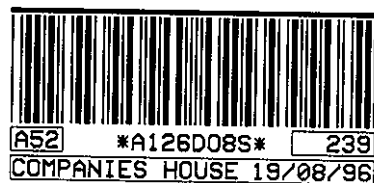


ANNUAL REPORT 1995
CRODA CHEMICALS INTERNATIONAL LTD

Registered Number: 167236



CRODA CHEMICALS INTERNATIONAL LTD

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the seventy-sixth Annual General Meeting of the company will be held at Cowick Hall, Snaith, Goole DN14 9AA, on Wednesday 8 May 1996 at 9.00 am.

Ordinary business

1. To receive and consider the directors' report and the audited accounts for the year ended 31 December 1995.
2. To ratify dividends.
3. To re-elect directors.
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
North Humberside DN14 9AA

11 April 1996

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 CHEMICALS INTERNATIONAL LTD

DIRECTORS

Chairman

K G G Hopkins

Directors

G E Bates
A R Fenney
M Humphrey

Secretary and Registered Office

G E Bates
Cowick Hall
Snaith Goole
DN14 9AA

Auditors

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

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

CRODA CHEMICALS INTERNATIONAL LTD

REPORT OF THE DIRECTORS FOR 1995

The directors submit their annual report and the audited accounts for the year ended 31 December 1995.

1. Activities of the company

The principal activities are centred on the processing of chemicals which the directors regard as a single class of business.

The ultimate parent company is Croda International Plc, a company registered in England.

2. Review of business activities

Despite pressure on margins caused by increasing raw material prices, the company had another record year. Once again, export sales were particularly buoyant. With the advantages of modern plant and a relatively low cost base the company is well placed for the future.

3. Profit and appropriations

Details of the profit and appropriations appear in the profit and loss account on page 5.

4. Directors

Interests and contracts

No director had any beneficial interest in the share capital of Croda Chemicals International Ltd.

The statement below shows persons who were directors on 31 December 1995 indicating their beneficial interests in the capital of the ultimate parent company (including holdings of their families).

Croda International Plc Shareholdings

	At 31 December 1995		At 31 December 1994	
	Ordinary shares 10p	5.25% Preference shares £1	Ordinary shares 10p	5.25% Preference shares £1
K G G Hopkins	109,133	2,050	106,672	2,050
G E Bates	74,108	2,617	68,107	2,617
A R Fenney	139,054	-	133,827	-
M Humphrey	4,687	-	-	-

No director had any interest in either the 5.9% or 6.6% preference shares of Croda International Plc.

During the period 1 January 1996 to 25 March 1996 G E Bates increased his ordinary shareholding in the company by an additional 44 shares and A R Fenney increased his ordinary shareholding in the company by an additional 74 shares.

CRODA CHEMICALS INTERNATIONAL LTD
REPORT OF THE DIRECTORS

4. Directors (continued)
Croda International Plc Options

	At 31 December 1995		At 31 December 1994	
	Executive	SAYE	Executive	SAYE
	share options	share options	share options	share options
	Ordinary	Ordinary	Ordinary	Ordinary
	shares 10p	shares 10p	shares 10p	shares 10p
K G G Hopkins	182,000	11,410	182,000	15,624
G E Bates	20,000	9,631	20,000	11,738
A R Fenney	94,000	9,675	94,000	15,996
M Humphrey	70,000	11,974	100,000	14,925

No director had any beneficial interest, other than in the ordinary course of business, in any contract to which the company or a subsidiary was a party during the period.

Changes in directors

C Holt and J G Raeside resigned as directors of the company on 31 March 1995 and F P Stefanini resigned as a director of the company on 4 December 1995.

The director retiring by rotation is M Humphrey.

5. Tangible fixed assets

Details of tangible fixed asset changes during the year are summarised in note 7 to the accounts on page 10.

6. Acquisitions

On 3 January 1995 the whole of the issued share capital of R T Newey (Chemicals) Ltd was acquired. In addition on 30 May 1995, the remaining ordinary share capital of Croda Solvents Ltd was acquired. Full details of acquisitions are given in note 20 to the accounts on page 16.

7. Charitable and political donations

Charitable donations made by the company during the year amounted to £1,251 (1994: £2,383). No donation was made for political purposes.

8. 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.

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.

By Order of the Board

G E Bates Secretary



25 March 1996

CRODA CHEMICALS INTERNATIONAL 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 Chemicals International Ltd

We have audited the financial statements on pages 5 to 16 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 7 and 8.

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 1995 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

25 March 1996

CRODA CHEMICALS INTERNATIONAL LTD
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1995

	NOTES	1995 £000	1994 £000
Turnover	1	147,952	128,833
Cost of sales		120,998	(105,668)
Gross profit		26,954	23,165
Distribution costs		(6,819)	(6,418)
Administrative expenses		(7,252)	(5,763)
Other operating income	2	-	5
Operating profit	3	12,883	10,989
Income from fixed assets	4	1,869	238
Net interest payable	5	(2,693)	(1,646)
Profit on ordinary activities before taxation		12,059	9,581
Tax on profit on ordinary activities	6	(2,301)	(2,561)
Profit on ordinary activities after taxation		9,758	7,020
Dividends			
Interim ordinary dividend paid		(7,500)	(5,000)
Retained profit for the financial year		2,258	2,020

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 a historical cost basis.

Movements in shareholders' funds are shown in note 17 to the accounts on page 15.

CRODA CHEMICALS INTERNATIONAL LTD
BALANCE SHEET AT 31 DECEMBER 1995

	NOTES	31 December 1995		31 December 1994	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	7		64,589		51,492
Investments in subsidiaries	10		23,831		17,619
			<u>88,420</u>		<u>69,111</u>
Current assets					
Stocks	11	22,266		20,066	
Debtors	12	24,611		23,209	
Cash at bank and in hand		139		1,607	
		<u>47,016</u>		<u>44,882</u>	
Creditors: amounts falling due within one year	13	(67,027)		(54,165)	
Net current liabilities			<u>(20,011)</u>		<u>(9,283)</u>
Total assets less current liabilities			68,409		59,828
Creditors: amounts falling due after more than one year	14		(38,677)		(32,354)
			<u>29,732</u>		<u>27,474</u>
Capital and reserves					
Called up share capital	16		6,297		6,297
Revaluation reserve	17		2,898		2,898
Profit and loss account	17		20,537		18,279
Shareholders' funds			<u>29,732</u>		<u>27,474</u>

Shareholders' funds include non-equity interests of £525,000 (1994: £525,000).

Signed on behalf of the Board who
approved the accounts on 25 March 1996


G E Bates

CRODA CHEMICALS INTERNATIONAL 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

Assets acquired under finance leases are included in the balance sheet under tangible fixed assets at an amount reflecting the fair value of the asset. Depreciation is provided in accordance with the company's accounting policy for the class of asset concerned. The capital element of future lease rentals is included in creditors. Finance charges are allocated to the profit and loss account each year in proportion to the capital element outstanding. The cost of operating leases is charged to the profit and loss account as incurred.

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 CHEMICALS INTERNATIONAL 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. Other exchange differences arising from non-trading items are dealt with through reserves.

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 between tax allowances on tangible fixed assets and the corresponding depreciation charged to the accounts.

CRODA CHEMICALS INTERNATIONAL LTD
NOTES TO THE ACCOUNTS

1. Turnover

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

	1995 £000	1994 £000
United Kingdom	69,925	61,588
Europe	45,719	38,276
Americas	11,525	11,143
Australasia	2,489	2,069
Africa and Asia	18,294	15,757

	147,952	128,833
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2. Other operating income

Disposal of goodwill and licence fees	-	5
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3. Operating profit

The operating profit is stated after charging

Depreciation	5,643	5,043
Redundancy costs	106	157
Staff costs (note 19)	21,453	19,733
Auditors' remuneration	117	93
Management charge from parent company	2,500	2,000
Hire charges under operating leases		
- plant	315	261
- other	112	105
Research and development	2,650	2,448

4. Income from fixed assets

Dividends receivable from subsidiaries	1,014	236
Profit on disposal of subsidiary	853	-
Rental income	2	2

	1,869	238
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5. Net interest payable

Bank overdrafts	2,892	1,784
Less: interest receivable	(199)	(138)

	2,693	1,646
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CRODA CHEMICALS INTERNATIONAL LTD
NOTES TO THE ACCOUNTS

6. Tax on profit on ordinary activities

	1995 £000	1994 £000
United Kingdom taxation		
Corporation tax		
- current	2,350	2,700
- prior year over provision	(151)	(167)
Overseas withholding tax	102	28
	<hr/> 2,301	<hr/> 2,561

United Kingdom corporation tax has been provided at the rate of 33% (1994 - 33%).

The tax charge benefited by £1,037,000 in respect of accelerated capital allowances (1994 - £541,000).

7. Tangible fixed assets

	<u>Land and buildings</u>		Plant and	Total
	Freehold	Long leasehold	equipment	
	£000	£000	£000	£000
Cost or valuation				
At 1 January 1995	17,862	613	66,588	85,063
Additions from group undertakings	-	-	520	520
External additions	2,925	515	15,205	18,645
External disposals	(2)	-	(673)	(675)
Disposals to group undertakings	-	-	(50)	(50)
Acquisition	-	-	15	15
	<hr/> 20,785	<hr/> 1,128	<hr/> 81,605	<hr/> 103,518
Depreciation				
At 1 January 1995	1,221	29	32,321	33,571
Additions from group undertakings	-	-	309	309
External disposals	-	-	(571)	(571)
Disposals to group undertakings	-	-	(23)	(23)
Charge for year	330	10	5,303	5,643
	<hr/> 1,551	<hr/> 39	<hr/> 37,339	<hr/> 38,929
Net book amount				
At 31 December 1995	<hr/> 19,234	<hr/> 1,089	<hr/> 44,266	<hr/> 64,589
At 31 December 1994	<hr/> 16,641	<hr/> 584	<hr/> 34,267	<hr/> 51,492

The net book amount of plant and equipment held under finance leases included above is £6,000. In 1995 depreciation of £1,000 has been charged to the profit and loss account in respect of these assets.

CRODA CHEMICALS INTERNATIONAL LTD
NOTES TO THE ACCOUNTS

8. Tangible fixed assets restated to historical cost

	£000
Land and buildings analysis	
Cost	14,080
Valuations: 1988	7,834
	<u>21,914</u>
Less: revaluation surpluses	(2,266)
	<u>19,648</u>
Less: depreciation	(2,615)
	<u>17,033</u>
Net historical cost value at 31 December 1995	17,033
	<u>13,961</u>
Net historical cost value at 31 December 1994	13,961

9. Commitments

	1995 £000	1994 £000
Capital projects		
At 31 December 1995 the directors had authorised the following expenditure on capital projects		
- contracted but not provided for	2,266	8,251
- authorised but not contracted for	10,277	7,397
	<u>12,543</u>	<u>15,648</u>
	Land & buildings £000	Other £000
Operating leases		
At 31 December 1995 the company's annual commitments in respect of operating leases were		
Leases which expire		
- in less than one year	-	2
- in one to five years	-	49
- in more than five years	67	-
	<u>67</u>	<u>51</u>

CRODA CHEMICALS INTERNATIONAL LTD
NOTES TO THE ACCOUNTS

10. Investments in subsidiary undertakings

	£000
Cost less amounts written off	
At 1 January 1995	17,619
Investment in R T Newey (Chemicals) Ltd	992
Additional investment in Croda Solvents Ltd	4,552
Additional cost of investment in Croda Nordica AB	20
Investment in Croda Hydrocarbons Ltd	760
Disposal of investment in Croda BV	(112)
	<hr/>
At 31 December 1995	23,831
	<hr/>

The principal subsidiary undertakings are listed below and are all wholly owned. The principal activities of the operating subsidiaries are the same as those of Croda Chemicals International Ltd. 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 Chemicals Ltd
Croda Universal Ltd
Croda Application Chemicals Ltd
Croda Hydrocarbons Ltd
Croda Colours Ltd
Croda Solvents Ltd

Overseas subsidiary companies (Incorporated and operating in the countries shown)

Croda Canada Ltd, Canada
Croda France SA, France
Croda GmbH, Germany
Croda Italiana SpA, Italy
Croda do Brasil Ltda, Brazil
Croda Japan KK, Japan (75%)
Croda Inc, USA
Croda Nordica AB, Sweden

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 CHEMICALS INTERNATIONAL LTD
NOTES TO THE ACCOUNTS

11. Stocks

	1995	1994
	£000	£000
Raw materials	8,278	8,245
Work in progress	1,007	1,434
Finished stocks	12,981	10,387
	<hr/>	<hr/>
	22,266	20,066
	<hr/>	<hr/>

The replacement cost of stocks held at 31 December 1995 and 31 December 1994 was not materially different from the amounts shown above.

12. Debtors

	1995	1994
	£000	£000
Falling due within one year		
Trade debtors	19,668	17,907
Amounts owed by group undertakings	3,096	3,392
Other debtors	1,444	1,434
Prepayments and accrued income	403	476
	<hr/>	<hr/>
	24,611	23,209
	<hr/>	<hr/>

13. Creditors: amounts falling due within one year

	1995	1994
	£000	£000
Bank loans and overdrafts	37,185	29,528
Trade creditors	15,306	14,611
Amounts due to Croda International Plc	1,453	1,377
Amounts due to group undertakings	3,001	632
Corporate taxation	2,479	2,700
Other taxation and social security	327	277
Other creditors	4,738	663
Accruals and deferred income	2,538	4,377
	<hr/>	<hr/>
	67,027	54,165
	<hr/>	<hr/>

CRODA CHEMICALS INTERNATIONAL LTD
NOTES TO THE ACCOUNTS

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

	1995 £000	1994 £000
Amounts due to Croda International Plc	38,677	32,354

15. Deferred taxation

	1995 £000	1994 £000
Potential amount for all timing differences		
Timing differences due to		
Excess of capital allowances over depreciation	9,153	7,513
Capital gains deferred by roll over relief	467	467
Other	683	702
	10,303	8,682

United Kingdom potential deferred taxation is based on a rate of corporation tax of 33% (1994 - 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.

16. Share capital

	Authorised 1995 £000	1994 £000	Issued and fully paid 1995 £000	1994 £000
Ordinary shares of 20p	7,300	7,300	5,772	5,772
5.6% cumulative preference shares of £1	700	700	525	525
	8,000	8,000	6,297	6,297

CRODA CHEMICALS INTERNATIONAL LTD
NOTES TO THE ACCOUNTS

17. Shareholders' funds

	Share capital	Revaluation reserve	Profit and loss account	Total Shareholders' Funds
	£000	£000	£000	£000
At 1 January 1995	6,297	2,898	18,279	27,474
Profit for the financial year	-	-	9,758	9,758
Dividends	-	-	(7,500)	(7,500)
At 31 December 1995	6,297	2,898	20,537	29,732

18. 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.

19. Directors and employees

Directors' remuneration

	1995	1994
Remuneration as executives	£17,860	£315,378
Remuneration (excluding pension contributions) of directors employed wholly or mainly in the UK		
Chairman	-	-
Highest paid director	£ 17,860	£86,630

Other directors

Exceeding £	Not Exceeding £	number	number
	Nil	5	3
65,000	70,000	-	1

CRODA CHEMICALS INTERNATIONAL LTD
NOTES TO THE ACCOUNTS

Employment costs	1995	1994
	£000	£000

Employment costs of all employees
including directors

Wages and salaries	19,833	18,261
Social Security costs	1,614	1,472
Other pension costs	6	-

21,453	19,733
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Employee numbers

1995	1994
number	number

1,047	995
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20. Acquisitions

During the year the company acquired the whole of the issued share capital of R T Newey (Chemicals) Ltd, a producer of wax dispersions. The remainder of the issued share capital of Croda Solvents Ltd not previously owned by the company was also acquired.

21. 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.