

ANNUAL REPORT 1997

CRODA WORLD TRADERS LTD

Registered Number: 155113



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the seventy-ninth Annual General Meeting of the Company will be held at Cowick Hall, Snaith, Goole, East Yorkshire DN14 9AA on Wednesday 6 May 1998 at 10.00 am.

Ordinary business

1. To receive and consider the directors' report and the audited accounts for the year ended 31 December 1997.
2. To ratify dividends.
3. To re-elect directors. G D Bull retires under Article 105.
4. To re-appoint Price Waterhouse as auditors of the company and to authorise the directors to determine their remuneration.
5. To transact any other ordinary business.

By order of the Board



G E Bates Secretary
Cowick Hall
Snaith
Goole
East Yorkshire
DN14 9AA

7 April 1998

Any member of the company entitled to attend and vote at the meeting may appoint another person or persons as his proxy to attend and vote instead of him. A proxy need not be a member of the company.

To be valid, instruments appointing proxies and powers of attorney, or other authorities under which they are signed, must be deposited at the registered office of the company not less than 48 hours before the meeting.

Copies of directors' contracts of service, other than those expiring or determinable without payment of compensation within one year, are available for inspection at the registered office of the company during the usual business hours and will be available for fifteen minutes prior to and during the meeting.

CRODA WORLD TRADERS LTD

DIRECTORS

Chairman

K G G Hopkins

Directors

A R Fenney Managing Director
G E Bates
G D Bull

Secretary and Registered Office

G E Bates
Cowick Hall
Snaith
Goole
East Yorkshire
DN14 9AA

Auditors

Price Waterhouse
Chartered Accountants
and Registered Auditors
Southwark Towers
32 London Bridge Street
London SE1 9SY

Bankers

National Westminster Bank Plc
19 Silver Street
Hull
HU1 1JQ

Cowick Hall, Snaith, Goole, East Yorkshire DN14 9AA
Telephone 01405 860551 Fax 01405 861767

REPORT OF THE DIRECTORS FOR 1997

The directors submit their annual report and the audited accounts for the year ended 31 December 1997.

1. Activities of the company

The principal activities are centred on the processing of gelatin, food acids, proteins, fire fighting chemicals and technical oils which the directors regard as a single class of business.

2. Review of business activities

Overall, profits were hit primarily by the strength of sterling. However, the problems associated with BSE also continued to affect our gelatin operations where, despite the use of raw materials of non-UK origin, sales to edible and pharmaceutical markets fell.

The new speciality protein plant at Widnes was successfully commissioned during the year and capital investment continues in many key product areas.

3. Profit and appropriations

Details of the profit and appropriations appear in the profit and loss account on page 4.

4. Directors

Interests and contracts

No director had any beneficial interest in the share capital of Croda World Traders Ltd.

The beneficial interests of the directors in the share capital of the ultimate parent company (including holdings of their families), are disclosed in that company's Annual Report.

Changes in directors

G D Bull was appointed a director on 30 April 1997. He will retire under Article 105 but is offering himself for re-election. He does not have a service agreement with the company.

5. Tangible fixed assets

Details of tangible fixed asset changes during the year are summarised in note 5 to the accounts on page 11.

6. Charitable and political donations

Charitable donations made by the company during the year amounted to £3,931 (1996: £1,120). No donation was made for political purposes.

7. Employment policies

The company's employment policies encourage the provision of employment opportunities for disabled people, racial minorities and other disadvantaged groups. The company endeavours to keep its employees well informed about the progress of their company.

CRODA WORLD TRADERS LTD
REPORT OF THE DIRECTORS FOR 1997
(continued)

8. Supplier payment policy

The company's 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 these terms or other legal obligations. At 31 December 1997, the company had an average of 29 days purchases outstanding in trade creditors.

9. Research and development

Each manufacturing division carries out its own research and development programmes to suit its own particular market and product needs.

10. Auditors

Price Waterhouse have indicated their willingness to continue in office and a resolution concerning their re-appointment will be submitted to the Annual General Meeting.

11. Shareholders

The company is a wholly owned subsidiary of Croda International Plc, a company registered in England.

By Order of the Board



G E Bates Secretary

20 March 1998

CRODA WORLD TRADERS LTD

DIRECTORS' RESPONSIBILITIES

In respect of the preparation of the financial statements

The directors are required by UK company law to present financial statements which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit of the company for the financial year.

In preparing the financial statements suitable accounting policies have been consistently applied, supported by reasonable and prudent judgements. All applicable accounting standards have been followed.

The directors are also responsible for maintaining adequate accounting records, for safeguarding the assets of the company and for taking reasonable steps to prevent and detect fraud and other irregularities.

REPORT OF THE AUDITORS

To the members of Croda World Traders Ltd

We have audited the financial statements on pages 6 to 15 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described above, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

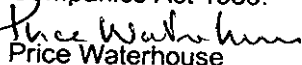
Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Price Waterhouse
Chartered Accountants
and Registered Auditors

Southwark Towers
32 London Bridge Street
London SE1 9SY

20 March 1998

CRODA WORLD TRADERS LTD
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1997

	NOTES	1997 £000	1996 £000
Turnover	1	77,196	81,109
Cost of sales		(64,867)	(66,627)
Gross profit		12,329	14,482
Distribution costs		(3,628)	(3,793)
Administrative expenses		(3,637)	(3,424)
Operating profit	2	5,064	7,265
Provision against investment in subsidiary		-	(2,053)
Profit on disposal of subsidiary		-	24
Net interest payable	3	(612)	(396)
Profit on ordinary activities before taxation		4,452	4,840
Tax on profit on ordinary activities	4	(1,202)	(2,075)
Profit on ordinary activities after taxation		3,250	2,765
Dividends – interim ordinary dividend paid		-	(5,750)
Transfer to reserves		3,250	(2,985)

There were no recognised gains or losses except for those included above in the profit and loss account.

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


Movements in shareholders' funds are shown in note 15 to the accounts on page 14.

CRODA WORLD TRADERS LTD
BALANCE SHEET AT 31 DECEMBER 1997

	NOTES	31 December 1997 £000	31 December 1996 £000
Fixed assets			
Tangible assets	5	26,822	25,251
Investments in subsidiary undertakings	8	2,748	2,748
		<u>29,570</u>	<u>27,999</u>
Current assets			
Stocks	9	10,088	9,382
Debtors	10	12,200	11,881
Cash at bank and in hand		4,001	271
		<u>26,289</u>	<u>21,534</u>
Creditors: amounts falling due within one year	11	(22,114)	(17,815)
Net current liabilities		<u>4,175</u>	<u>3,719</u>
Total assets less current liabilities		<u>33,745</u>	<u>31,718</u>
Creditors: amounts falling due after more than one year	12	(18,840)	(20,063)
		<u>14,905</u>	<u>11,655</u>
Capital and reserves			
Called up share capital	14	7,963	7,963
Revaluation reserve	15	2,556	2,586
Profit and loss account	15	4,386	1,106
Shareholders' funds		<u>14,905</u>	<u>11,655</u>

Shareholders' funds include non-equity interests of £750,000 (£1996: £750,000).

Signed on behalf of the Board who
approved the accounts on 20 March 1998


A R Fenney
Managing Director

CRODA WORLD TRADERS LTD ACCOUNTING POLICIES

Basis of accounting

The accounts are prepared under the historical cost convention, as modified by the periodic revaluation of properties, in compliance with the provisions of the Companies Act 1985 and applicable United Kingdom Accounting Standards.

Consolidated accounts are not presented as the company is a wholly owned subsidiary of Croda International Plc, a company registered in England.

Properties

The principal properties are valued on an open market existing use basis by professional valuers from time to time, in order to reflect in the accounts the current values of properties. The profit or loss on disposal of properties represents the difference between the net proceeds of sale and the net book value and is included in the profit and loss account.

Leased assets

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

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation.

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

Freehold buildings	40 years
Leasehold land and buildings	lesser of term of lease and 40 years
Plant and equipment	10 years
Vehicles cars	3 years
lorries and other vehicles	5 years

Retirement benefits

The retirement benefit obligations of the company are financed by contributions to separate funds. The contributions which are made on the basis of actuarial advice, are taken to the profit and loss account as paid.

Stocks

Stocks are stated at the lower of cost and net realisable amount on a first in first out basis. Cost comprises all expenditure, including related production overheads, incurred in the normal course of business in bringing the stock to its location and condition at the balance sheet date.

Research and development expenditure

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

CRODA WORLD TRADERS LTD
ACCOUNTING POLICIES (Continued)

Currency translations

Assets and liabilities are translated at the exchange rates ruling at the end of the financial period. Exchange profits or losses realised on trading transactions are included in trading results.

Deferred taxation

No provision is made for taxation deferred because of timing differences between profits as computed for taxation purposes and profits as stated in the accounts except to the extent that such taxation is likely to be payable in the foreseeable future. Timing differences are due primarily to the differences of tax allowances on tangible fixed assets and the corresponding depreciation charged to the accounts.

CRODA WORLD TRADERS LTD
NOTES TO THE ACCOUNTS

1. Turnover

The geographical analysis of sales by market area is as follows:

	1997 £000	1996 £000
United Kingdom	46,833	45,396
Europe	10,580	11,955
Americas	8,244	10,830
Australasia	752	877
Africa and Asia	10,787	12,051
	<u>77,196</u>	<u>81,109</u>

2. Operating profit

The operating profit is stated after charging

	1997 £000	1996 £000
Depreciation	2,879	2,719
Redundancy costs	60	62
Staff costs (note 17)	10,899	10,651
Auditors' remuneration	57	52
Management charge from parent company	1,000	1,000
Hire charges under operating leases		
- plant	224	239
- other	41	31
Research and development	698	699

3. Net interest payable

	1997 £000	1996 £000
Bank overdrafts	937	569
Other	1	1
	<u>938</u>	<u>570</u>
Less: interest receivable	(326)	(174)
	<u>(612)</u>	<u>396</u>

4. Tax on profit on ordinary activities

	1997 £000	1996 £000
United Kingdom taxation		
Corporation tax		
- current	1,294	2,200
- prior year over provision	(92)	(125)
	<u>1,202</u>	<u>2,075</u>

United Kingdom corporation tax has been provided at the rate of 31.5% (1996 - 33%).

The tax charge benefited by £196,000 in respect of capital allowances in excess of depreciation (1996 - £192,000).

CRODA WORLD TRADERS LTD
NOTES TO THE ACCOUNTS

5. Tangible fixed assets

	Land and buildings			Plant and equipment	Total
	Freehold	Long leasehold	Short Leasehold		
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 January 1997	10,366	841	3	37,840	49,050
Additions from group undertakings	-	-	-	12	12
External additions	449	-	-	4,087	4,536
External disposals	(30)	-	-	(240)	(270)
Reclassification	-	(5)	-	5	-
At 31 December 1997	10,785	836	3	41,704	53,328
Depreciation					
At 1 January 1997	847	109	-	22,843	23,799
Additions from group undertakings	-	-	-	7	7
External disposals	(2)	-	-	(177)	(179)
Charge for year	168	21	-	2,690	2,879
At 31 December 1997	1,013	130	-	25,363	26,506
Net book amount					
At 31 December 1997	9,772	706	3	16,341	26,822
At 31 December 1996	9,519	732	3	14,997	25,251

6. Tangible fixed assets restated to historical cost

	1997
	£000
Land and buildings analysis	
Cost	6,241
Valuations: 1988	5,383
	11,624
Less: revaluation surpluses	(719)
Historical cost	10,905
Less: depreciation	(2,515)
Net historical cost value at 31 December 1997	8,390
Net historical cost value at 31 December 1996	8,187

CRODA WORLD TRADERS LTD
NOTES TO THE ACCOUNTS

7. Commitments

	1997 £000	1996 £000
Capital projects		
At 31 December 1997 the directors had authorised the following expenditure on capital projects		
- contracted but not provided for	632	2,041
- authorised but not contracted for	679	830
	<u>1,311</u>	<u>2,871</u>

	Land & Buildings £000	Other £000
Operating leases		
At 31 December 1997 the company's annual Commitments in respect of operating leases were		
Leases which expire		
- in less than one year	-	1
- in one to five years	34	12
- after five years	5	1
	<u>39</u>	<u>14</u>

8. Investments in subsidiary undertakings

	£000
Cost less amounts written off	
At 1 January 1997 and 31 December 1997	<u>2,748</u>

Shares in subsidiary undertakings are stated at cost less amounts written off.

The principal subsidiary undertakings are listed below. All companies are wholly owned and are dormant. A full list of subsidiary undertakings is attached to the company's latest annual return as required by S.231 Companies Act 1985.

United Kingdom subsidiary undertakings
(Registered in England)

Croda Bakery Services Ltd
John L Seaton & Company Ltd
Croda Food Services Ltd
Croda Kerr Ltd
ABC Powder Co Ltd

In the opinion of the directors the value of the investments in subsidiary undertakings is not less than the amounts at which they are stated in the balance sheet.

CRODA WORLD TRADERS LTD
NOTES TO THE ACCOUNTS

9. Stocks

	1997	1996
	£000	£000
Raw materials	2,825	3,282
Work in progress	2,646	563
Finished stocks	4,617	5,537
	<u>10,088</u>	<u>9,382</u>

The replacement cost of stocks held at 31 December 1997 and 31 December 1996 was not materially different from the amounts shown above.

10. Debtors

	1997	1996
	£000	£000
Falling due within one year		
Trade debtors	10,773	9,608
Amounts owed by group undertakings	828	1,562
Other debtors	372	498
Prepayments and accrued income	227	213
	<u>12,200</u>	<u>11,881</u>

11. Creditors: amounts falling due within one year

	1997	1996
	£000	£000
Bank loans and overdrafts	13,489	6,593
Trade creditors	4,843	5,648
Amounts due to Croda International Plc	491	500
Amounts due to group undertakings	96	147
Corporate taxation	1,274	2,155
Other taxation and social security	163	334
Other creditors	57	72
Accruals and deferred income	1,701	2,366
	<u>22,114</u>	<u>17,815</u>

12. Creditors: amounts falling due after more than one year

	1997	1996
	£000	£000
Amounts due to Croda International Plc	18,840	20,063

CRODA WORLD TRADERS LTD
NOTES TO THE ACCOUNTS

13. Deferred taxation

	1997 £000	1996 £000
Potential amount for all timing differences		
Timing differences due to		
- Excess of capital allowances over depreciation	3,202	3,252
- Capital gains deferred by roll over relief	496	546
	<u>3,698</u>	<u>3,798</u>

United Kingdom potential deferred taxation is based on a rate of corporation tax of 30% (1995 - 33%).

No provision for deferred taxation is made in the accounts because in the opinion of the directors no such taxation is likely to be payable in the foreseeable future.

14. Share capital

	Authorised 1997 £000	1996 £000	Issued fully paid 1997 £000	1996 £000
Ordinary shares of 25p	8,000	8,000	7,213	7,213
4.9% cumulative preference shares of £1	750	750	750	750
	<u>8,750</u>	<u>8,750</u>	<u>7,963</u>	<u>7,963</u>

15. Shareholders' funds

	Share capital £000	Revaluation reserve £000	Profit And loss £000	Total Share- Holders' Funds £000
At 1 January 1997	7,963	2,586	1,106	11,665
Profit for the financial year	-	-	3,250	3,250
Transfer of revaluation	-	(30)	30	-
	<u>7,963</u>	<u>2,556</u>	<u>4,386</u>	<u>14,905</u>

16. Pension obligations

The company's employees are members of group schemes.

The principal schemes are of the defined benefit type with assets held in separate trustee administered funds.

Details of the latest actuarial valuations and the assumptions underlying them are contained in the financial statements of Croda International Plc, the ultimate parent company.

CRODA WORLD TRADERS LTD
NOTES TO THE ACCOUNTS

17. Directors and employees

Directors' remuneration

None (1996 – none) of the directors received any emoluments as directors of Croda World Traders Ltd.

Employment costs

Employment costs of all employees

	1997 £000	1996 £000
Wages and salaries	10,123	9,840
Social Security costs	767	802
Pension costs	9	9
	<u>10,899</u>	<u>10,651</u>

Employee numbers

	1997 Number	1996 Number
The average number of persons employed was	<u>492</u>	<u>500</u>

18. Advantage has been taken of the exemption available under Financial Reporting Standard 8 from disclosing transactions with other group undertakings. There were no other material related party transactions during the year.

19. Ultimate parent company

The ultimate parent company is Croda International Plc, a company registered in England. Croda International Plc Group is the largest and smallest group of which the company is a member and for which Group accounts are prepared. Copies of the Group Accounts can be obtained from the Company Secretary at the registered office of the company.