m
Profit for the year	**161.9**	167.5
Other comprehensive income/(expense):		
Currency translation differences	**(8.2)**	(8.5)
Actuarial movement on retirement benefit liabilities (note 12)	**(0.8)**	(75.8)
Deferred tax on actuarial movement on retirement benefit liabilities (note 5)	**(3.5)**	21.6
Total comprehensive income for the year	**149.4**	104.8
Attributable to:		
Non-controlling interests	**–**	0.1
Owners of the parent	**149.4**	104.7
	149.4	104.8

Group Balance Sheet

at 31 December 2012

	Note	2012 £m	2011 £m
Assets			
Non-current assets			
Intangible assets	13	**213.1**	205.0
Property, plant and equipment	14	**338.3**	340 .2
Investments	16	**0.9**	15.4
Deferred tax assets	6	**64.0**	82.3
		616.3	642.9
Current assets			
Inventories	17	**170.5**	164.6
Trade and other receivables	18	**162.9**	145.7
Cash and cash equivalents		**53.8**	44.3
		387.2	354.6
Liabilities			
Current liabilities			
Trade and other payables	19	**(136.5)**	(159.4)
Borrowings and other financial liabilities	20	**(5.4)**	(7.5)
Provisions	21	**(7.9)**	(8.8)
Current tax liabilities		**(24.3)**	(23.9)
		(174.1)	(199.6)
Net current assets		**213.1**	155.0
Non-current liabilities			
Borrowings and other financial liabilities	20	**(256.1)**	(267.9)
Other payables		**(2.7)**	(4.9)
Retirement benefit liabilities	12	**(165.8)**	(198.9)
Provisions	21	**(17.3)**	(14.9)
Deferred tax liabilities	6	**(43.2)**	(45.1)
		(485.1)	(531.7)
Net assets		**344.3**	266.2
Shareholders' equity			
Preference share capital	24	**1.1**	1.1
Ordinary share capital	22	**14.0**	14.0
Called up share capital		**15.1**	15.1
Share premium account		**93.3**	93.3
Reserves		**235.8**	157.7
Total equity attributable to owners of the parent		**344.2**	266.1
Non-controlling interests in equity	26	**0.1**	0.1
Total equity		**344.3**	266.2

Signed on behalf of the Board who approved the accounts on 1 March 2013

Martin Flower
Chairman

Sean Christie
Group Finance Director

Financial Statements

Group Statement of Changes in Equity

for the year ended 31 December 2012

	Note	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Non-controlling interests £m	Total £m
At 1 January 2011		15.1	93.3	36.1	128.6	1.1	274.2
Profit for the year attributable to equity shareholders		–	–	–	167.5	–	167.5
Other comprehensive expense		–	–	(8.6)	(54.2)	–	(62.8)
Transactions with owners:							
Dividends on equity shares	9	–	–	–	(67.7)	–	(67.7)
Share based payments		–	–	–	4.3	–	4.3
Consideration received for sale of own shares held in trust		–	–	–	1.0	–	1.0
Purchase of treasury shares		–	–	–	(50.4)	–	(50.4)
Total transactions with owners		–	–	–	(112.8)	–	(112.8)
Transactions with non-controlling interests:							
Other comprehensive income		–	–	–	–	0.1	0.1
Transfer of non-controlling interest on disposal		–	–	–	1.1	(1.1)	–
Total transactions with non-controlling interests		–	–	–	1.1	(1.0)	0.1
Total equity at 31 December 2011		**15.1**	**93.3**	**27.5**	**130.2**	**0.1**	**266.2**
At 1 January 2012		15.1	93.3	27.5	130.2	0.1	266.2
Profit for the year attributable to equity shareholders		–	–	–	161.9	–	161.9
Other comprehensive expense		–	–	(8.2)	(4.3)	–	(12.5)
Transactions with owners:							
Dividends on equity shares	9	–	–	–	(76.8)	–	(76.8)
Share based payments		–	–	–	4.4	–	4.4
Consideration received for sale of own shares held in trust		–	–	–	1.1	–	1.1
Total transactions with owners		–	–	–	(71.3)	–	(71.3)
Total equity at 31 December 2012		**15.1**	**93.3**	**19.3**	**216.5**	**0.1**	**344.3**

Other reserves include the Capital Redemption Reserve of £0.9m (2011: £0.9m) and the Translation Reserve of £18.4m (2011: £26.6m).

Group Statement of Cash Flows

for the year ended 31 December 2012

	Note	2012 £m	2011 £m
Cash flows from operating activities			
Cash generated by operations	ii	**208.1**	232.7
Interest paid		**(9.3)**	(11.0)
Tax paid		**(60.6)**	(57.7)
Net cash generated by operating activities		**138.2**	164.0
Cash flows from investing activities			
Acquisition of subsidiaries	28	**(7.1)**	–
Purchase of property, plant and equipment	14	**(50.4)**	(55.9)
Purchase of other intangible assets	13	**(1.9)**	(2.4)
Proceeds from sale of property, plant and equipment		**0.5**	0.1
Proceeds from sale of businesses (net of costs and cash in businesses)	7	**1.3**	1.0
Proceeds from sale of other investment		**15.8**	–
Cash paid against non-operating provisions	21	**(1.6)**	(2.2)
Interest received		**1.2**	0.9
Net cash absorbed by investing activities		**(42.2)**	(58.5)
Cash flows from financing activities			
New borrowings		**0.2**	15.6
Repayment of borrowings		**(6.7)**	(26.4)
Capital element of finance lease repayments	iii	**(0.4)**	(0.4)
Net transactions in own shares	22,25	**1.1**	(49.4)
Dividends paid to equity shareholders	9	**(76.8)**	(67.7)
Net cash absorbed by financing activities		**(82.6)**	(128.3)
Net movement in cash and cash equivalents	i,iii	**13.4**	(22.8)
Cash and cash equivalents brought forward		**37.5**	62.5
Exchange differences	iii	**(0.7)**	(2.2)
Cash and cash equivalents carried forward		**50.2**	37.5
Cash and cash equivalents carried forward comprise			
Cash at bank and in hand		**53.8**	44.3
Bank overdrafts		**(3.6)**	(6.8)
		50.2	37.5

Financial Statements

Group Cash Flow Notes

for the year ended 31 December 2012

(i) Reconciliation to net debt	Note	2012 £m	2011 £m
Movement in cash and cash equivalents	iii	**13.4**	(22.8)
Movement in debt and lease financing	iii	**6.9**	11.2
Change in net debt from cash flows		**20.3**	(11.6)
Loans in acquired businesses		**(0.9)**	–
Loans in disposed businesses		**–**	2.2
New finance lease contracts		**(0.4)**	(0.3)
Exchange differences		**4.4**	(1.1)
		23.4	(10.8)
Net debt brought forward		**(231.1)**	(220.3)
Net debt carried forward	iii	**(207.7)**	(231.1)

(ii) Cash generated by operations	2012 £m	2011 £m
Continuing operations		
Operating profit	**255.4**	237.7
Adjustments for:		
Depreciation and amortisation	**31.1**	31.0
Loss on disposal of property, plant and equipment	**–**	0.5
Other provisions charged (note 21)	**1.3**	1.4
Share based payments	**1.8**	4.0
Cash paid against operating provisions (note 21)	**(1.6)**	(6.7)
Pension fund contributions in excess of service cost	**(25.2)**	(17.4)
Movement in inventories	**(13.1)**	(2.5)
Movement in receivables	**(25.6)**	(5.1)
Movement in payables	**(16.4)**	(15.7)
Cash generated by continuing operations	**207.7**	227.2
Discontinued operations	**0.4**	5.5
	208.1	232.7

(iii) Analysis of net debt	2012 £m	Cash flow £m	Exchange movements £m	Other non-cash £m	2011 £m
Cash and cash equivalents	**53.8**	10.2	(0.7)	–	44.3
Bank overdrafts	**(3.6)**	3.2	–	–	(6.8)
Movement in cash and cash equivalents		13.4	(0.7)		
Borrowings repayable within one year	**(1.5)**	(0.2)	–	(0.9)	(0.4)
Borrowings repayable after more than one year	**(255.8)**	6.7	5.1	–	(267.6)
Finance leases	**(0.6)**	0.4	–	(0.4)	(0.6)
Movement in borrowings and other financial liabilities		6.9	5.1		
Total net debt	**(207.7)**	20.3	4.4	(1.3)	(231.1)

Group Accounting Policies

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

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, in accordance with International Financial Reporting Standards (IFRSs), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The standards used are those published by the International Accounting Standards Board (IASB) and endorsed by the EU at the time of preparing these statements (February 2013). A summary of the more important Group accounting policies is set out below.

Accounting estimates and judgements

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

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

(ii) Goodwill and fair value of assets acquired (note 13) – the Group's goodwill carrying value increased significantly in 2006 following the acquisition of Uniqema and has grown further in 2012. The Group tests annually whether goodwill has suffered any impairment and the Group's goodwill value has been supported by detailed value-in-use calculations relating to the recoverable amounts of the underlying cash generating units. These calculations require the use of estimates. However, as recoverable amounts significantly exceed carrying values, including goodwill, there is no impairment within a reasonable range of assumptions.

(iii) Retirement benefit liabilities – as disclosed in note 12, the Group's principal retirement benefit schemes are of the defined benefit type. Year end recognition of the liabilities under these schemes and the valuation of assets held to fund these liabilities require a number of significant assumptions to be made, relating to levels of scheme membership, key financial market indicators such as inflation and expectations on future salary growth and asset returns. These assumptions are made by the Group in conjunction with the schemes' actuaries and the directors are of the view that any estimation should be prudent and in line with consensus opinion. For each 0.1% change in the discount rate net of inflation, the carrying amount of pension obligations would change by an estimated £16m.

Changes in accounting policy

(a) New and amended standards adopted by the Group
There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning 1 January 2012 that have had a material impact on the Group.

(b) New standards and interpretations not yet adopted
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012.There has been no early adoption of these standards in the preparation of the 2012 consolidated financial statements.

(i) IAS 19, 'Employee benefits', was amended in June 2011. The impact on the Group will be as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability. The amended standard will be applied to the Group's 2013 financial statements and its impact is discussed in note 12.

(ii) IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. IFRS 13 is not expected to have a material impact on the financial statements.

(iii) IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and is applicable from 1 January 2015. IFRS 9 is not expected to have a material impact on the financial statements.

(iv) IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. IFRS 10 is not expected to have a material impact on the financial statements.

(v) IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. IFRS 12 is not expected to have a material impact on the financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Financial Statements

Group Accounting Policies

Group accounts

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

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Acquisition costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed, in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the Group's share of identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests
The Group treats transactions with non-controlling interests as transactions with the equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded as equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Intangible assets

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

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

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

Revenue recognition

Sales of goods
Revenue comprises the fair value for the sale of goods, excludes inter-company sales and value-added taxes and represents net invoice value less estimated rebates, returns and settlement discounts.

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

Interest and dividend income
Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

Segmental reporting

A business segment is a group of assets and operations engaged in providing products and services that are subject to risks or returns that are different from those of other segments. Operating segments presented in the financial statements are consistent with the internal reporting provided to the Group's Chief Operating Decision Maker, which has been identified as the Group Finance Committee and the Group Executive Committee.

Employee benefits

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

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

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

Share based payments
The Group operates a number of cash and equity-settled, share-based incentive schemes. These are accounted for in accordance with IFRS2 'Share-based Payments', which requires an expense to be recognised in the income statement over the vesting period of the options. The expense is based on the fair value of each instrument which is calculated using the Black-Scholes or binomial model as appropriate. Any expense is adjusted to reflect expected and actual levels of options vesting, as the Group does not use market-based performance criteria. For equity-settled schemes, the credit is taken directly to equity.

Currency translations

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

Transactions and balances
Monetary assets and liabilities are translated at the exchange rates ruling at the end of the financial period. Exchange profits or losses on trading transactions are included in the Group income statement except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
(iii) all resulting exchange differences are recognised as a separate component of equity.

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

Financial Statements

Group Accounting Policies

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and for accounting purposes. Temporary differences arise on differences between the carrying value of assets and liabilities in the financial statements and their tax base and primarily relate to the difference between tax allowances on tangible fixed assets and the corresponding depreciation charge, and upon the pension fund deficit. Full provision is made for the tax effects of these differences. No provision is made for unremitted earnings of foreign subsidiaries where there is no commitment to remit such earnings. Similarly, no provision is made for temporary differences relating to investments in subsidiaries since realisation of such differences can be controlled and is not probable in the foreseeable future. Deferred tax assets are recognised, using the liability method, to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

Exceptional items

Exceptional items are those items that in the Directors' view are required to be separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance. In the current year all exceptional items relate to discontinued operations.

Property, plant and equipment

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

Impairment of non-financial assets

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

Non-current assets held for sale and discontinued operations

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations. Classification as a discontinued operation occurs upon disposal or when the operation meets the IFRS 5 criteria to be classified as held for sale.

Leases

Assets acquired under finance leases are included in the balance sheet under property, plant and equipment at an amount reflecting the lower of the present value of future rentals and the fair value of the asset and are depreciated over the shorter of the lease term and their estimated useful lives. The capital element of future lease rentals is included in borrowings. Finance charges are allocated to the income statement each year in proportion to the capital element outstanding. The cost of operating leases is charged to the income statement on a straight line basis over the lease period.

Derivative financial instruments

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

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

(i) *Fair value hedge*
Changes in the fair value of derivatives, for example interest rate swaps and foreign exchange contracts, that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.
(ii) *Cash flow hedge*
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

Borrowings

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

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Inventories

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

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less impairment losses. A provision for impairment is made when there is objective evidence that the amount will not be collectible. Such amounts are written down to their estimated recoverable amounts, with the charge being made to operating expenses.

Cash and cash equivalents

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

Environmental, restructuring and other provisions

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

Share capital

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

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

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

Investments

Investments in quoted securities are treated as 'available for sale' and stated at fair value, being the appropriate quoted market value, with movements in the fair value being recognised in equity. Investments in unquoted securities are carried at fair value unless such value cannot be reliably measured, in which case the investments are carried at cost. Investments are subject to impairment testing at each balance sheet date or earlier upon indication of impairment. Held to maturity investments are measured at amortised cost using the effective interest rate method.

Financial Statements

Notes to the Group Accounts

1. Segmental analysis

As discussed in the 2011 annual report, with effect from 1 January 2012 the Group has been organised on a worldwide basis into three main business segments, relating to the manufacture and sale of the Group's products which are destined for the markets of Consumer Care, Performance Technologies or Industrial Chemicals. These are the segments for which summary management information is presented to the Group's Finance and Executive Committees, which are deemed to be the Group's Chief Operating Decision Makers.

There is no material trade between segments. Segmental results include items directly attributable to a specific segment as well as those that can be allocated on a reasonable basis. Segment assets consist primarily of property, plant and equipment, goodwill, inventories and trade and other receivables.

	2012 £m	2011 £m
Income statement		
Revenue - continuing operations		
Consumer Care	**586.4**	571.4
Performance Technologies	**382.8**	373.6
Industrial Chemicals	**82.7**	83.0
Total Group revenue	**1,051.9**	1,028.0
Operating profit - continuing operations		
Consumer Care	**185.4**	171.2
Performance Technologies	**59.7**	55.3
Industrial Chemicals	**10.3**	11.2
Total Group operating profit	**255.4**	237.7
Balance sheet		
Total assets		
Segment total assets:		
Consumer Care	**592.5**	564.7
Performance Technologies	**227.7**	224.8
Industrial Chemicals	**64.6**	66.0
Total segment assets	**884.8**	855.5
Tax assets	**64.0**	82.3
Cash and investments	**54.7**	59.7
Total Group assets	**1,003.5**	997.5

	2012 £m		2011 £m	
Capital expenditure and depreciation	**Additions to non-current assets**	**Depreciation and amortisation**	Additions to non-current assets	Depreciation and amortisation
Consumer Care	**29.9**	**18.4**	33.3	18.5
Performance Technologies	**17.2**	**10.2**	19.1	10.2
Industrial Chemicals	**5.6**	**3.5**	6.2	3.5
Total Group	**52.7**	**32.1**	58.6	32.2

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

The Group's revenue from external customers in the UK is £50.9m (2011: £51.2m), in Germany is £115.0m (2011: £123.5m), in the US is £242.7m (2011: £233.3m) and the total revenue from external customers from other countries is £643.3m (2011: £660.4m).

The total of non-current assets other than financial instruments and deferred tax assets located in the UK is £85.6m (2011: £85.9m), and the total of the non-current assets located in other countries is £260.2m (2011: £274.8m). Goodwill has not been split by geography as this asset is not attributable to a geographical area.

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

2. Net operating expenses

	2012 £m	2011 £m
Analysis of net operating expenses by function:		
Distribution costs	**36.6**	36.4
Administrative expenses	**65.3**	66.2
	101.9	102.6

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

3. Profit for the year

	2012 £m	2011 £m
The Group profit for the year is stated after charging:		
Depreciation and amortisation (note 13 & 14)	**32.1**	32.2
Staff costs (note 10)	**173.7**	171.2
Redundancy costs		
Non-exceptional	**1.3**	1.2
Inventories		
Cost recognised as expense in cost of sales	**638.9**	665.2
Provision release in year	**(4.3)**	(3.1)
Loss on disposal and write off of property, plant and equipment	**–**	0.5
Research and development	**19.6**	23.9
Hire of plant and machinery	**1.8**	1.7
Other operating lease rentals	**3.9**	3.8
Net foreign exchange	**1.8**	1.8
Bad debt release (note 18)	**(0.3)**	(1.4)

	2012 £m	2011 £m
Services provided by the Group's auditors		
Audit services		
Fees payable to the Company auditor for the audit of parent company and consolidated financial statements	**0.1**	0.1
Fees payable to the Company auditor and its associates for the audit of the Company's subsidiaries	**0.7**	0.6
Other audit services		
Fees payable to the Company auditor and its associates for other services:		
Tax services (including £0.1m (2011: £0.1m) advisory services)	**0.6**	0.5
Other advisory services	**0.1**	0.1
	1.5	1.3

In addition to the amounts above, included within additions to other intangibles is £1.1m (2011: £0.7m) of capitalised costs relating to work carried out by the auditors on computer system implementations in various of the Group's smaller locations. Further detail can be found in the Corporate Governance Report.

Financial Statements

Notes to the Group Accounts

4. Net financial expenses	2012 £m	2011 £m
Financial expenses		
$100m US loan note due 2020	**3.7**	3.7
2010 Club facility due 2015	**5.0**	5.7
Other bank loans and overdrafts	**0.6**	0.8
	9.3	10.2
Financial income		
Expected return on pension scheme assets less interest on scheme liabilities (note 12)	**(5.9)**	(8.0)
H.I.G. Capital LLC loan note	**–**	(1.2)
Bank interest receivable and similar income	**(1.2)**	(0.8)
	(7.1)	(10.0)
Net financial expenses	**2.2**	0.2

5. Tax

	2012 £m	2011 £m
(a) Analysis of tax charge for the year		
Continuing operations		
United Kingdom current corporate tax	**11.6**	11.7
Overseas current corporate taxes	**50.8**	51.7
Current tax	**62.4**	63.4
Deferred tax (note 6)	**15.7**	11.5
	78.1	74.9
(b) Tax on items charged to equity		
Deferred tax on actuarial movement on retirement benefit liabilities	**3.5**	(21.6)
Deferred tax on share based payments	**(1.3)**	(1.6)
	2.2	(23.2)
(c) Factors affecting the tax charge for the year		
Profit before tax from continuing operations	**253.2**	237.5
Tax at the standard rate of corporation tax in the UK, 24.5% (2011: 26.5%)	**62.0**	62.9
Effect of:		
Prior years' over provisions	**–**	(0.3)
Tax cost of remitting overseas income to the UK	**0.4**	0.4
Expenses and write offs not deductible for tax purposes	**0.1**	0.1
Effect of higher overseas tax rates	**15.6**	11.8
	78.1	74.9

6. Deferred tax	2012 £m	2011 £m
The deferred tax balances included in these accounts are attributable to the following:		
Deferred tax assets		
Retirement benefit obligations	**44.9**	57.3
Provisions	**19.1**	25.0
	64.0	82.3
Deferred tax liabilities		
Excess of capital allowances over depreciation	**40.0**	41.9
Revaluation gains	**1.9**	1.9
Other	**1.3**	1.3
	43.2	45.1
The movement on deferred tax balances during the year is summarised as follows:		
Deferred tax charged through income statement		
Continuing operations	**(15.7)**	(11.5)
Deferred tax credited to equity (note 5b)	**(2.2)**	23.2
Business disposals	**1.7**	–
Exchange differences	**(0.2)**	0.4
	(16.4)	12.1
Net balance brought forward	**37.2**	25.1
Net balance carried forward	**20.8**	37.2
Deferred tax charged through the income statement relates to the following:		
Retirement benefit obligations	**(8.1)**	(7.4)
Excess of capital allowances over depreciation	**(0.8)**	(2.3)
Other	**(6.8)**	(1.8)
	(15.7)	(11.5)

Deferred tax is calculated in full on temporary differences under the liability method at a rate of 23% (2011: 25%) in the United Kingdom and at rates appropriate to each overseas subsidiary.

During the year, as a result of the change in the UK corporation tax rate from 24% to 23% that was substantively enacted on 3 July 2012 and that will be effective from 1 April 2013, the relevant deferred tax balances have been re-measured. Deferred tax expected to reverse in the year to 31 December 2013 and beyond has been measured using the 23% rate.

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

Deferred tax is only recognised on the unremitted earnings of overseas subsidiaries to the extent that remittance is expected in the foreseeable future. If all earnings were remitted, an additional £2.4m (2011: £1.8m) of tax would be payable.

All movements on deferred tax balances have been recognised in income with the exception of the charges shown in note 5(b), which have been recognised directly in equity.

Financial Statements

Notes to the Group Accounts

7. Discontinued operations

In November 2012, the Group sold its Italian manufacturing assets based at Cremona, along with the associated business, to GreenOleo SpA for a consideration of £3.9m, generating a loss on disposal of £11.5m, net of a deferred tax credit of £1.7m.

In January 2012, the loan note of £16.1m arising from the sale of the Group's Chicago site was repaid early by HIG Capital, the purchasers of the site. This early settlement gave rise to an exceptional profit of £1.6m.

The environmental provision relating to sites previously occupied by discontinued businesses has been increased by £2.6m in recognition of further information received in 2012 relating to potential future liabilities.

The Group closed its Bromborough site in 2009. During 2012 the final deferred consideration of £0.8m (2011: £1.0m) was received in relation to the disposal of the site. Other exceptional income of £0.3m was received in respect of other dormant sites.

In 2011, the Group completed the sale of its 60% holding in its Korean joint venture, Croda Woobang, to the Korean joint venture partners for a consideration of £2.2m, generating a profit on disposal of £0.6m.

The impact of the operations discontinued in 2012 and 2011, which resided predominantly within the Industrial Chemicals segment, is as follows:

	2012 £m	2011 £m
Revenue	**30.5**	40.4
Net operating expenses	**(33.0)**	(35.7)
Pre tax operating results from discontinued operations	**(2.5)**	4.7
Tax	**0.7**	(1.4)
Post tax operating results from discontinued operations	**(1.8)**	3.3
(Loss)/profit on disposal	**(10.5)**	1.6
Exceptional environmental provision	**(2.6)**	–
Tax	**1.7**	–
Net exceptional (loss)/profit on disposal	**(11.4)**	1.6
Total (loss)/profit after tax from discontinued operations	**(13.2)**	4.9
Cash flows from discontinued operations		
Net cash flows from operating activities	**0.4**	5.5
Net cash flows from investing activities	**(0.7)**	0.2
	(0.3)	5.7

8. Earnings per share

	Total 2012 £m	Continuing operations 2012 £m	Discontinued operations 2012 £m	Total 2011 £m	Continuing operations 2011 £m	Discontinued operations 2011 £m
Profit for the year before exceptional items	**173.3**	**175.1**	**(1.8)**	165.9	162.6	3.3
Exceptional items	**(11.4)**	**–**	**(11.4)**	1.6	–	1.6
Non-controlling interests and preference dividend	**(0.1)**	**(0.1)**	**–**	(0.1)	(0.1)	–
	161.8	**175.0**	**(13.2)**	167.4	162.5	4.9
	Number m	**Number m**	**Number m**	**Number m**	**Number m**	**Number m**
Weighted average number of 10p ordinary shares in issue for basic calculation	**134.6**	**134.6**	**134.6**	135.3	135.3	135.3
Deemed issue of potentially dilutive shares	**1.8**	**1.8**	**1.8**	2.4	2.4	2.4
Average number of 10p ordinary shares for diluted calculation	**136.4**	**136.4**	**136.4**	137.7	137.7	137.7
	Pence	**Pence**	**Pence**	**Pence**	**Pence**	**Pence**
Basic earnings per share	**120.2**			123.7		
Basic earnings per share before exceptional items	**128.7**			122.5		
Basic earnings per share from continuing operations		**130.0**			120.1	
Basic earnings per share from discontinued operations			**(9.8)**			3.6
Diluted earnings per share	**118.6**			121.6		
Diluted earnings per share before exceptional items	**127.0**			120.4		
Diluted earnings per share from continuing operations		**128.3**			118.0	
Diluted earnings per share from discontinued operations			**(9.7)**			3.6

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

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

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

9. Dividends	Pence per share	2012 £m	Pence per share	2011 £m
Ordinary				
Interim				
2011 interim, paid October 2011	**–**	**–**	24.75	33.1
2012 interim, paid October 2012	**26.75**	**36.0**	–	–
Final				
2010 final, paid June 2011	**–**	**–**	25.25	34.5
2011 final, paid June 2012	**30.25**	**40.7**	–	–
	57.00	**76.7**	50.00	67.6
Preference (paid June and December)		**0.1**		0.1
		76.8		67.7

The directors are proposing a final dividend of 32.75p per share, amounting to a total dividend of £44.1m, in respect of the financial year ended 31 December 2012.

Subject to shareholder approval, the dividend will be paid on 31 May 2013 to shareholders registered on 3 May 2013 and has not been accrued in these financial statements. The total dividend for the year ended 31 December 2012 is 59.5p per share (£80.1m).

Financial Statements

Notes to the Group Accounts

10. Employees	2012 £m	2011 £m
Group employment costs including Directors		
Wages and salaries	**124.9**	127.5
Share based payment charges (note 23)	**13.3**	10.5
Social security costs	**23.1**	21.4
Other pension costs (note 12)	**12.4**	11.8
Redundancy costs	**1.3**	1.2
	175.0	172.4

	2012 Number	2011 Number
Average employee numbers by function		
Production	**2,003**	1,990
Selling and distribution	**842**	792
Administration	**427**	408
	3,272	3,190

As required by the Companies Act 2006, the figures disclosed above are weighted averages based on the number of employees at each month end and include Executive Directors. At 31 December 2012, the Group had 3,288 (2011: 3,213) employees in total.

	2012 £m	2011 £m
Key management compensation including Directors		
Wages and salaries	**6.0**	5.9
Share based payment charges	**3.6**	3.5
Social security costs	**1.6**	1.5
Other pension costs	**0.3**	0.5
	11.5	11.4

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

11. Directors' remuneration

Detailed information concerning Directors' remuneration, interests and options is shown in the parts of the directors' remuneration report subject to audit on pages 42 to 56 which form part of the annual report and accounts.

12. Retirement benefit liabilities

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

Defined benefit schemes

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

	2012 £m	2011 £m
Present value of retirement benefit liabilities		
UK pension schemes	**(650.1)**	(641.6)
US pension and medical schemes	**(130.8)**	(123.3)
Rest of World	**(97.2)**	(81.5)
	(878.1)	(846.4)
Fair value of schemes' assets		
UK pension schemes	**546.8**	498.6
US pension and medical schemes	**77.5**	72.6
Rest of World	**88.0**	76.3
	712.3	647.5
Net liability	**(165.8)**	(198.9)

The gross and net liability above includes an amount of £24.8m in respect of unfunded schemes (2011: £22.8m).

	2012 £m	2011 £m
Movement in present value of retirement benefit liabilities in the year:		
Opening balance	**846.4**	789.7
Current service cost	**10.1**	9.7
Settlements on restructuring and disposal of businesses	**(0.7)**	(0.2)
Acquisition of subsidiary	**0.1**	–
Interest cost	**39.7**	42.4
Actuarial loss	**18.5**	32.7
Contributions paid in		
Employee	**2.6**	2.5
Benefits paid	**(31.8)**	(30.3)
Exchange differences on overseas schemes	**(6.8)**	(0.1)
	878.1	846.4

Financial Statements

Notes to the Group Accounts

12. Retirement benefit liabilities (continued)	2012 £m	2011 £m
Movement in fair value of schemes' assets in the year:		
Opening balance	**647.5**	641.9
Expected return	**45.6**	50.4
Actuarial gain/(loss)	**17.5**	(43.1)
Contributions paid in		
Employee	**2.6**	2.5
Employer	**35.3**	27.1
Benefits paid out	**(31.8)**	(30.3)
Exchange differences on overseas schemes	**(4.4)**	(1.0)
	712.3	647.5

The actual return on scheme assets in the year was £63.1m (2011: £7.3m).

	2012 £m	2011 £m
Cumulative actuarial losses recognised in equity:		
Opening balance	**147.7**	93.5
Net actuarial losses charged in year	**4.3**	54.2
	152.0	147.7

Total employer contributions to the schemes in 2013 are expected to be £47.3m.

	2012 £m	2011 £m
Analysis of amounts recognised in income statement:		
Charged to operating profit		
Current service cost	**10.1**	9.7
	10.1	9.7
Credited to net financial expenses		
Interest on scheme liabilities	**39.7**	42.4
Expected return on assets	**(45.6)**	(50.4)
	(5.9)	(8.0)
Net charge to income statement before tax	**4.2**	1.7

Of the amount charged to operating profit, £8.1m (2011: £7.8m) was included in cost of sales and £2.0m (2011: £1.9m) was included in administrative expenses.

In all territories, including the UK, assumptions regarding future mortality experience are set based on advice from the Group's actuaries, published statistics and experience in each territory. The following mortality tables have been used in respect of the Group's key schemes: UK: SAPS S1 series tables projected to 2011 plus an additional allowance for future projected mortality improvements; USA: RP 2000M projected 7 years pastvaluation date by Scale AA; Netherlands: AG Prognosetafel 2012-2062.

UK pension schemes

The financial assumptions used to assess the UK schemes' liabilities were:	2012	2011
Valuation method	**Projected unit**	Projected unit
Discount rate	**4.5%**	4.8%
Inflation rate - RPI	**3.1%**	3.3%
Rate of increase in salaries	**4.1%**	4.3%
Rate of increase for pensions in payment	**3.0%**	3.1%
Expected return on scheme assets	**7.3%**	7.3%

The assets in the schemes comprised:	2012 % of fair value	2011 % of fair value
Equities	**59.1**	49.9
Bonds	**14.3**	19.5
Property	**8.3**	8.2
Other	**18.3**	22.4
	100.0	100.0

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

The discount rate applied to the Group's UK scheme is now based on Towers Watson's Rate:link model that more closely reflects interest rates applicable to the profile of the scheme's liabilities than the previously used iBoxx index. Had the previous model been used this year end, the Group's total retirement benefit liability would have been around £8m higher.

History of UK schemes' deficits and experience gains and losses:	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Present value of retirement benefit liabilities	**(650.1)**	(641.6)	(603.4)	(569.7)	(397.2)
Fair value of scheme assets	**546.8**	498.6	503.4	453.2	399.0
Net (liability)/asset	**(103.3)**	(143.0)	(100.0)	(116.5)	1.8
Experience gain/(loss) on assets	**7.1**	(40.4)	13.6	23.6	(109.9)
Experience gain/(loss) on liabilities	**7.2**	(20.3)	(12.1)	(165.9)	103.7

US pension and post-retirement medical schemes

The financial assumptions used to assess the US schemes' liabilities were:	2012	2011
Valuation method	**Projected unit**	Projected unit
Discount rate	**3.7%**	4.4%
Rate of increase in salaries	**4.0%**	4.0%
Expected return on scheme assets	**7.8%**	7.8%
Medical cost inflation rate	**7.8%**	8.0%

A 1% change in the assumed medical cost inflation rate would alter the charge to the income statement by £0.1m and the accumulated liability by £1.6m.

Financial Statements

Notes to the Group Accounts

12. Retirement benefit liabilities (continued)

The assets in the schemes comprised:	2012 % of fair value	2011 % of fair value
Equities	**50.4**	45.0
Government bonds	**48.1**	45.0
Other	**1.5**	10.0
	100.0	100.0

History of US schemes' deficits and experience gains and losses:	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Present value of retirement benefit liabilities	**(130.8)**	(123.3)	(106.4)	(99.4)	(102.9)
Fair value of scheme assets	**77.5**	72.6	66.6	57.8	59.7
Net liability	**(53.3)**	(50.7)	(39.8)	(41.6)	(43.2)
Experience gain/(loss) on assets	**3.2**	(3.2)	3.6	6.0	(14.9)
Experience (loss)/gain on liabilities	**(12.7)**	(13.9)	(4.0)	(5.4)	2.5

Other defined benefit schemes

The Group has retirement benefit liabilities in a number of other territories, notably Holland, and all schemes have been established in line with local custom and practice. The Dutch defined benefit scheme has a net liability of £1.9m (2011: £2.0m surplus) comprising a gross liability of £87.4m and assets of £85.5m.

The financial assumptions used to assess the Dutch scheme liabilities were:	2012	2011
Valuation method	**Projected unit**	Projected unit
Discount rate	**3.6%**	5.7%
Inflation rate	**2.2%**	2.3%
Rate of increase in salaries	**2.8%**	2.8%
Rate of increase for pensions in payment	**1.3%**	2.3%
Expected return on scheme assets	**5.7%**	5.7%

Defined contribution schemes	2012 £m	2011 £m
Contributions paid charged to operating profit	**2.3**	2.1

Revised IAS 19 from 2013 onwards

In 2013 the Group will adopt the revised IAS19 standard which, had it been applied in 2012, would have reduced pre-tax profit by around £15m, primarily as a result of the change in the net IAS19 financial expense to a debit from a credit, resulting in a higher Group interest charge. As a result of the reduced opening pension deficit for 2013, the effect in 2013 is expected to be somewhat smaller.

13. Intangible assets

Goodwill is tested at each year end for impairment with reference to the relevant cash generating unit's (CGU) recoverable amount compared to the unit's carrying value including goodwill. The relevant CGU when testing the Uniqema goodwill of £193.4m is the Group's Consumer Care operating segment. The recoverable amount is based on value in use calculations using pre-tax discounted cash flow projections based on the Group's current year results and a future growth rate of 3% (2011: 3%).

The cash flows have been discounted using the Group's weighted average cost of capital, which for these purposes has been calculated to be approximately 6.8% after tax (2011: 7.8%).

The key assumptions underpinning the forecast employed in the value in use calculation reflect a prudent view of past experience and are that market share will not change significantly and that gross and operating margins will remain broadly constant. The directors believe there are no reasonably probable significant changes in assumptions which would give rise to an impairment charge in the year.

	Goodwill £m	Other intangibles £m	Total £m
Cost			
At 1 January 2011	199.9	6.4	206.3
Exchange differences	–	(0.2)	(0.2)
Additions	–	2.4	2.4
At 31 December 2011	**199.9**	**8.6**	**208.5**
At 1 January 2012	199.9	8.6	208.5
Exchange differences	–	(0.3)	(0.3)
Additions	–	1.9	1.9
Acquisitions	6.6	0.7	7.3
At 31 December 2012	**206.5**	**10.9**	**217.4**
Amortisation and impairment losses			
At 1 January 2011	–	2.8	2.8
Exchange differences	–	(0.2)	(0.2)
Charge for the year (note 3)	–	0.9	0.9
At 31 December 2011	**–**	**3.5**	**3.5**
At 1 January 2012	–	3.5	3.5
Exchange differences	–	(0.3)	(0.3)
Charge for the year (note 3)	–	1.1	1.1
At 31 December 2012	**–**	**4.3**	**4.3**
Net carrying amount			
At 31 December 2012	**206.5**	**6.6**	**213.1**
At 31 December 2011	199.9	5.1	205.0
At 1 January 2011	199.9	3.6	203.5

Financial Statements

Notes to the Group Accounts

14. Property, plant and equipment	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 January 2011	121.9	396.9	518.8
Exchange differences	(1.9)	(6.5)	(8.4)
Additions	4.9	51.3	56.2
Other disposals and write offs	(1.4)	(2.0)	(3.4)
At 31 December 2011	**123.5**	**439.7**	**563.2**
At 1 January 2012	123.5	439.7	563.2
Exchange differences	(4.0)	(14.2)	(18.2)
Additions	8.9	41.9	50.8
Acquisitions	–	0.1	0.1
Business disposals and closures	(2.6)	(25.0)	(27.6)
Other disposals and write offs	(0.4)	(2.8)	(3.2)
At 31 December 2012	**125.4**	**439.7**	**565.1**
Depreciation and impairment losses			
At 1 January 2011	38.3	161.1	199.4
Exchange differences	(0.9)	(4.1)	(5.0)
Charge for the year (note 3)	3.9	27.4	31.3
Other disposals and write offs	(0.7)	(2.0)	(2.7)
At 31 December 2011	**40.6**	**182.4**	**223.0**
At 1 January 2012	40.6	182.4	223.0
Exchange differences	(1.7)	(7.9)	(9.6)
Charge for the year (note 3)	3.7	27.3	31.0
Business disposals and closures	(1.1)	(13.8)	(14.9)
Other disposals and write offs	(0.4)	(2.3)	(2.7)
At 31 December 2012	**41.1**	**185.7**	**226.8**
Net book amount			
At 31 December 2012	**84.3**	**254.0**	**338.3**
At 31 December 2011	82.9	257.3	340.2
At 1 January 2011	83.6	235.8	319.4

The net book value of assets held by the Group under finance leases for plant and equipment at 31 December 2012 was £0.7m (2011: £0.7m). The leased equipment secures the lease obligations in note 20. No other fixed assets have been pledged as security for liabilities.

15. Future commitments	2012 £m	2011 £m
Group capital projects		
At 31 December the directors had authorised the following expenditure on capital projects:		
Contracted but not provided for		
Property, plant and equipment	**10.3**	12.1
Intangible assets	**0.1**	0.1
Authorised but not contracted for		
Property, plant and equipment	**23.9**	34.1
Intangible assets	**2.1**	0.9
	36.4	47.2
Operating leases - minimum lease payments		
At 31 December the Group's future minimum lease commitments were due as follows:		
Within one year	**2.6**	2.2
From one to five years	**5.2**	4.5
After five years	**5.3**	3.4
	13.1	10.1

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

16. Investments	2012 £m	2011 £m
H.I.G. Capital LLC loan note	**–**	14.5
Other investments	**0.9**	0.9
	0.9	15.4

The directors believe the carrying value of the investments is supported by their underlying net assets.

Loan note
The Group received a US $ denominated loan note as part of the consideration for a business disposal in 2008. The loan was repaid in January 2012 following the onward sale of the ex-Croda business by the issuer and the repayment led to a small financing gain in 2012.

Other investments
Other investments of £0.9m (2011: £0.9m) comprise equity securities classified as available-for-sale and are included at cost, as fair value cannot be measured reliably.

Financial Statements

Notes to the Group Accounts

17. Inventories	2012 £m	2011 £m
Raw materials	**33.3**	28.0
Work in progress	**24.0**	27.7
Finished goods	**113.2**	108.9
	170.5	164.6

The Group consumed £638.9m (2011: £665.2m) of inventories during the period.

18. Trade and other receivables	2012 £m	2011 £m
Amounts falling due within one year		
Trade receivables	**127.0**	129.4
Less: provision for impairment of receivables	**(2.8)**	(4.6)
Trade receivables - net	**124.2**	124.8
Other receivables	**37.9**	17.5
Prepayments	**0.8**	3.4
	162.9	145.7

The ageing of the Group's year end overdue receivables against which no provision has been made is as follows:	2012 £m	2011 £m
Not impaired		
Less than 3 months	**19.3**	19.4
3 to 6 months	**0.4**	0.3
Over 6 months	**–**	0.1
	19.7	19.8

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

The carrying amounts of the Group's receivables are denominated in the following currencies:	2012 £m	2011 £m
Sterling	**13.9**	10.7
US Dollar	**46.6**	44.0
Euro	**67.4**	55.7
Other	**35.0**	35.3
	162.9	145.7

Movements on the Group's provision for impairment of trade receivables are as follows:	2012 £m	2011 £m
At 1 January	**4.6**	6.7
Exchange differences	**(0.1)**	(0.1)
Released to income statement	**(0.3)**	(1.4)
Net write off of uncollectible receivables	**(1.4)**	(0.6)
At 31 December	**2.8**	4.6

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

19. Trade and other payables	2012 £m	2011 £m
Trade payables	**53.6**	58.1
Taxation and social security	**9.9**	12.3
Other payables	**25.8**	22.0
Accruals and deferred income	**47.2**	67.0
	136.5	159.4

20. Borrowings, other financial liabilities and other financial assets

This note should be read in conjunction with the further liquidity disclosures in our accounting policies note and the Financial Review on page 14.

	2012 £m	2011 £m
Current assets		
Investments	**0.9**	15.4
Trade and other receivables (excluding prepayments)	**162.1**	142.3
	163.0	157.7
Current liabilities		
Trade and other payables (excluding taxation, social security, accruals and deferred income)	**79.4**	80.1
Other unsecured bank loans and overdrafts due within one year or on demand	**5.1**	7.2
Obligations under finance leases	**0.3**	0.3
	84.8	87.6
Non-current liabilities		
2010 Club facility due 2015	**177.8**	182.4
$100m fixed rate 10 year bond	**61.9**	64.5
Other unsecured bank loans	**16.1**	20.7
Obligations under finance leases	**0.3**	0.3
	256.1	267.9

The Club facility was put in place in November 2010 and falls due for repayment upon expiry of the agreement in May 2015. Interest is charged at a floating rate based on LIBOR or EURIBOR, depending upon the drawdown currency, plus a variable margin. The margin the Group pays on its borrowings over and above standard rates is determined by the Group's net debt to EBITDA ratio.

Financial Statements

Notes to the Group Accounts

20. Borrowings, other financial liabilities and other financial assets (continued)	2012 £m	2011 £m
Maturity profile of financial liabilities		
Repayments fall due as follows:		
Within one year		
Bank loans and overdrafts	**5.1**	7.2
Obligations under finance leases	**0.3**	0.3
	5.4	7.5
After more than one year		
Loans repayable		
Within two to five years	**193.9**	203.1
Five years and over	**61.9**	64.5
Obligations under finance leases payable between years two and five	**0.3**	0.3
	256.1	267.9
The minimum lease payments under finance leases fall due as follows:		
Within one year	**0.3**	0.3
Within two to five years	**0.4**	0.4
	0.7	0.7
Future finance charges on finance leases	**(0.1)**	(0.1)
Present value of finance lease liabilities	**0.6**	0.6
Undiscounted maturity analysis of financial liabilities		
Within one year		
Bank loans and overdrafts	**5.2**	7.4
Obligations under finance leases	**0.3**	0.3
	5.5	7.7
After more than one year		
Loans repayable		
Within two to five years	**200.4**	216.7
Five years and over	**87.8**	94.9
Obligations under finance leases	**0.4**	0.4
	288.6	312.0

The analysis above includes estimated interest payable to maturity on the underlying loans. For the loans due after more than one year £6.4m (2011: £7.8m) of the interest falls due within one year of the balance sheet date, £6.5m (2011: £7.9m) within one to two years, £12.2m (2011: £17.0m) within two to five years and £7.4m (2011: £11.4m) beyond five years.

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	78.4	–	78.4	–	–
US Dollar	87.8	61.9	25.9	5.94	7.1
Euro	93.2	–	93.2	–	–
Other	2.1	–	2.1	–	–
At 31 December 2012	**261.5**	**61.9**	**199.6**	**5.94**	**7.1**
Sterling	88.3	–	88.3	–	–
US Dollar	92.9	64.5	28.4	5.94	8.1
Euro	92.3	–	92.3	–	–
Other	1.9	–	1.9	–	–
At 31 December 2011	275.4	64.5	210.9	5.94	8.1

Fair values

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

	Book Value 2012 £m	Fair Value 2012 £m	Book Value 2011 £m	Fair Value 2011 £m
Cash deposits	**53.8**	**53.8**	44.3	44.3
Other investments	**0.9**	**0.9**	15.4	15.4
2010 Club facility due 2015	**(177.8)**	**(177.8)**	(182.4)	(182.4)
$100m fixed rate 10 year bond	**(61.9)**	**(71.9)**	(64.5)	(74.1)
Other bank borrowings	**(21.2)**	**(21.2)**	(27.9)	(27.9)
Obligations under finance leases	**(0.6)**	**(0.6)**	(0.6)	(0.6)

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

As noted in the accounting policies note on page 90, the Group's management of its currency risk includes the use of forward foreign currency contracts. The fair value of the contracts in place at 31 December 2012 was zero (2011: £(0.3)m).

Financial instruments

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following hierarchy:
- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

All of the Group's financial instruments are classified as level 3.

Financial Statements

Notes to the Group Accounts

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

Borrowing facilities
As at 31 December 2012, the Group had undrawn committed facilities of £204.2m (2011: £201.5m), all expiring in more than two years. In addition the Group had other undrawn facilities of £67.4m (2011: £65.5m) available.

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

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

For 2012, had the Group's basket of reporting currencies been 10% weaker/stronger than the actual rates experienced, post-tax profit for the year would have been £11.6m (2011: £11.0m) lower/higher than reported, primarily as a result of the translation of the profits of the Group's overseas entities, and equity would have been £17.4m (2011: £20.0m) lower/higher.

Interest rate risk
The Group has both interest bearing assets and liabilities. The Group has a policy of maintaining at least 50% of its gross borrowings at floating interest rates and at 31 December 2012 over 75% of Group borrowings were at floating rates. During 2010 the Group issued a ten year fixed rate $100m loan note. The loan note is repayable in 2020 and carries a fixed rate of 5.94%.

As at 31 December 2012, aside from the $100m loan note, all Group debt and cash was exposed to repricing within 12 months of the balance sheet date.

At 31 December 2012, the Group's fixed rate debt was at a weighted average rate of 5.94% (2011: 5.94%). The Group's floating rate liabilities are predominantly based on LIBOR and its overseas equivalents.

Based on the above, had interest rates moved by 10 basis points in the territories where the Group has substantial borrowings, post tax profits would have moved by £0.2m (2011: £0.2m) due to increased interest expense on the Group's floating rate borrowings.

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

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

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

Capital risk management

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

In order to maintain this optimal structure, the Group may adjust the amount of dividends paid, issue new shares, return capital to shareholders or dispose of assets to reduce net debt. Given the Group's strong balance sheet and sustained trading growth, the Group announced a new dividend policy in 2011 of paying a dividend of between 40% and 50% of sustainable earnings. Further details can be found in the Chairman's statement on pages 2 and 3.

Underlying growth coupled to Return on Invested Capital (ROIC*) is the key perceived driver of shareholder value within the Group. The acquisition of Uniqema in 2006 reduced the ROIC, but also reduced Weighted Average Cost of Capital (WACC+) since the deal was predominantly financed through debt. The Group's ROIC has grown steadily since the acquisition and now stands at 23.8% against a WACC of 6.8%, thus hitting the Group's target of maintaining ROIC at a higher level than the WACC. In addition, the Group employs two widely used ratios to measure our ability to service our debt. Both net debt/EBITDA and EBITDA interest cover were well ahead of target in 2012. The Group was in compliance with its covenant requirements throughout the year. Additional information on performance against key performance indicators can be found in the Financial review on page 15.

*ROIC = Group profit after tax (before exceptional items)/average invested capital**.
+WACC = weighted average cost of servicing the Group's net debt and its equity share capital
** Average invested capital = average net assets of the Group (as at the start and end of the year) adjusted to add back net debt, retirement benefit liabilities, tax balances and provisions.

21. Provisions	**Environmental £m**	**Restructuring £m**	**Other £m**	**Total £m**
At 1 January 2012	14.0	4.5	5.2	23.7
Exchange differences	–	–	(0.1)	(0.1)
Charged to income statement	3.8	–	1.0	4.8
Cash paid against provisions	(0.9)	(1.6)	(0.7)	(3.2)
At 31 December 2012	**16.9**	**2.9**	**5.4**	**25.2**

Analysis of total provisions	**2012 £m**	**2011 £m**
Current	**7.9**	8.8
Non-current	**17.3**	14.9
	25.2	23.7

Provisions are made where a constructive or legal obligation has arisen from a past event, can be quantified and where the timing of the transfer of economic benefits relating to the provisions cannot be ascertained with any degree of certainty.

The environmental provision relates to soil and potential ground water contamination on a number of sites, both currently in use and previously occupied, in Europe and the Americas. Restructuring provisions relate to the remaining employee and property costs associated with the final elements of the Uniqema integration plan.

In relation to the environmental provision, the directors consider that the balance will be utilised within 20 years. Provisions for remediation costs are made when there is a present obligation, it is probable that expenditures for remediation work will be required and the cost can be estimated within a reasonable range of possible outcomes. The costs are based on currently available facts and prior experience. Environmental liabilities are recorded at the estimated amount at which the liability could be settled at the balance sheet date. Remediation of environmental damage typically takes a long time to complete due to the substantial amount of planning and regulatory approvals normally required before remediation activities can begin. In addition, increases in or releases of environmental provisions may be necessary whenever new developments occur or additional information becomes available. Consequently, environmental provisions can change significantly. With regard to the restructuring provision, the directors' view is that the balance will be fully utilised by 2014. Based on information currently available and on the detailed plans established for the restructuring of the Group, this level of provision is considered appropriate by the directors. The Group has considered the impact of discounting on its provisions and has concluded that, as a consequence of the significant utilisation expected in a relatively short timescale, the impact is immaterial.

The level of environmental provision is based on management's best estimate of the most likely outcome for each individual exposure. Management has also assessed the worst possible case for each exposure and is confident that the Group's financial position would not be significantly affected if each case were to require this worst case settlement.

Financial Statements

Notes to the Group Accounts

22. Ordinary share capital

Ordinary shares of 10p	2012 £m	2011 £m
Authorised at 1 January and 31 December		
230,744,890 ordinary shares of 10p each (2011: 230,744,890)	**23.1**	23.1
Allotted, called up and fully paid at 1 January and 31 December		
139,949,969 ordinary shares of 10p each (2011: 139,949,969)	**14.0**	14.0

In 2012 options were granted to employees under the Croda Savings-Related Share Option Scheme to subscribe for 75,255 ordinary shares at an option price of 1942p per share and under the Croda International Overseas Sharesave Scheme to subscribe for 179,182 shares at an option price of 1942p per share. No options were granted in 2012 under the Senior Executive Share Option Scheme. No-cost options to subscribe for 92,981 ordinary shares were granted under the Long Term Incentive Plan during the year and no-cost options over a further 164,951 shares were granted under the Bonus Co-Investment Plan.

During the year consideration of £1.1m was received on the exercise of options over 291,309 shares. The options were satisfied with shares transferred from the Group's employee share trusts. Since the year end a further 12,331 shares have been transferred from the schemes.

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

	Year option granted	Number of shares	Price	Options exercisable from
Croda Savings-Related Share Option Scheme				
	2009	4,833	533p	1 November 2012 to 30 April 2013
	2010	82,784	1144p	1 November 2013 to 30 April 2014
	2011	83,801	1432p	1 November 2014 to 30 April 2015
	2012	74,830	1942p	1 November 2015 to 30 April 2016
Croda International Overseas Sharesave Scheme				
	2010	260,596	1144p	1 November 2013 to 30 November 2013
	2011	200,396	1432p	1 November 2014 to 30 November 2014
	2012	172,289	1942p	1 November 2015 to 30 November 2015
Croda International Senior Executive Share Option Schemes	2003	7,610	230p	5 March 2006 to 4 March 2013
Croda International Long-term Incentive Plan				
	2010	212,991	Nil	24 February 2013 to 23 February 2014
	2011	144,487	Nil	23 February 2014 to 22 February 2015
	2012	92,981	Nil	22 February 2015 to 21 February 2016
Croda International Bonus Co-Investment Plan				
	2010	220,121	Nil	29 April 2013
	2011	201,422	Nil	3 May 2014
	2011	2,556	Nil	27 May 2014
	2012	164,951	Nil	30 April 2015

23. Share based payments

The impact of share based payment transactions on the Group's financial position is as follows:	2012 £m	2011 £m
Analysis of amounts recognised in income statement:		
Charged in respect of equity-settled share based payment transactions	**3.8**	3.3
Charged in respect of cash-settled share based payment transactions	**9.5**	7.2
	13.3	10.5
Analysis of amounts recognised in balance sheet:		
Liability in respect of cash-settled share based payment transactions	**10.6**	11.9

The key elements of each scheme along with the assumptions employed to arrive at the charge in the income statement are set out below. Where appropriate the expected volatility has been based on historic volatility considering daily share price movements over periods equal to the expected future life of the awards and the risk free rate is based on the Bank of England's projected nominal yield curve with appropriate duration.

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

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

Grant date	2012	2011
Share price at grant date	**2427p**	1789p
Exercise price	**1942p**	1432p
Number of employees	**483**	436
Shares under option	**75,255**	88,371
Vesting period	**3 years**	3 years
Expected volatility	**30%**	35%
Option life	**6 months**	6 months
Expected life	**–**	–
Risk free rate	**0.4%**	0.8%
Dividend yield	**2.4%**	2.8%
Possibility of forfeiture	**7.5% p.a.**	7.5% p.a.
Fair value per option at grant date	**627p**	520p
Option pricing model	**Black Scholes**	Black Scholes

Financial Statements

Notes to the Group Accounts

23. Share based payments (continued)

A reconciliation of option movements over the period is as follows:	2012 Number	2012 Weighted average exercise price (p)	2011 Number	2011 Weighted average exercise price (p)
Outstanding at 1 January	**332,421**	**934**	403,639	664
Granted	**75,255**	**1942**	88,371	1432
Forfeited	**(12,338)**	**1074**	(15,421)	732
Exercised	**(146,139)**	**542**	(144,168)	504
Outstanding at 31 December	**249,199**	**1462**	332,421	934
Exercisable at 31 December	**7,692**	**533**	4,722	509
For options exercised in year, weighted average share price at date of exercise		**2146**		1703
Weighted average remaining life at 31 December (years)	**2.2**		2.1	

Croda International Overseas Sharesave Scheme ("International")

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

Grant date	**2012**	2011
Share price at grant date	**2427p**	1789p
Exercise price	**1942p**	1432p
Number of employees	**1,135**	1,021
Shares under option	**179,182**	224,897
Vesting period	**3 years**	3 years
Expected volatility	**30%**	30%
Option life	**1 month**	1 month
Expected life	**–**	–
Risk free rate	**0.4%**	0.4%
Dividend yield	**2.4%**	2.8%
Possibility of forfeiture	**7.5% p.a.**	7.5% p.a.
Fair value per option at grant date	**580p**	453p
Option pricing model	**Black Scholes**	Black Scholes

A reconciliation of option movements over the period is as follows:	2012 Number	2012 Weighted average exercise price (p)	2011 Number	2011 Weighted average exercise price (p)
Outstanding at 1 January	**802,772**	**1009**	815,529	756
Granted	**179,182**	**1942**	224,897	1432
Forfeited	**(62,958)**	**1158**	(39,361)	681
Exercised	**(279,950)**	**563**	(198,293)	512
Outstanding at 31 December	**639,046**	**1452**	802,772	1009
For options exercised in year, weighted average share price at date of exercise		**2106**		1705
Weighted average remaining life at 31 December (years)	**1.8**		1.8	

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

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

A reconciliation of option movements over the period is as follows	2012 Number	2012 Weighted average exercise price (p)	2011 Number	2011 Weighted average exercise price (p)
Outstanding at 1 January	**163,410**	**233**	297,045	234
Exercised	**(145,170)**	**234**	(133,635)	235
Outstanding at 31 December	**18,240**	**230**	163,410	233
Exercisable at 31 December	**18,240**	**230**	163,410	233
For options exercised in year, weighted average share price at date of exercise		**2213**		1704
Weighted average remaining life at 31 December (years)	**0.3**		1.1	

Financial Statements

Notes to the Group Accounts

23. Share based payments (continued)

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

The LTIP was established in 2005 and grants no cost options to senior employees which vest after 3 years dependent upon an EPS performance related sliding scale (non-market condition) and the Group's total shareholder return (market condition). The LTIP is discussed in detail in the directors' remuneration report (page 44). For options granted in the year, the fair value per option granted and the assumptions used in the calculation of the value are as follows:

	Market condition	**2012 Non-market condition**	Market condition	2011 Non-market condition
Grant date	**22 February 2012**	**22 February 2012**	23 February 2011	23 February 2011
Share price at grant date	**2171p**	**2171p**	1588p	1588p
Number of employees	**12**	**12**	20	20
Shares under option	**46,490**	**46,491**	72,243	72,244
Vesting period	**3 years**	**3 years**	3 years	3 years
Option life	**1 year**	**1 year**	1 year	1 year
Expected life	**–**	**–**	–	–
Dividend yield	**2.6%**	**2.6%**	2.2%	2.2%
Possibility of forfeiture	**3.5%**	**3.5%**	3.5%	3.5%
Fair value per option at grant date	**1178p**	**1989p**	924p	1488p
Option pricing model	**Closed form valuation**	**Closed form valuation**	Closed form valuation	Closed form valuation

A reconciliation of option movements over the period is as follows:	**Number**	**2012 Weighted average exercise price (p)**	Number	**2011 Weighted average exercise price (p)**
Outstanding at 1 January	**686,997**	**–**	845,701	–
Granted	**92,981**	**–**	144,487	–
Forfeited	**(3,134)**	**–**	–	–
Exercised	**(326,385)**	**–**	(303,191)	–
Outstanding at 31 December	**450,459**	**–**	686,997	–
For options exercised in year, weighted average share price at date of exercise		**2245**		1805
Weighted average remaining life at 31 December (years)	**1.9**		1.9	

Bonus Co-Investment Plan ("BCIP")

The BCIP was established in 2005 and grants no cost options to senior employees which vest after 3 years dependent upon a performance related condition. The BCIP is discussed in detail in the directors' remuneration report (page 44). For options granted in the year, the fair value per option granted and the assumptions used in the calculation of the value are as follows:

Grant date	**30 April 2012**	3 May 2011
Share price at grant date	**2262p**	1881p
Number of employees	**75**	67
Shares under option	**164,951**	203,978
Vesting period	**3 years**	3 years
Dividend yield	**2.2%**	1.9%
Possibility of forfeiture	**5.0%**	5.0%
Fair value per option at grant date	**2145p**	1787p

A reconciliation of option movements over the period is as follows:	**Number**	**2012 Weighted average exercise price (p)**	**Number**	**2011 Weighted average exercise price (p)**
Outstanding at 1 January	**762,022**	**–**	750,801	–
Granted	**164,951**	**–**	203,978	–
Forfeited	**(6,761)**	**–**	(7,177)	–
Exercised	**(331,162)**	**–**	(185,580)	–
Outstanding at 31 December	**589,050**	**–**	762,022	–
For options exercised in year, weighted average share price at date of exercise		**2262**		1881
Weighted average remaining life at 31 December (years)	**1.2**		1.2	

Croda International Share Incentive Plan ("SIP")

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

24. Preference share capital	**2012 £000**	**2011 £000**
The authorised, issued and fully paid preference share capital comprises:		
615,562 5.9% preference shares of £1	**616**	616
499,174 6.6% preference shares of £1	**499**	499
21,900 7.5% preference shares of £1	**22**	22
	1,137	1,137

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

Financial Statements

Notes to the Group Accounts

25. Shareholders' equity

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 or transferred from Treasury Shares to satisfy the future issue of shares under the Group's share option schemes. As at 31 December 2012 the QUEST had a net amount due from the Company of £1.1m (2011: £0.3m due to the Company) and held 0.1m (2011: 0.2m) shares transferred at nil cost (2011: nil cost) with a market value of £2.2m (2011: £4.3m). As at 31 December 2012 the CIPEBT was financed by a repayable on demand loan from the Company of £3.9m (2011: £4.3m) and held 0.3m (2011: 0.9m) shares transferred at a nil cost (2011: nil cost) with a market value of £6.1m (2011: £15.4m).

As at 31 December 2012 the AESOP had issued all its previously held shares, as financed by the Company, and thus had no residual loan balance with the Company. All of the shares held by the QUEST and CIPEBT were under option at 31 December 2012 and, except for a nominal amount, the right to receive dividends has been waived.

26. Non-controlling interests	**2012 £m**	**2011 £m**
At 1 January	**0.1**	1.1
Exchange differences	**–**	0.1
Disposals	**–**	(1.1)
At 31 December	**0.1**	0.1

In January 2011, the Group completed the sale of Croda Woobang, its 60% owned Korean joint venture, to the minority shareholders.

27. Related party transactions

The Group has no related party transactions, with the exception of remuneration paid to key management and directors which is included in note 10.

28. Business combinations

On 27 July 2012, the Group acquired the entire share capital of Istituto di Ricerche Biotecnologiche (IRB) for a consideration of €7.7m. IRB is an Italian technology company specialising in plant cell culture biotechnology.

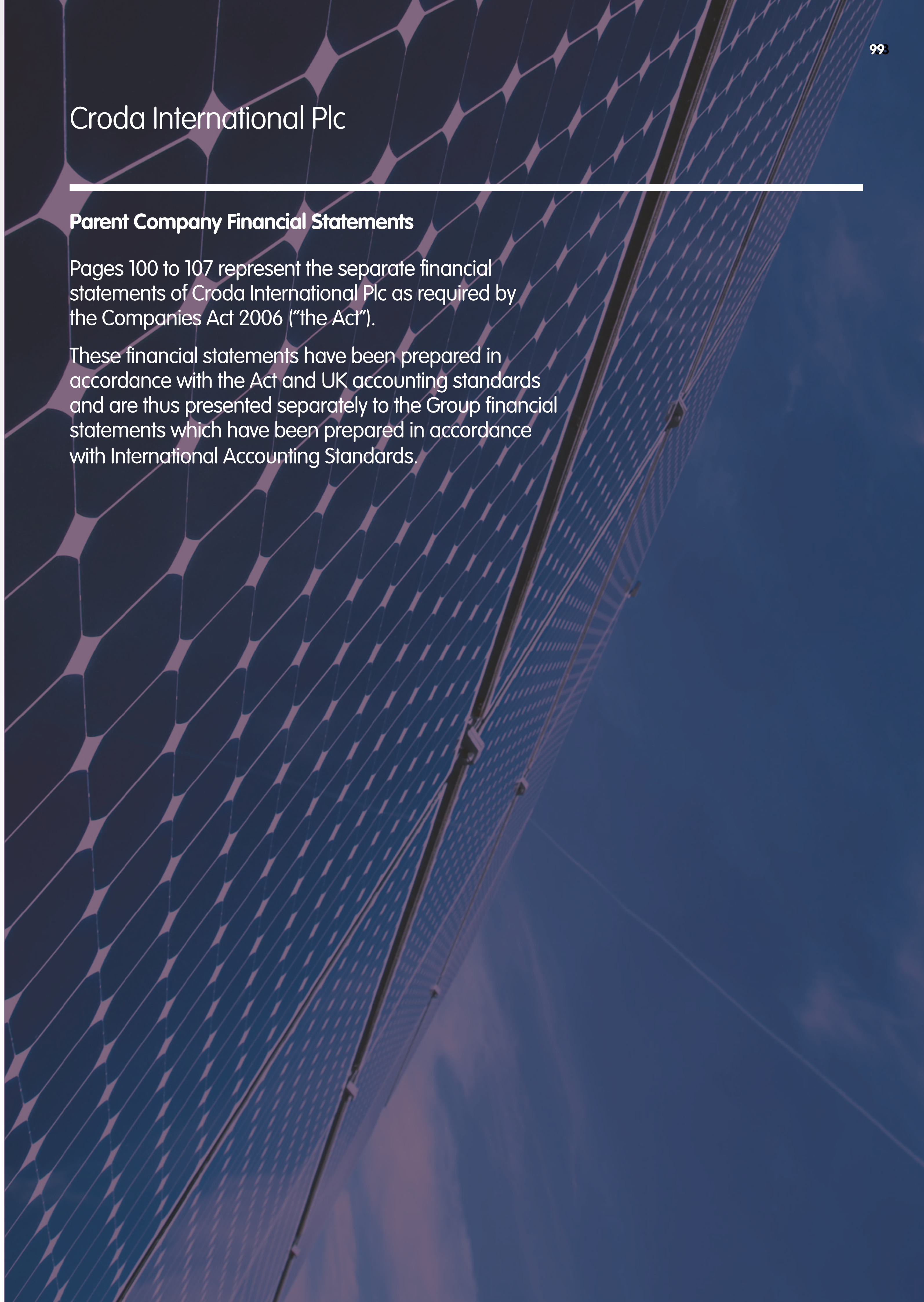
The focus of the business is the development and commercialisation of products originating from plant cell culture biotechnology for use in personal care applications. Plant cell culture biotechnology is a key new sustainable technology that will be of great value to Croda. Under Croda ownership the business will retain its independence but the products will be sold under the Sederma brand. In combination with the existing technical expertise of Sederma, the focus will be to continue exploiting the technology in the personal care market, using the Group's global selling network. Sales and profits will thus be expected to grow substantially from their current levels (at current levels IRB would have contributed less than 1% to Group sales and profits had it been a member of the Group for the full year).

The following table summarises the consideration paid for IRB and the fair value of assets acquired and liabilities assumed. Pending completion of the review of acquired intangible assets, the surplus of net consideration over total identifiable net assets has been added to goodwill.

	£m
Consideration	
Gross consideration	6.3
Adjustment for borrowings assumed	(1.1)
Net consideration	**5.2**
Assets and liabilities acquired	
Property, plant and equipment	0.1
Intangible assets	0.7
Inventories	0.8
Trade and other receivables	0.5
Cash and cash equivalents	(1.1)
Trade and other payables	(0.7)
Total identifiable net assets	**0.3**
Goodwill	**4.9**

Acquisition-related costs of £0.1m have been charged to administration expenses in the consolidated income statement for the year ended 31 December 2012.

On 20 December 2012, the Group completed the acquisition of the trade and assets of Innovachem LLC, a US technology company specialising in cosmetic esters, for $2.8m.There are no tangible assets associated with the acquisition and pending completion of the review of the acquired intangible assets, the consideration paid has been added to Group goodwill.



Croda International Plc

Parent Company Financial Statements

Pages 100 to 107 represent the separate financial statements of Croda International Plc as required by the Companies Act 2006 ("the Act").

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

Financial Statements

Company Independent Auditors' Report to the Members of Croda International Plc

We have audited the parent company financial statements of Croda International Plc for the year ended 31 December 2012 which comprise the Company balance sheet, the Company accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities statement set out on page 60, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2012;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the Group financial statements of Croda International Plc for the year ended 31 December 2012.

Richard Bunter
(Senior Statutory Auditor) for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors, Hull
1 March 2013

Company Balance Sheet

at 31 December 2012

	Note	2012 £m	2011 £m
Fixed assets			
Tangible assets	C	**1.8**	1.7
Investments			
Subsidiary undertakings	D	**593.4**	573.1
Other	E	**0.6**	0.6
		595.8	575.4
Current assets			
Debtors	F	**23.4**	10.1
Cash at bank and in hand		**13.4**	3.7
		36.8	13.8
Current liabilities			
Creditors: Amounts falling due within one year	G	**(13.9)**	(40.5)
Net current assets/(liabilities)		**22.9**	(26.7)
Total assets less current liabilities		**618.7**	548.7
Creditors: Amounts falling due after more than one year	G	**(234.1)**	(260.2)
Net assets		**384.6**	288.5
Capital and reserves			
Preference share capital	24	**1.1**	1.1
Ordinary share capital	22	**14.0**	14.0
Called up share capital		**15.1**	15.1
Share premium account	J	**93.3**	93.3
Reserves	J	**276.2**	180.1
Shareholders' funds		**384.6**	288.5

The financial statements on pages 101 to 107 were approved by the Board of Directors on 1 March 2013 and signed on its behalf by

Martin Flower
Chairman

Sean Christie
Group Finance Director

Financial Statements

Company Accounting Policies

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

Accounting basis

The financial statements are prepared under the historical cost convention, in compliance with the provisions of the Companies Act 2006, the requirements of the Listing Rules of the Financial Services Authority and applicable United Kingdom Accounting Standards. Whilst the consolidated accounts have been prepared under IFRS, as required by European law, the Company's accounts continue to be prepared under UK GAAP as permitted.

Land and buildings

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

Depreciation

Tangible fixed assets are stated at cost or valuation less depreciation, where cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided at rates calculated to write down the cost of all tangible fixed assets, except freehold land, over their estimated useful lives on a straight line basis. The estimated average life for each major asset category is:

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

Leased assets

The cost of operating leases is charged to the profit and loss account on a straight line basis over the term of the lease.

Pensions

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

Currency translations

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

Financial instruments

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

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

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

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the profit and loss account.

Employee Share Ownership Trusts

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

Share based payments

Share based incentive schemes are accounted for in accordance with FRS20 'Share-based Payments', which requires an expense to be recognised in the profit and loss account over the vesting period of the options. The expense is based on the fair value of each instrument which is calculated using the Black-Scholes or binomial model as appropriate. Any expense is adjusted to reflect expected and actual levels of options vesting, as market-based performance criteria are not used.

Dividends

All dividends, including preference dividends, are recognised as a liability when the liability is irrevocable. Accordingly, final dividends are recognised when approved by shareholders and interim dividends are recognised when paid.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and other accounting purposes. 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 deficit. Full provision is made for the tax effects of these differences. No provision is made for unremitted earnings of foreign subsidiaries where there is no commitment to remit such earnings. Similarly, no provision is made for timing differences relating to investments in subsidiaries since realisation of such differences can be controlled and is not probable in the foreseeable future. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the timing differences can be utilised. All taxation is calculated on the basis of the tax rates and laws enacted or substantively enacted at the balance sheet date.

Borrowings

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

Trade and other debtors

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

Investments

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

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

Financial risk factors

The Group accounting policy for financial risk factors is also relevant to the preparation of the Company financial statements and is disclosed on pages 90 and 91.

Financial Statements

Notes to the Company Accounts

A. Profit and loss account

Of the Group's profit for the year, £167.4m (2011: £256.9m) is dealt with in the profit and loss account of the Company which was approved by the Board on 1 March 2013 but which is not presented as permitted by s.408 Companies Act 2006. Included in the Company profit and loss account is a charge of £0.1m (2011: £0.1m) in respect of the Company's audit fee.

B. Retirement benefit obligations

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

C. Tangible fixed assets

	Land and buildings £m	Plant and equipment £m	Total £m
Cost or valuation			
At 1 January 2012	2.1	1.6	3.7
Additions	–	0.6	0.6
Disposals	(0.4)	(0.3)	(0.7)
At 31 December 2012	**1.7**	**1.9**	**3.6**
Accumulated depreciation			
At 1 January 2012	1.3	0.7	2.0
Charge for year	0.1	0.2	0.3
Disposals	(0.4)	(0.1)	(0.5)
At 31 December 2012	**1.0**	**0.8**	**1.8**
Net book amount			
At 31 December 2012	**0.7**	**1.1**	**1.8**
At 31 December 2011	0.8	0.9	1.7

	2012 £m	2011 £m
Net book amount of land and buildings		
Freehold	**0.7**	0.8
Historical cost of land and buildings		
Cost	**0.3**	0.3
1988 valuations	**1.4**	1.8
At 31 December	**1.7**	2.1
Revaluation surpluses	**(1.1)**	(1.1)
Restated to historical cost	**0.6**	1.0
Depreciation	**(0.5)**	(0.8)
Historical net book amount		
At 31 December	**0.1**	0.2

D. Subsidiary undertakings

	Shares £m	Loans £m	Total £m
Cost less amounts written off			
At 1 January 2012	345.3	227.8	573.1
Exchange differences	–	(2.3)	(2.3)
Additions	17.7	29.9	47.6
Amounts repaid	–	(25.0)	(25.0)
At 31 December 2012	**363.0**	**230.4**	**593.4**

The principal subsidiary undertakings are listed on page 108.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

E. Investments

	Other investments £m
Cost or valuation of net equity	
At 1 January 2012 and **31 December 2012**	**0.6**

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

F. Debtors

	2012 £m	2011 £m
Amounts owed by Group undertakings	**2.1**	1.0
Corporation tax	**20.8**	8.3
Other debtors	**0.2**	0.4
Prepayments	**0.3**	0.4
	23.4	10.1

Financial Statements

Notes to the Company Accounts

G. Creditors	2012 £m	2011 £m
Amounts falling due within one year		
Borrowings (note H)	**5.5**	27.4
Trade creditors	**0.2**	0.3
Amounts owed to Group undertakings	**–**	2.2
Taxation and social security	**2.7**	2.1
Other creditors	**4.9**	4.8
Accruals and deferred income	**0.6**	3.7
	13.9	40.5
Amounts falling due after one year		
Borrowings (note H)	**177.8**	182.4
Amounts owed to Group undertakings	**56.3**	77.8
	234.1	260.2

H. Financial instruments and liabilities

The Company's objectives, policies and strategies in respect of financial instruments are outlined in the accounting policies note on page 102 which forms part of the annual report and accounts. Short term debtors and creditors have been excluded from all of the following disclosures.

	2012 £m	2011 £m
Maturity profile of financial liabilities		
2010 Club facility due 2015	**177.8**	182.4
Bank loans and overdrafts repayable on demand	**5.5**	27.4
	183.3	209.8
Repayments fall due as follows		
Within one year		
Bank loans and overdrafts	**5.5**	27.4
	5.5	27.4
After more than one year		
Loans repayable		
Within two to five years	**177.8**	182.4
	177.8	182.4

I. Share based payments

The total charge for the year in respect of share based remuneration schemes was £3.5m (2011: £3.5m). The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

The key elements of each scheme along with the assumptions employed to arrive at the charge in the profit and loss account are set out in note 23 to the Group financial statements.

J. Reserves	Share premium account £m	Capital redemption reserve £m	Revaluation reserve £m	Profit & loss account £m	Total £m
At 1 January 2012	93.3	0.9	2.1	177.1	273.4
Profit for the financial year	–	–	–	167.4	167.4
Other gains and losses	–	–	–	0.3	0.3
Dividends	–	–	–	(76.8)	(76.8)
Share based payments	–	–	–	4.1	4.1
Consideration received for sale of own shares (held in trust)	–	–	–	1.1	1.1
At 31 December 2012	**93.3**	**0.9**	**2.1**	**273.2**	**369.5**

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

K. Contingent liabilities
The Company has guaranteed loan capital and bank overdrafts of subsidiary undertakings amounting to £78.4m (2011: £85.2m).

L. Dividends
Details of dividends are disclosed in note 9 of the Group financial statements.

Other Information

Principal Subsidiary Companies

Principal operating companies	Incorporated and/or principally operating in	Group beneficial interest %
Croda Europe Ltd*†	UK	100
John L Seaton & Co Ltd	UK	100
Croda Argentina SA	Argentina	100
Croda Australia	Australia	100
Croda Belgium BVBA	Belgium	100
Croda do Brasil Ltda†	Brazil	100
Croda Canada Ltd	Canada	100
Croda Chile Ltda	Chile	100
Croda China Trading Company Ltd	China	100
Croda Trading (Shanghai) Co., Ltd	China	100
Croda Colombia	Colombia	100
Croda France SAS	France	100
Crodarom SAS†	France	100
Sederma SAS†	France	100
Croda Chocques SAS†	France	100
Croda GmbH	Germany	100
Croda Hong Kong Company Ltd	Hong Kong	100
Croda Chemicals (India) Pvt Ltd*†	India	100
PT Croda Indonesia Ltd†	Indonesia	100
Croda Italiana SpA	Italy	100
I.R.B. - Istituto di Ricerche Biotechnologiche SpA†	Italy	100
Croda Japan KK*†	Japan	100
Croda México SA de CV	Mexico	100
Croda Nederland B.V. †	Netherlands	100
Croda Peruana S.A.C	Peru	100
Croda Poland Sp. z o.o.*	Poland	100
Croda Russia	Russia	100
Croda Singapore Pte Ltd*†	Singapore	100
Croda (SA) Pty Ltd	South Africa	100
Croda Korea	South Korea	100
Croda Ibérica SA †	Spain	100
Croda Nordica AB	Sweden	100
Croda (Thailand) Co., Ltd*	Thailand	100
Croda Kimya Ticaret Şirketi	Turkey	100
Croda Middle East	UAE	100
Croda Inc†	USA	100

Principal holding companies		
Croda Overseas Holdings Ltd*	UK	100
Croda Holdings France SAS	France	100
Croda Investments Inc	USA	100

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

All companies are involved in the sale of chemicals. Those companies indicated with a † are also involved in manufacturing activities. Full details of investments in subsidiary undertakings will be attached to the Company's annual return made to the Registrar of Companies. Those not listed above were either not trading or not material.

Shareholder Information

Operating Heads

Stuart Arnott	President – Global Operations
David Barraclough	President – Asia Pacific
Sandra Breene	President – Consumer Care Europe
Nick Challoner	President – Latin America
Kevin Gallagher	President – North America
Maarten Heybroek	President – Performance Technologies & Industrial Chemicals Europe
Graham Myers	Group Financial Controller and Treasurer

Corporate Calendar

2013 Annual General Meeting	25 April 2013
2012 Final ordinary dividend payment	31 May 2013
2013 Half year results announcement	23 July 2013
2013 Interim ordinary dividend payment	3 October 2013
2013 Preference dividend payments	1 July 2013 31 December 2013
2013 Full year results announcement	February 2014

Investor Relations

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

Shareholders can receive shareholder communications electronically by registering on the Registrars' website, www.capitashareportal.com and following the instructions. To register shareholders will require their investor code (IVC): this is an 11 digit number starting with five or six zeros and can be found on your dividend tax voucher or your share certificate. Receiving corporate communications by email has a number of benefits including being more environmentally friendly, reducing unnecessary waste, faster notification of information to shareholders and eventually leading to a reduction in company costs.

Shareholders who register on the above website can also check their shareholding, view their dividend history, elect for the dividend reinvestment plan, register changes of address and dividend mandate instructions.

Other Information

Shareholder Information

Share Price Information
As well as being available on our website, the latest ordinary share price is available on the Financial Times Cityline service (0905 817 1690) (calls cost 75 pence per minute from a BT landline and the average duration is 1 minute per stock quote. Cost from other networks or mobile phones may be higher).

The middle market values of the listed share capital at 31 December 2012, or last date traded*, were as follows:

Ordinary shares	2357.17p
5.9% preference shares	73p*
6.6% preference shares	87p*

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

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

Dividend Reinvestment Plan ("DRIP")
Ordinary shareholders may wish to know about this plan, which allows you to use your dividends to buy further shares in Croda. The DRIP is administered by Capita IRG Trustees Ltd ("CIRGT"). CIRGT will instruct the broker to buy shares on the dividend payment date at the then current market price. Any cash left over which is insufficient to purchase a whole share will be carried forward and held, without interest, in a client money bank account. The DRIP commission charged to the shareholder is 1% of the purchase price of the shares, with a minimum charge of £2.50. This is exclusive of stamp duty reserve tax at 0.5% of the deal value. Should you wish to apply you should request an application pack by telephoning 0871 664 0300 (calls cost 10p per minute plus network extras; lines are open 9.00am to 5.30pm, Monday to Friday) or, if calling from overseas, +44 20 8639 3399; alternatively you can email shares@capitaregistrars.com.

Overseas Shareholders
Capita has an International Payment Service that allows you to receive your dividend payments in your local currency, sent directly to your local bank account - potentially saving you time and money. Further details are available from Shareholder Administration, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; telephone UK: 0871 664 0385 (calls cost 10p per minute plus network extras; lines are open 9.00am to 5.30pm, Monday to Friday) or +44 20 8639 3405 (from outside the UK) or by logging on to www.international.capitaregistrars.com.

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

UK shareholders only – Capita Share Dealing Services
www.capitadeal.com (on-line dealing)
0871 664 0364 (telephone dealing) – calls cost 10p per minute plus network extras; lines are open 8.00am to 4.30pm, Monday to Friday

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

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

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

If you receive any unsolicited investment advice:

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

Details of any share dealing facilities that the Company endorses will be included in Company mailings.

More detailed information on this or similar activity can be found on the FSA website www.fsa.gov.uk/consumer.

Secretary and Registered Office
T M Brophy (Company Secretary)
Cowick Hall, Snaith, Goole, East Yorkshire DN14 9AA
Tel: +44 (0)1405 860551
Fax: +44 (0)1405 861767
Website: www.croda.com
Registered in England number 206132

Registrars
Capita Registrars
The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
Tel: 0871 664 0300 (from UK) - calls cost 10p per minute plus network extras; lines are open 8.30am to 5.30pm, Monday to Friday
+ 44 20 8639 3399 (from overseas)
Fax: 01484 601512 (from UK)
+ 44 1484 601512 (from overseas)
Website: www.capitaregistrars.com
E-mail: ssd@capitaregistrars.com

Auditors
PricewaterhouseCoopers LLP

Merchant Bankers
Morgan Stanley & Co. International plc
J P Morgan Cazenove

Solicitors
Slaughter & May
Eversheds LLP

Stockbrokers
Morgan Stanley & Co. International plc
J P Morgan Cazenove

Consulting Actuaries
Towers Watson

Financial PR Advisors
Pendomer Communications LLP

Financial Statements

Five Year Record

Earnings	2012 £m	2011 £m	2010† £m	2009† £m	2008† £m
Turnover	**1,051.9**	1,028.0	1,001.9	827.5	911.1
Operating profit	**255.4**	237.7	198.6	121.5	112.6
Profit before tax	**253.2**	237.5	192.3	108.0	96.3
Profit after tax	**175.1**	162.6	129.8	72.7	64.8
Profit attributable to ordinary shareholders *	**161.8**	167.4	130.7	23.7	60.9
	%	%	%	%	%
Operating profit as a % of turnover	**24.3**	23.1	19.8	14.7	12.4
Return on invested capital (ROIC)	**23.8**	23.7	19.3	10.5	9.8
Effective tax rate	**30.8**	31.5	32.5	32.7	32.0
	pence	**pence**	**pence**	**pence**	**pence**
Earnings per share	**130.0**	120.1	96.1	53.8	48.0
Dividends per share	**59.50**	55.00	35.00	21.50	19.75
	times	**times**	**times**	**times**	**times**
Net debt/EBITDA	**0.7**	0.8	1.0	1.9	2.6
EBITDA interest cover **	**36.8**	33.5	26.9	9.9	6.4

* Total Group figures, all other figures are continuing operations only.
** Excluding pension scheme net financial income.
† As reported.

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

Summarised balance sheet	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Intangible assets, property plant and equipment and investments	**552.3**	560.6	536.9	556.3	608.5
Inventories	**170.5**	164.6	164.6	148.9	201.9
Trade and other receivables	**162.9**	145.7	146.2	159.0	185.8
Trade and other payables	**(139.2)**	(164.3)	(183.3)	(182.9)	(184.5)
Other	**–**	–	0.6	–	1.1
Capital employed	**746.5**	706.6	665.0	681.3	812.8
Tax, provisions and other	**(28.7)**	(10.4)	(22.7)	(31.1)	(60.9)
Retirement benefit liabilities	**(165.8)**	(198.9)	(147.8)	(203.5)	(88.5)
	552.0	497.3	494.5	446.7	663.4
Shareholders funds	**344.2**	266.1	273.1	156.5	263.3
Non-controlling interests	**0.1**	0.1	1.1	1.7	2.0
	344.3	266.2	274.2	158.2	265.3
Net debt	**207.7**	231.1	220.3	288.5	398.1
	552.0	497.3	494.5	446.7	663.4
Gearing (%)	**60.3**	86.8	80.3	182.4	150.1