Tuesday 24 July 2012

Croda International Plc

Interim results for the six months to 30 June 2012

ROBUST Q2 AND RECORD INTERIM RESULTS

H1 Highlights	H1 2012	H1 2011	% Change
Sales	**£572.9m**	£559.6m	+2.4
- Consumer Care	**£310.5m**	£293.6m	+5.8
- Performance Technologies	**£212.5m**	£208.6m	+1.9
- Industrial Chemicals	**£49.9m**	£57.4m	-13.1
Operating profit	**£133.7m**	£125.3m	+6.7
- Consumer Care	**£96.7m**	£88.0m	+9.9
- Performance Technologies	**£33.4m**	£31.6m	+5.7
- Industrial Chemicals	**£3.6m**	£5.7m	-36.8
Profit before tax – continuing operations	**£132.6m**	£124.8m	+6.3
EPS – continuing operations	**66.9p**	61.9p	+8.1
Dividend per share	**26.75p**	24.75p	+8.1

- **Strong demand in America offsets softer European trading conditions and currency headwinds**

- **Innovative, higher margin products driving increasing return on sales**

    - Improved performance across all areas of Consumer Care with return on sales increasing to 31.1%
    - Growth in new, more differentiated products in Performance Technologies helped return on sales grow to 15.7%

- **Net debt reduced to £208.0m (June 2011: £253.3m) as a result of strong free cash flow generation**

- **Acquisition in July of IRB, the global leader in plant cell culture biotechnology, for €7.5m**

    - Part of our strategy to acquire leading edge technologies in core markets

Q2 Highlights

	Q2 2012	Q2 2011	% Change
Sales	**£281.9m**	£281.7m	+0.1
Consumer Care	**£150.8m**	£147.3m	+2.4
Performance Technologies	**£105.6m**	£104.7m	+0.9
Industrial Chemicals	**£25.5m**	£29.7m	-14.1
Operating Profit	**£67.9m**	£64.4m	+5.4
Consumer Care	**£48.5m**	£45.6m	+6.4
Performance Technologies	**£17.1m**	£15.5m	+10.3
Industrial Chemicals	**£2.3m**	£3.3m	-30.3
Profit before tax from continuing operations	**£67.5m**	£64.1m	+5.3

- Second quarter sales volumes and profits higher than quarter one despite fewer trading days in Europe

- Favourable mix during the quarter helped increase margins

Commenting on the results Martin Flower, Chairman, said:

"These are a robust set of results which have been achieved despite challenging trading conditions in Europe. Against strong 2011 comparatives and adverse currency translation, both core business segments have made further progress. It is particularly pleasing to see Performance Technologies delivering improved margins and continuing to demonstrate the benefits of increased innovation.

The acquisition of IRB is an important strategic step and follows our commitment to look for leading edge technologies and R&D capabilities that will accelerate growth in our core business.

Croda's resilient track record of growth rests on our consistent ability to bring innovative, high margin products to market and expand our presence in emerging economies. Assuming no significant change in market conditions in the near term, we remain confident that this strategy will enable us to make further progress in the second half of 2012."

For further information please contact:

Steve Foots, Group Chief Executive Sean Christie, Group Finance Director	Tel: 01405 860551
Charles Armitstead / Rosie Oddy, Pendomer Communications	Tel: 020 3603 5224

The company will broadcast the meeting with analysts live in a webcast commencing at 09:30AM on the company's website at www.croda.com.

Chief Executive's review

Interim results

Croda traded well in the first half of 2012 and delivered a robust performance against strong 2011 comparatives. Sales increased 2.4% to £572.9m (2011: £559.6m) despite the combined challenge of weak demand in Europe and adverse currency translation.

The Group's progress during the period was largely driven by continued success with innovative, higher margin products which boosted overall returns. As expected, less differentiated products and by-products were relatively weak, but with stronger sales in the higher margin products, our overall return on sales increased to 23.3%. In contrast to the difficult trading conditions in Europe, we experienced strong demand in most business areas in North America, while in Asia and Latin America we made further progress in focussing on higher margin differentiated products. Average prices increased by 4.2%, primarily driven by price increases in Europe plus some mix effects.

Operating profits rose 6.7% to £133.7m (2011: £125.3m) and pre-tax profit before exceptional items increased 6.3% to £132.6m (2011: £124.8m).

Earnings per share from continuing operations increased 8.1% to 66.9p (2011: 61.9p).

Sector performance

Consumer Care

Sales were up 5.8% to £310.5m (2011: £293.6m) with growth across all business areas, the strongest sales uplift coming from Crop Care. Margins increased due to price increases in Europe during the second quarter and a more favourable sales mix, resulting in an operating profit increase of 9.9% to £96.7m (2011: £88.0m).

Performance Technologies

Performance Technologies experienced a mixed sales performance during the period. We saw weaker revenues from more traditional products especially in Europe but this was offset by good growth in new, more differentiated products which boosted overall margins. Sales were up 1.9% to £212.5m (2011: £208.6m). Polymer Additives and Geo Tech were the strongest performing business areas with Lubricants, Home Care and Coatings & Polymers all trading slightly behind last year's levels. The positive business mix increased return on sales to 15.7% with operating profit rising 5.7% to £33.4m (2011: £31.6m).

Industrial Chemicals

We saw an improving trend in profitability during the period but overall sales and profits from by-product handling and non-core markets were significantly down on last year. Sales of £49.9m were 13.1% down on 2011 (£57.4m). Operating profit at £3.6m was down 36.8% versus 2011 (£5.7m).

Quarter two results

Whilst headline sales in quarter two at £281.9m were lower than quarter one (£291.0m), underlying sales values after adjusting for currency translation and days worked were slightly higher in the second quarter. Margins increased due to favourable mix and the result was another record quarterly operating profit of £67.9m, up 5.4% versus an extremely strong 2011 comparative quarter (£64.4m). Profit before tax increased by 5.3% to £67.5m (2011: £64.1m).

On a divisional basis, Consumer Care increased sales 2.4% to £150.8m (2011: £147.3m) and operating profit rose 6.4% to £48.5m (2011: £45.6m). Return on sales was 32.2%.

Performance Technologies continued to experience a tough trading environment in Europe but still increased sales by 0.9% to £105.6m (2011: £104.7m). Operating profit rose by 10.3% to £17.1m (2011: £15.5m). Return on sales was 16.2%.

Industrial Chemicals saw a decline in sales of 14.1% to £25.5m (2011: £29.7m) and operating profit also reduced by 30.3% to £2.3m (2011: £3.3m).

Acquisitions

We have acquired Istituto Di Ricerche Biotechnologiche (IRB), the global leader in plant cell culture biotechnology, for a total consideration of €7.5m. Formed in 1999 in Vicenza, Italy, IRB entered the market in 2009 after 10 years of pioneering research and had a turnover of €1.3m in 2011. It has 19 employees, including 9 in Research & Development. The business will be integrated within our existing Sederma skin care actives business. As part of Croda, IRB will also have access to the Group's unrivalled global sales and marketing network to maximise the potential of this exciting new technology.

This acquisition provides Croda with leading edge technology and additional R&D capability in a fast growing market.

Exceptional items – discontinued operations

In January we received early settlement of the final instalment of £16.1m due from the 2008 sale of our Chicago business. The early settlement gave rise to an exceptional gain of £1.6m.

We have increased our environmental provision by £1.5m in respect of liabilities at sites previously occupied by discontinued businesses.

Cash flow

Despite the level of capital expenditure and payment of the increased final dividend, we were able to generate a positive cash flow in the first half and as a consequence we reduced net debt by over £23m from the year end.

Balance sheet

Net debt stood at £208.0m at the end of June 2012 (30 June 2011: £253.3m). Net debt to EBITDA was well under one times, significantly below our bank covenanted level of three times.

The post-tax pension deficit has fallen since the year end to £120.1m (31 December 2011: £141.6m) on an IAS19 basis. Further details are contained in note 8 to the accounts. Following the triennial valuation in October 2011, the Company has agreed to increase top-up payments to the UK pension fund to £20.4m in 2012 and £38.4m in 2013, falling to £20m plus inflation per annum thereafter.

Croda continues to be very cash generative. In 2011 we announced a new dividend policy to pay out 40% to 50% of post-tax earnings in dividends. Our preference is to invest any surplus cash in the business and we have targeted capital expenditure at around twice the level of depreciation over the next few years. We have announced the acquisition of IRB with these results and it is our intention to acquire other similar businesses. We remain committed to the principle of returning any cash surplus beyond the needs of the Company to shareholders and will continue to review this on a regular basis.

Interim dividend

As described last year we aim to pay an interim dividend of 40% of first half earnings. This results in an interim dividend of 26.75p per share, an increase of 8.1% on 2011 (24.75p). The interim dividend will be paid on 4 October 2012.

Outlook

Assuming no significant change in market conditions in the near term, we remain confident that our ability to bring innovative products to market and the expansion of our presence in emerging economies will enable us to make further progress in the second half of 2012.

Steve Foots
Chief Executive

Statement of directors' responsibilities

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

- an indication of important events that have occurred during the first six months and their impact on the consolidated interim financial information, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last Annual Report.

The directors of Croda International Plc at 30 June 2012 are listed in the Group's Annual Report for the year ended 31 December 2011. A list of current directors is maintained on the Croda website: www.croda.com.

By order of the Board

Steve Foots
Group Chief Executive

Sean Christie
Group Finance Director

24 July 2012

Independent review report to Croda International Plc

Introduction

We have been engaged by the Company to review the consolidated interim financial information in the half-yearly financial report for the six months ended 30 June 2012, which comprises the Group income statement, Group statement of comprehensive income and expense, Group balance sheet, Group statement of changes in equity, Group statement of cashflows, and associated notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the consolidated interim financial information.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The consolidated set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the consolidated set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for, and only for, the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

The maintenance and integrity of the Croda International Plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
Hull
24 July 2012

Group income statement

	Note	Unaudited £m		Audited £m
		2012 First half	2011 First half	2011 Full year
Continuing operations				
Revenue	2	**572.9**	559.6	1,068.4
Cost of sales		**(379.9)**	(375.7)	(721.1)
Gross profit		**193.0**	183.9	347.3
Operating expenses		**(59.3)**	(58.6)	(104.9)
Operating profit	2	**133.7**	125.3	242.4
Financial expenses	3	**(4.6)**	(4.9)	(10.2)
Financial income	3	**3.5**	4.4	10.0
Profit before tax		**132.6**	124.8	242.2
Tax		**(42.7)**	(40.4)	(76.3)
Profit after tax from continuing operations		**89.9**	84.4	165.9
Discontinued operations				
Exceptional profit after tax	5	**0.1**	1.6	1.6
Profit for the period		**90.0**	86.0	167.5
Attributable to:				
Equity shareholders		**90.0**	86.0	167.5
		90.0	86.0	167.5
		pence per share	pence per share	pence per share
Earnings per share of 10p				
Basic				
Total		**67.0**	63.1	123.7
Continuing operations		**66.9**	61.9	122.5
Diluted				
Total		**65.8**	61.8	121.6
Continuing operations		**65.7**	60.6	120.4
Ordinary dividends				
Interim		**26.75**	24.75	24.75
Final				30.25

Group statement of comprehensive income and expense

	Unaudited £m		Audited £m
	2012 First half	2011 First half	2011 Full year
Profit for the period	**90.0**	86.0	167.5
Other comprehensive (expense)/ income			
Currency translation differences	**(6.2)**	1.4	(8.5)
Actuarial movement on retirement benefit liabilities	**19.3**	(0.8)	(75.8)
Deferred tax on retirement benefit liabilities	**(7.3)**	0.7	21.6
Total comprehensive income for the period	**95.8**	87.3	104.8
Attributable to:			
Non-controlling interests	**-**	0.2	0.1
Equity shareholders	**95.8**	87.1	104.7
	95.8	87.3	104.8

Group balance sheet

	Note	Unaudited £m		Audited £m
		At 30 June 2012	At 30 June 2011	At 31 December 2011
Assets				
Non-current assets				
Intangible assets		**205.6**	204.1	205.0
Property, plant and equipment	**6**	**341.2**	330.8	340.2
Investments		**0.9**	13.8	15.4
Deferred tax assets		**73.4**	64.2	82.3
		621.1	612.9	642.9
Current assets				
Inventories		**167.8**	180.9	164.6
Trade and other receivables		**186.9**	171.5	145.7
Cash and cash equivalents		**41.6**	42.8	44.3
		396.3	395.2	354.6
Liabilities				
Current Liabilities				
Trade and other payables		**(172.4)**	(175.9)	(159.4)
Borrowings and other financial liabilities		**(10.2)**	(23.5)	(7.5)
Provisions		**(9.6)**	(15.6)	(8.8)
Current tax liabilities		**(31.2)**	(24.9)	(23.9)
		(223.4)	(239.9)	(199.6)
Net current assets		**172.9**	155.3	155.0
Non-current liabilities				
Borrowings and other financial liabilities		**(239.4)**	(272.6)	(267.9)
Other payables		**(4.3)**	(4.3)	(4.9)
Retirement benefit liabilities		**(168.5)**	(136.1)	(198.9)
Provisions		**(13.7)**	(10.9)	(14.9)
Deferred tax liabilities		**(45.0)**	(41.9)	(45.1)
		(470.9)	(465.8)	(531.7)
Net assets		**323.1**	302.4	266.2
Shareholders’ equity		**323.0**	302.2	266.1
Non-controlling interests in equity		**0.1**	0.2	0.1
Total equity		**323.1**	302.4	266.2

Group statement of changes in equity

Audited	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Non-Controlling interests £m	Total £m
At 1 January 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	-	-	-	(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
Unaudited						
At 1 January 2012	15.1	93.3	27.5	130.2	0.1	266.2
Profit for the period attributable to equity shareholders	-	-	-	90.0	-	90.0
Other comprehensive income/(expense)	-	-	(6.2)	12.0	-	5.8
Transactions with owners:						
Dividends on equity shares	-	-	-	(40.8)	-	(40.8)
Share based payments	-	-	-	1.5	-	1.5
Consideration received for sale of own shares held in trust	-	-	-	0.3	-	0.3
Total transactions with owners	-	-	-	(39.0)	-	(39.0)
Total equity at 30 June 2012	15.1	93.3	21.3	193.2	0.1	323.0

Other reserves comprise the Capital Redemption Reserve of £0.9m (31 December 2011: £0.9m) and the Translation Reserve of £20.4m (31 December 2011: £26.6m)

Group statement of cash flows

	Note	Unaudited £m		Audited £m
		2012 First half	2011 First half	2011 Full year
Cash flows from operating activities				
Continuing operations				
Operating profit		**133.7**	125.3	242.4
Adjustments for:				
Depreciation and loss on disposal of fixed assets		**15.8**	16.0	32.7
Changes in working capital		**(38.1)**	(51.9)	(23.7)
Pension fund contributions in excess of service cost		**(7.4)**	(8.1)	(17.4)
Share based payments		**3.9**	5.5	4.0
Movement on provisions		**(1.1)**	(4.2)	(5.3)
Cash generated from continuing operations		**106.8**	82.6	232.7
Interest paid		**(4.6)**	(4.9)	(11.0)
Tax paid		**(33.7)**	(29.1)	(57.7)
Net cash generated by operating activities		**68.5**	48.6	164.0
Cash flows from investing activities				
Purchase of property, plant and equipment	**6**	**(23.0)**	(24.1)	(55.9)
Purchase of intangible assets		**(1.3)**	(1.2)	(2.4)
Proceeds from sale of property, plant and equipment		**0.2**	0.1	0.1
Proceeds from sale of businesses (net of costs)		**16.1**	0.9	1.0
Cash paid against non-operating provisions		**(0.7)**	(0.5)	(2.2)
Interest received		**0.4**	0.4	0.9
Net cash absorbed by investing activities		**(8.3)**	(24.4)	(58.5)
Cash flows from financing activities				
Additional borrowings		**1.3**	12.6	15.6
Repayment of borrowings		**(24.3)**	(23.7)	(26.4)
Net transactions in own shares		**0.3**	(22.6)	(49.4)
Dividends paid to equity shareholders	**4**	**(40.8)**	(34.5)	(67.7)
Other		**(0.2)**	-	(0.4)
Net cash absorbed by financing activities		**(63.7)**	(68.2)	(128.3)
Net movement in cash and cash equivalents		**(3.5)**	(44.0)	(22.8)
Cash and cash equivalents brought forward		**37.5**	62.5	62.5
Exchange differences		**(0.7)**	0.1	(2.2)
Cash and cash equivalents carried forward		**33.3**	18.6	37.5
Cash and cash equivalents carried forward comprise:				
Cash at bank and in hand		**41.6**	42.8	44.3
Bank overdrafts		**(8.3)**	(24.2)	(6.8)
		33.3	18.6	37.5

A reconciliation of the cash flows above to the movement in net debt is shown in note 7.

Notes to the interim report

1. a. General information

The Company is a public limited company (Plc) incorporated and domiciled in the UK. The address of its registered office is Cowick Hall, Snaith, Goole, East Yorkshire DN14 9AA. The Company is listed on the London Stock Exchange. This consolidated interim report was approved for issue on 24 July 2012.

The financial information included in this interim financial report for the six months ended 30 June 2012 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006 and is unaudited. The comparative information for the six months ended 30 June 2011 is also unaudited. The comparative figures for the year ended 31 December 2011 have been extracted from the Group's financial statements, as filed with the Registrar of Companies, on which the auditors gave an unqualified opinion, did not contain an emphasis of matter paragraph and did not make a statement under section 498 of the Companies Act 2006.

b. Basis of preparation

This interim financial report for the six months ended 30 June 2012 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and IAS 34 'Interim financial reporting' (as adopted by the EU). The report should be read in conjunction with the Group's financial statements for the year ended 31 December 2011, available on the Group's website (www.croda.com), which were prepared in accordance with IFRSs as adopted by the EU.

Comparative figures for cost of sales and operating expenses in the first half of 2011 have been amended to bring the allocation of costs into line with the full year results for 2011. There is no net impact on reported profits or on any other primary statement.

Going-concern basis

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

c. Accounting policies

The accounting policies adopted in preparing this report are consistent with those used in the Group's financial statements for the year ended 31 December 2011 as described in those statements. The following new standards, amendments to existing standards or interpretations have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted.

- IFRS 9, `Financial instruments', issued in November 2009 and applicable from 1 January 2013 (subject to endorsement by the EU). The standard addresses the classification, measurement and derecognition of financial assets and financial liabilities.
- IAS 19, 'Employee benefits' (revised 2011). The revised standard is effective from 1 January 2013 and makes significant changes to the recognition and measurement of defined benefit expense and to the disclosures for post-employment benefits. The Group is yet to assess the full impact of the amendments.

Tax policy

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

2. Segmental information

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.

2. Segmental information (continued)

	2012 First half £m	2011 First half £m	2011 Full year £m
Revenue - continuing operations			
Consumer Care	**310.5**	293.6	574.3
Performance Technologies	**212.5**	208.6	389.2
Industrial Chemicals	**49.9**	57.4	104.9
	572.9	559.6	1,068.4
Operating profit - continuing operations			
Consumer Care	**96.7**	88.0	173.4
Performance Technologies	**33.4**	31.6	60.1
Industrial Chemicals	**3.6**	5.7	8.9
	133.7	125.3	242.4

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

The Group's revenue from external customers in the UK is £27.2m (2011: £27.3m), in Germany is £66.5m (2011: £65.1m), in the US is £128.4m (2011: £119.3m) and the total revenue from external customers from other countries is £350.8m (2011: £347.9m).

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

3. Net financial expenses

	2012 First half £m	2011 First half £m	2011 Full year £m
Financial expenses			
Bank interest payable	**4.6**	4.9	10.2
	4.6	4.9	10.2
Financial income			
Bank and other interest receivable	**(0.6)**	(0.8)	(2.0)
Expected return on pension scheme assets less interest on scheme liabilities	**(2.9)**	(3.6)	(8.0)
	(3.5)	(4.4)	(10.0)
Net financial expenses	**1.1**	0.5	0.2

4. Dividends paid

	Pence per share	**2012 First half £m**	2011 First half £m	2011 Full year £m
Ordinary				
2010 Final - paid June 2011	25.25	**-**	34.5	34.5
2011 Interim - paid October 2011	24.75	**-**	-	33.1
2011 Final - paid June 2012	30.25	**40.8**	-	-
		40.8	34.5	67.6
Preference (paid June and December)		**-**	-	0.1
		40.8	34.5	67.7

An interim dividend in respect of 2012 of 26.75p per share, amounting to a total dividend of £36.0m, was declared by the directors at their meeting on 23 July 2012. This interim report does not reflect the 2012 interim dividend payable. The dividend will be paid on 4 October 2012 to shareholders registered on 31 August 2012.

5. Discontinued operations

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 £1.5m in recognition of further information received in the first half of 2012 relating to potential future liabilities.

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

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

	2012 First half £m	2011 First half £m	2011 Full year £m
Profit on disposal and closure of discontinued operations	**1.6**	1.6	1.6
Exceptional environmental provision	**(1.5)**	-	-
Total exceptional profit after tax from discontinued operations	**0.1**	1.6	1.6

6. Property, plant and equipment

	2012 First half £m	2011 First half £m	2011 Full year £m
Opening net book amount	**340.2**	319.4	319.4
Exchange differences	**(6.4)**	3.3	(3.4)
Additions	**23.0**	24.1	56.2
Disposals and write offs	**(0.2)**	(0.1)	(0.7)
Depreciation charge for period	**(15.4)**	(15.9)	(31.3)
Closing net book amount	**341.2**	330.8	340.2

At 30 June 2012 the Group had contracted capital expenditure commitments of £13.4m (2011: £9.6m).

7. Reconciliation to net debt

	2012 First half £m	2011 First half £m	2011 Full year £m
Net movement in cash and cash equivalents	**(3.5)**	(44.0)	(22.8)
Movement in debt and lease financing	**23.2**	11.1	11.2
Change in net debt from cash flows	**19.7**	(32.9)	(11.6)
Loans in disposed businesses	**-**	2.2	2.2
New finance lease contracts	**(0.2)**	-	(0.3)
Exchange differences	**3.6**	(2.3)	(1.1)
	23.1	(33.0)	(10.8)
Net debt brought forward	**(231.1)**	(220.3)	(220.3)
Net debt carried forward	**(208.0)**	(253.3)	(231.1)

8. Accounting estimates and judgements

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

(i) Provisions - the Group has made provision for potential environmental liabilities and for the costs of the restructuring exercise following the acquisition of Uniqema in 2006.

The environmental provision relates to soil and potential ground water contamination on a number of sites, both currently in use and previously occupied, principally in Europe and the Americas. The remaining restructuring provisions relate to the final stages of the integration of the acquired Uniqema business with the existing Croda businesses and costs associated with the closure of the Wilton site. Provisions are made where a constructive or legal obligation can be quantified and where the timing of the transfer of economic benefits relating to the provisions cannot be ascertained with certainty.

8. Accounting estimates and judgements (continued)

In relation to the environmental provision, the directors consider that the balance will be utilised within 20 years. With regard to the restructuring provisions, significant elements have been utilised to date. The directors' view is that 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.

(ii) Goodwill and fair value of assets acquired - unless there is a trigger event leading to an earlier evaluation being required, the Group tests annually whether goodwill has suffered any impairment and the Group's goodwill value has been supported by detailed value-in-use calculations relating to the recoverable amounts of the underlying cash generating units. These calculations require the use of estimates. However, as recoverable amounts significantly exceed carrying values including goodwill, there was no impairment within a reasonable range of assumptions when this was last tested at the 31 December 2011 year end.

(iii) Retirement benefit liabilities – the Group's principal retirement benefit schemes are of the defined benefit type. Recognition of the liabilities under these schemes and the valuation of assets held to fund these liabilities require a number of significant assumptions to be made, relating to levels of scheme membership, key financial market indicators such as inflation and expectations on future salary growth and asset returns. These assumptions are made by the Group in conjunction with the schemes' actuaries and the directors are of the view that any estimation should be prudent and in line with consensus opinion. 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 scheme's duration than the previously used iBoxx index. Total Group retirement benefit liabilities have reduced by £30.4m in the first half of 2012 to £168.5m. This movement is made up of experience gains of £26.9m following the recent UK triennial valuation together with £7.4m of contributions in excess of service cost, £2.9m of net financial income and £0.8m of currency translation differences which are offset by asset losses of £6.6m and a £1.0m loss due to changes in actuarial assumptions. The latter includes losses of £23.1m in the Dutch scheme and £6.3m elsewhere offset by a gain of £28.4m in the UK scheme.

9. Principal risks

Each division considers strategic, operational and financial risks and identifies actions to mitigate those risks. These risk profiles are updated at least annually. The principal risks and uncertainties for the remaining six months of the financial year are the same risks and uncertainties referred to and discussed in the Financial Review section on pages 10 and 11 of the Group's most recent Annual Report, which can be found on the Croda website: www.croda.com. These risks remain as; product and technology innovation, merger and acquisition strategy, product liability, regulatory compliance, major site event, major environmental incident, interruption of raw material supply, loss of key personnel, IT systems and security failure, management of pension fund assets, working capital management and currency exchange rate movements.

10. Related party transactions

Aside from key management compensation, the Group has not entered into any material transactions with related parties in the first six months of the year.

11. Post balance sheet event

On 20 July the Group completed the acquisition of the entire share capital of Istituto di Richerche Biotecnologiche Srl (IRB) for a cash consideration of €7.5m.