Ciba Specialty Chemicals PLC

Directors' report and financial statements

Registered number 3249009

31 December 2003

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

Principal activity

The principal activity of the company is the manufacture and sale of specialty chemicals.

Results and dividends

The loss before tax for the year ended 31 December 2003 was £11.7 million (2002: loss £19.7 million). The directors do not recommend the payment of a dividend in 2003.

As of the end of July 2003 all sales from Ciba Specialty Chemicals Water Treatments Limited and Ciba Specialty Chemicals PLC, were managed by a single supply point within Ciba Specialty Chemicals PLC. This means that goods which have been previously available from Ciba Specialty Chemicals Water Treatments Limited are sold to Ciba Specialty Chemicals PLC, who then manage the onward sale. The sales previously made by Ciba Specialty Chemicals PLC will continue to be managed by Ciba Specialty Chemicals PLC.

Directors

The directors who held office during the year were as follows:

BG Kerr	(Resigned 31 December 2003)
IEF Stewart	
MD Wright	
CA Forbes	
AH Dimery	(Appointed 5 January 2004)

According to the register kept under Section 325 of the Companies Act 1985, no director had any beneficial interest in the shares of the company, a subsidiary of the company, the company's holding company, or a subsidiary of the company's holding company, either at the beginning or end of the year. As permitted by statutory instrument, the register does not include any shareholdings of directors in the ultimate holding company and its overseas subsidiary companies.

Involvement of employees

Employee involvement and consultation is managed in a number of ways. The process of team briefings by line managers continues to be an important basis for ensuring good internal communications. These arrangements also promote a common awareness amongst employees of the financial and economic factors affecting the performance of their segments and the business. This is supplemented by both segmental and company-wide publications and an intranet.

Employment of disabled persons

Applications for disabled employees are always fully considered, bearing in mind the aptitude of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment within the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Research and development

Ciba undertakes research and development on a worldwide basis. The company makes a contribution to the total research expenditure incurred by Ciba and is reimbursed for the costs of research of worldwide applications it undertakes in the UK.

Directors' report (continued)

Political and charitable donations

No contributions were made by the company during the year for political purposes. Donations amounting to £21,000 (2002: £25,000) were made for charitable purposes. In addition, £140,000 (2002: £146,000) was contributed during the year for scientific, educational, research and welfare purposes.

Creditor payments

The company's current policy concerning the payment of the majority of its trade creditors is as follows:

(a) to settle the terms of payment with those suppliers when agreeing the terms of each transaction;

(b) to ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms of contracts; and

(c) to pay in accordance with its contractual and other legal obligations.

The average creditor payment days as at the year end was 54 outstanding days (2002: 52 days).

Auditors

A resolution re-appointing Ernst & Young LLP as auditors for the ensuing year will be proposed at the Annual General Meeting.

By order of the board

I E F Stewart

I E F Stewart
Secretary

Charter Way
Macclesfield
Cheshire
SK10 2NX

27 May 2004

Statement of directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Ciba Specialty Chemicals PLC

We have audited the company's financial statements for the year ended 31 December 2003 which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses and the related notes 1 to 23. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Manchester
2 June 2004

Profit and loss account

for the year ended 31 December 2003

	Notes	Year ended 31 December 2003 £000	As restated (see note 8) Year ended 31 December 2002 £000
Turnover	2	**329,296**	298,628
Cost of sales		**(300,311)**	(269,185)
Gross profit		**28,985**	29,443
Net operating expenses	3(a)	**(29,384)**	(43,183)
Operating loss	3(b)	**(399)**	(13,740)
Income from shares in group undertakings		**-**	618
(Loss)/profit on sale of tangible fixed assets	4	**(1,278)**	246
Loss before finance charges		**(1,677)**	(12,876)
Net interest payable	5	**(8,791)**	(3,966)
Investment charges	6	**(1,191)**	(2,857)
Loss on ordinary activities before taxation		**(11,659)**	(19,699)
Tax on loss on ordinary activities	7	**(428)**	(1,388)
Loss for the financial year attributable to members		**(12,087)**	(21,087)
Dividends	11	**-**	(50,618)
Loss for the financial year	20	**(12,087)**	(71,705)

All of the items above arose from continuing operations.

The accompanying notes form an integral part of the financial statements.

Statement of total recognised gains and losses

for the year ended 31 December 2003

	Year ended 31 December 2003 £000	Year ended 31 December 2002 £000
Loss for the financial year (2002: as restated)	**(12,087)**	(71,705)
Reversal of dividend proposed not paid	**-**	50,618
Total recognised gains and losses for the year	**(12,087)**	(21,087)
Prior year adjustment on adoption of FRS 17 (see note 8)		
- 2002	**(10,195)**	-
- pre 2002	**(49,957)**	-
Prior year adjustment on adoption of FRS 19	**-**	(34,627)
Total recognised gains and losses recognised since last annual report and financial statements	**(72,239)**	(55,714)

Balance sheet
as at 31 December 2003

	Notes	2003		2002 Restated (note 8)	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	*12(a)*		**128,112**		136,685
Investments	*12(b)*		**21**		21
			128,133		136,706
Current assets					
Stocks	*13*	**34,322**		42,930	
Debtors					
due within one year	*14*	**363,910**		182,509	
due after one year	*14*	**180,620**		306,284	
Cash at bank and in hand		**15,005**		55,527	
		593,857		587,250	
Creditors: amounts falling due within one year	*15*	**(404,298)**		(397,161)	
Net current assets			**189,559**		190,089
Total assets less current liabilities			**317,692**		326,795
Creditors: amounts falling due after more than one year	*16*		**(242,577)**		(242,984)
Provisions for liabilities and charges	*18*		**(25,653)**		(22,262)
Net assets			**49,462**		61,549
Capital and reserves					
Called up share capital	*19*		**49,991**		49,991
Share premium account	*20*		**60,032**		60,032
Profit and loss account	*20*		**(60,561)**		(48,474)
Equity shareholders' funds	*21*		**49,462**		61,549

The accompanying notes form an integral part of these financial statements.

These financial statements were approved by the board of directors on 27 May 2004 and were signed on its behalf by:

C A Forbes
Director

Notes to the financial statements

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements, with the exception of the policy for pensions which has been amended in 2003 for the full implementation of Financial Reporting Standard 17 "Retirement Benefits".

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The company is exempt by virtue of Section 228 of the Companies Act 1985 from the requirement to prepare group financial statements.

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement as the company is a wholly owned subsidiary undertaking of a company incorporated in Switzerland, and a consolidated cash flow statement is included in that company's financial statements, which are publicly available.

Turnover

Turnover is defined as the amounts invoiced for goods supplied excluding value added tax or equivalent overseas sales taxes.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation of tangible fixed assets is provided on a straight line basis to write off the cost by equal annual instalments over their estimated lives, taking into account commercial and technical obsolescence as well as normal wear and tear. Depreciation on assets qualifying for government grants is calculated on their full cost. No depreciation is provided on land and assets in the course of construction.

The principal estimated lives are as follows:

Buildings	-	20-50 years
Plant and machinery	-	10-20 years
Fixtures and fittings	-	3-10 years

Government grants

Government grants in respect of capital expenditure are credited to the profit and loss account over the estimated life of the fixed assets to which they relate. The grants shown in the balance sheet represent the total grants received to date less the amounts so far credited to the profit and loss account (see note 16 (a)).

Investments

Except as stated below, fixed asset investments are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

In the company balance sheet, for investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value only of the shares issued. Any premium is ignored.

Research and development

All research and development expenditure borne by the company, including all expenditure in respect of patents and trademarks, is written off as incurred.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Stocks

Stocks are valued at the lower of cost and net realisable value. The cost of products manufactured includes an appropriate allocation of overheads. Provision is made for obsolete and slow moving stocks.

Net realisable value is based on the estimated selling price less further costs expected to be incurred to completion and disposal.

Translation of foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Transactions in currency forward contracts are accounted for using the separated or spot to spot method of accounting. Assets and liabilities denominated in foreign currency are translated into sterling at the rate of exchange ruling at the year end. Exchange gains and losses are taken to trading profit.

Pension and post-retirement benefits

The company participates in a group defined benefit scheme funded by contributions from members and from the company. However, the contributions paid by the company are accounted for as a defined contribution scheme, as the company is unable to identify its share of the underlying assets and liabilities in the group scheme on a consistent and reasonable basis.

The amount charged to the profit and loss account is the contributions payable in the year. Differences between contributions payable and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

The expected cost of providing post-retirement medical insurance is recognised over the period of service of the employees as calculated by independent actuaries, being reviewed at intervals of not more than three years.

Leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, at a future date at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Financial instruments

The company holds and uses financial instruments to finance its operations and to manage its interest rate, liquidity and currency risks. The company primarily finances its operations using borrowings, cash and liquid resources, trade debtors and creditors, accruals and prepayments. These financial instruments all arise in the normal course of the company's operating activities.

As directed by the board the company does not engage in speculative activities using derivative financial instruments. Company cash reserves are held centrally to take advantage of the most rewarding short-term investments opportunities. Forward foreign currency contracts or options are used in the management of currency risk.

The main risks arising from the company's financial instruments are interest rate risk, liquidity risk and exchange rate risk. The board reviews and agrees the policies for managing each of these risks in accordance with the worldwide group's financial policies.

Interest rate risk

The company's policy is to regularly review the terms of its available short-term borrowing facilities and to individually assess and manage each long-term borrowing commitment accordingly.

Liquidity risk

Cash resources are largely generated through operations. Short-term flexibility is achieved by overdraft facilities, money market facilities and intercompany loans.

Currency risk

Exposure to currency risk primarily arises from incurring transactional foreign currency costs. The company's policy is to cover all significant foreign currency commitments by using forward foreign currency contracts or options.

2 Turnover

Turnover originates wholly within the UK and is analysed by destination as follows:

	Year ended 31 December 2003 £000	Year ended 31 December 2002 £000
United Kingdom	**127,555**	125,462
Americas	**37,570**	32,444
Europe	**133,380**	118,564
Asia, Australia and Africa	**30,791**	22,158
	329,296	298,628

Further segmental information has been excluded as the directors believe disclosure would be seriously prejudicial to the company.

Notes to the financial statements (continued)

3 (a) Net operating expenses

	Year ended 31 December 2003 £000	As restated (see note 8) Year ended 31 December 2002 £000
Distribution	**10,337**	10,192
Administration	**19,047**	32,991
	29,384	43,183

(b) Operating loss on ordinary activities

Operating loss on ordinary activities is stated after charging/(crediting) the following:

	Year ended 31 December 2003 £000	Year ended 31 December 2002 £000
Auditors' remuneration:		
Audit	**59**	49
non-audit services	**2**	-
Depreciation and impairment of tangible fixed assets	**11,641**	15,910
Operating leases:		
plant and machinery	**170**	192
other assets	**801**	642
Directors' emoluments (see note 10)	**690**	684
Amounts transferred from government grants (see note 16 (a))	**(391)**	(571)
Research and development expenditure (see note (c) below)	**2,429**	2,955
Exchange gains and losses on foreign currency borrowings	**946**	8,104
Provisions charge in the year (see note 18):		
environmental costs	**3,250**	4,799
Other	**-**	1,530

(c) Central research

Ciba Specialty Chemicals PLC makes a contribution to the central research and overhead expenditure of the ultimate holding company of an amount agreed annually. The cost of research of worldwide applications undertaken in the UK is reimbursed annually by the ultimate holding company.

The provision for the contribution and the reimbursement of research and overhead costs for the year included in these financial statements has been estimated and is subject to adjustment. The total amount adjusted for during the year to 31 December 2003 relating to prior years was a credit of £822,000 (2002: £1,025,000).

Notes to the financial statements (continued)

4 (Loss)/profit on sale of tangible fixed assets

The loss on sale of tangible fixed assets of £1,278,000 (2002: £246,000 profit) relates to the disposal of assets to third parties and group undertakings. The tax effect of these transactions is not considered material.

5 Net interest payable

	Year ended 31 December 2003 £000	Year ended 31 December 2002 £000
Interest payable		
On loans wholly repayable within five years:		
Group companies	**(11,885)**	(16,887)
Bank interest and similar charges	**(2,863)**	(8,052)
	(14,748)	(24,939)
On loans wholly repayable after five years:		
Bank interest and similar charges	**(15,789)**	(15,789)
	(30,537)	(40,728)
Interest receivable		
Bank interest receivable and similar income	**1,182**	1,395
Group companies	**20,564**	35,367
	(8,791)	(3,966)

6 Investment charges

	Year ended 31 December 2003 £000	Year ended 31 December 2002 £000
Amortisation of capitalised portion of loss on termination	**1,191**	2,857

Notes to the financial statements (continued)

7 Tax on loss on ordinary activities

	Year ended 31 December 2003 £000	As restated (see note 8) Year ended 31 December 2002 £000
Current tax	-	-
Deferred tax		
Adjustments in respect of prior periods	(340)	2,113
Origination and reversal of timing differences	768	(725)
Total deferred tax	428	1,388
Total tax on loss on ordinary activities	428	1,388

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	Year ended 31 December 2003 £000	As restated (see note 8) Year ended 31 December 2002 £000
Loss on ordinary activities before tax	(11,659)	(19,699)
Tax on loss on ordinary activities at standard UK corporation tax rate of 30% (2002: 30%)	(3,498)	(5,910)
Effects of:		
Expenses not deductible for tax purposes	195	324
Capital allowances in excess of depreciation	(541)	(432)
Short term timing differences	(227)	1,157
Group relief surrendered	4,071	6,982
Income not taxable	-	(603)
Deferred interest paid in the year	-	(1,518)
Current tax charge for period	-	-

Notes to the financial statements (continued)

8 Prior year adjustment

The company has adopted FRS 17, "Retirement Benefits", during the year as the directors believe this gives a more appropriate presentation of the scheme. The adoption of this new standard represents a change in accounting policy and comparative figure have been restated accordingly. The company is now unable to identify its share of the underlying assets and liabilities in the group scheme on a consistent and reasonable basis and hence it is not practicable to state the impact on the 2003 results. The impact on 2002 is an elimination of the pension asset of £85,932,000 and a decrease in the deferred tax liability recognised, arising due to timing differences, of £25,780,000. Loss after tax in 2002 has increased by £10,195,000.

As a result, comparative figures for the year ended 31 December 2002 have been adjusted as follows:

	Profit for the year after dividends £000	**As restated net assets 31 December 2002 £000**
As previously reported	(61,510)	121,701
Impact of implementation of FRS17	(10,195)	(60,152)
As restated	**(71,705)**	**61,549**

In addition, the prior year profit and loss account was re-analysed using the same basis adopted for the 2003 figures to reflect a more appropriate classification of costs and £53,904,000 was reclassified from net operating expenses to cost of sales. The loss before taxation for the year was unaffected.

9 Employees

(a) The monthly average number of persons employed by the company (including executive directors) during the year, analysed by category, was as follows:

	Year ended 31 December 2003 Number	Year ended 31 December 2002 Number
Production	**783**	860
Administration	**407**	415
	1,190	1,275

(b) Cost of employees, including executive directors:

	Year ended 31 December 2003 £000	As restated (see note 8) Year ended 31 December 2002 £000
Wages and salaries	**36,804**	39,697
Social security costs	**3,894**	2,952
Pension costs	**81**	81
	40,779	42,730
Education, training and welfare	**335**	507
	41,114	43,237

Notes to the financial statements (continued)

9 Employees (continued)

At 31 December 2003 the following amounts were outstanding from non-director officers:

	2003 £000	**2003 Number**	2002 £000	2002 Number
Loans	**601**	**8**	793	11

(c) Pension scheme

The company participates in a group defined benefit scheme funded by contributions from members and from the company. However, the contributions paid by the company are accounted for as payments under a defined contribution scheme, as the company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis. Details of the group's scheme are available in the financial statements of Ciba Specialty Chemicals Investment PLC. As at 31 December 2003 the group scheme had a deficit of £20,269,000. Ciba Specialty Chemicals PLC did not make contributions to the defined benefit scheme during the year and has agreed to contribute 11.6% of pensionable salaries for the next 3 years.

(d) Post-retirement medical insurance (see note 18)

The company provides contributions towards medical insurance costs of certain employees beyond their retirement date. These arrangements are unfunded but provided for and the latest full actuarial valuation was carried out at 31 December 2000 by independent actuaries. The next actuarial valuation is due on 31 December 2003; the results of this valuation have not yet been received.

The principal assumptions can be summarised as follows:

(i) The rate of medical expenses inflation has been assumed as 10% p.a. for the next four years falling linearly over the next five years to 4% and being 4% p.a. thereafter.

(ii) The discount rate used is 5.25%.

(iii) Other assumptions are consistent with those made in evaluating the pension cost.

(e) Ex-gratia pensions (see note 18)

The company pays a pension to certain ex-employees based on the number of years' service. This scheme is now closed.

Notes to the financial statements (continued)

10 Directors

	Year ended 31 December 2003 £000	Year ended 31 December 2002 £000
(a) Emoluments of directors		
Payments to executive directors	**690**	684

Included in payments to executive directors is £90,538 (2002: £43,616) receivable under long term incentive schemes.

(b) Pensions of directors

The number of directors who were members of defined benefit pension schemes	**4**	4

(c) Highest paid director

The above amounts for emoluments include the following in respect of the highest paid director:

Emoluments	**258**	255

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 31 December 2003 was £97,985 (2002: £91,753) per annum. There was no lump sum entitlement at 31 December 2003 (2002: £nil).

(d) Directors' loans made mainly in connection with house purchases or improvements have been granted to some directors on the same terms as loans available to senior staff.

The amounts outstanding are shown below:

	At 31 December 2002 £000	Maximum during the year £000	At 31 December 2003 £000
B.G. Kerr	110,000	110,000	-
M.D. Wright	45,000	45,000	-

11 Dividends

	Year ended 31 December 2003 £000	Year ended 31 December 2002 £000
Dividends paid 0p per share (2002: 5.06p per share)	-	50,618

An interim dividend of £50,618,000 was declared in the prior year, but, due to the adoption of FRS 19 leaving insufficient reserves, it was reversed prior to the 2002 financial statements being issued.

Notes to the financial statements (continued)

12 Fixed assets

(a) Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Assets in the course of construction £000	Total £000
Cost					
At 1 January 2003	63,910	179,120	13,977	7,684	264,691
Additions	-	-	-	4,441	4,441
Disposals	(25)	(569)	(147)	(1,212)	(1,953)
Transfers to group undertakings	-	-	(51)	-	(51)
Transfers	519	6,533	620	(7,672)	-
At 31 December 2003	64,404	185,084	14,399	3,241	267,128
Depreciation					
At 1 January 2003	20,669	96,058	10,644	635	128,006
Charge for the year	1,819	8,495	712	-	11,026
Impairment losses	-	315	147	153	615
Disposals	(13)	(443)	(143)	-	(599)
Transfers to group undertakings	-	-	(32)	-	(32)
At 31 December 2003	22,475	104,425	11,328	788	139,016
Net book value					
At 31 December 2003	**41,929**	**80,659**	**3,071**	**2,453**	**128,112**
At 31 December 2002	43,241	83,062	3,333	7,049	136,685

Freehold land with a value of £2.4 million at 31 December 2003 (2002: £2.4 million) has not been depreciated.

Capital commitments

Contracts for capital expenditure for which provision has not been made in the financial statements amounted to £340,000 (2002: £348,000).

(b) Investments

Name	Country of incorporation	Principal activity	Nominal value £000	Holding	%
Subsidiary undertaking					
Ciba Specialty Chemicals (Financial Services) Limited	Great Britain	Dormant	-	Ordinary shares	100
Other investments					
Manchester Science Park Ltd	Great Britain	Property investment company	15	Ordinary shares	2.5
			6	5% cumulative redeemable preference shares	1.2
			21		

On 16 April 2004 the company redeemed the 5% cumulative redeemable preference shares in Manchester Science Park Limited at par.

Notes to the financial statements (continued)

13 Stocks

	2003	2002
	£000	£000
Raw materials and consumables	**8,141**	11,940
Work in progress	**5,924**	11,863
Finished goods	**20,257**	19,127
	34,322	42,930

There is no material difference between the balance sheet value of stocks and their replacement cost.

14 Debtors

	2003	As restated (see note 8) 2002
	£000	£000
Amounts falling due within one year		
Trade debtors	**26,997**	25,596
Amounts owed by group undertakings	**334,120**	152,664
Other debtors	**1,377**	3,193
Prepayments and accrued income	**1,416**	1,056
	363,910	182,509
Amounts falling due after more than one year		
Amounts owed by group undertakings	**180,003**	305,481
Other debtors	**617**	803
	180,620	306,284

15 Creditors: amounts falling due within one year

	2003	2002
	£000	£000
Bank overdraft (see note 16(b))	**13,290**	4,582
Unsecured long term debt (see note 16(b))	**-**	108,069
Trade creditors	**19,255**	21,116
Amounts owed to group undertakings	**346,236**	241,568
Other taxation and social security	**1,716**	4,963
Other creditors	**1,200**	2,542
Accruals and deferred income	**22,601**	14,321
	404,298	397,161

Notes to the financial statements (continued)

16 Creditors: amounts falling due after more than one year

	2003 £000	2002 £000
Accruals and deferred income (see (a) below)	**3,554**	4,380
Unsecured long term debt (see (b) below)	**239,023**	238,604
	242,577	242,984

(a) Accruals and deferred income comprise government grants as follows:

	2003 £000	2002 £000
At 1 January 2003	**4,380**	4,951
Amounts credited to profit and loss account (see note 3 (b))	**(391)**	(571)
Transferred to creditors falling due within one year	**(435)**	-
At 31 December 2003	**3,554**	4,380

(b) Unsecured borrowings are repayable as follows:

	2003 £000	2002 £000
In less than one year (see note 15)	**13,290**	112,651
In more than one year but not more than two years	**-**	-
In more than two years but not more than five years	**-**	-
In more than five years	**239,023**	238,604
	252,313	351,255

The long term loan is repayable on 24 April 2013 and interest is charged at 6.5%.

Notes to the financial statements (continued)

17 Financial instruments

An outline of the company's policies and approach in respect to its treasury management, including the management of interest rate, liquidity and currency risk, is provided in the accounting policies note (see note 1).

The company has taken advantage of the exemptions given under FRS 13, Derivatives and Other Financial Instruments, in excluding short-term debtors and creditors from the following analysis.

Financial assets

Other than cash at bank and short-term debtors and intercompany loans the company has no other financial assets.

Financial liabilities

The company's financial liabilities at the year end were held in sterling (2002: sterling and US dollars).

As at 31 December 2003, the company's borrowings were at floating and fixed rates. The interest rate profile of these financial liabilities was:

	2003 £000	**Weighted average interest rate %**	2002 £000	Weighted average interest rate %
Fixed rate financial liabilities	**239,023**	**6.50**	346,673	6.38
Floating rate financial liabilities – group loans	**325,898**	**4.27**	257,590	4.11
	564,921		604,263	

The weighted average period for which rates are fixed is 10 years.

Currency exposures

Net foreign currency monetary liabilities shown below take into account the effect of any currency swaps, forward contracts and other derivatives entered into to manage these currency exposures.

As at 31 December 2003, the company held open various currency swaps and forward contracts that the company had taken out to hedge expected future foreign currency transactions.

	2003 £000	2002 £000
Net foreign currency monetary liabilities:		
US Dollar	**4,530**	95,588
Japanese Yen	**554**	-
	5,084	95,588

Notes to the financial statements (continued)

17 Financial instruments (continued)

Maturity of financial liabilities

At the end of 2003 42.3% of the company's borrowings were due to mature in more than five years (2002: 39.5%). The maturity profile of the company's financial liabilities in more detail as at 31 December 2003 is as follows:

	2003 **£000**	2002 £000
In one year or less, or on demand	**325,898**	365,659
In more than one year but not more than two years	**-**	-
In more than two years but not more than five years	**-**	-
In more than five years	**239,023**	238,604
	564,921	604,263

Borrowing facilities

The undrawn facilities available at 31 December 2003 in respect of which all conditions precedent had been met, were as follows:

	2003 **£000**	2002 £000
Overdraft facility	**10,000**	10,000
Bank loan facilities	**30,000**	30,000
	40,000	40,000

All undrawn facilities are deemed short term.

Fair values of financial liabilities

A comparison by category of the book values and fair values of the financial liabilities of the company as at 31 December 2003 is shown below:

	2003 Book value £000	**2003 Fair value £000**	2002 Book value £000	2002 Fair value £000
Group loans to finance the company's operations	**325,898**	**325,898**	257,590	257,590
Long-term borrowings	**239,023**	**257,474**	346,670	368,523

Notes to the financial statements (continued)

17 Financial instruments (continued)

All fair values have been determined using appropriate market rates as at 31 December 2003 and by discounting relevant cash flows at the prevailing rate.

Gains and losses on hedges

Gains and losses on currency and hedging instruments used for hedging purposes are not recognised until the exposure that is being hedged is itself recognised. A summary of such gains and losses and movements therein is as follows:

	Gains £000	Losses £000	Net £000
Unrecognised gains and losses at 1 January 2003	219	(7,691)	(7,472)
Gains and losses recognised in the year arising in previous years	(219)	7,691	7,472
Gains and losses arising in previous years not recognised in the year	-	-	-
Gains and losses not recognised in the year arising in the year	-	(60)	(60)
Unrecognised gains and losses at 31 December 2003	**-**	**(60)**	**(60)**
Of which:			
Gains and losses expected to be recognised in the year ending 31 December 2004	-	(60)	(60)
Gains and losses expected to be recognised after 31 December 2004	-	-	-
	-	**(60)**	**(60)**

18 Provisions for liabilities and charges

	As restated (see note 8) Deferred taxation £000	Post retirement medical insurance (see note 9(d)) £000	Environmental provision £000	Ex- gratia pensions (see note 9(e)) £000	Other provisions £000	Total £000
At 1 January 2003	14,604	1,284	4,799	1,530	45	22,262
Utilised during the year	-	(52)	(37)	(198)	-	(287)
Charged to profit and loss account	428	-	3,250	-	-	3,678
At 31 December 2003	**15,032**	**1,232**	**8,012**	**1,332**	**45**	**25,653**

The environmental provision is for the cost of future site remediation on change of use, based primarily on independent reports. The timing of the use of the provision is not known.

Notes to the financial statements (continued)

18 Provisions for liabilities and charges (continued)

Deferred tax is provided and unprovided as follows:

	Provided 2003 £000	Unprovided 2003 £000	As restated (see note 8) Provided 2002 £000	Unprovided 2002 £000
Accelerated capital allowances	**17,658**	**-**	17,058	-
Other timing differences	**(2,256)**	**-**	(2,069)	-
Post retirement medical insurance costs	**(370)**	**-**	(385)	-
Capital gains rolled over	**-**	**1,707**	-	1,707
	15,032	**1,707**	14,604	1,707

19 Called up share capital

	2003 £000	2002 £000
Authorised		
2 billion ordinary shares of £0.05 each	**100,000**	100,000
2 A ordinary shares of £0.05 each	**-**	-
	100,000	100,000
Allotted, called up and fully paid		
999,813,360 ordinary shares of £0.05 each	**49,991**	49,991
2 A ordinary shares of £0.05 each	**-**	-
	49,991	49,991

20 Reserves

	Share premium account £000	Profit and loss account £000
At 1 January 2003 as previously reported	60,032	11,678
Prior year adjustment (see note 8)	-	(60,152)
At 1 January 2003 as restated	60,032	(48,474)
Loss for the financial year	-	(12,087)
At 31 December 2003	**60,032**	**(60,561)**

Notes to the financial statements (continued)

21 Reconciliation of movements in equity shareholders' funds

	Year ended 31 December 2003 £000	Year ended 31 December 2002 £000
Loss for the financial year as previously reported	**(12,087)**	(10,892)
Prior year adjustment (see note 8)	**-**	(10,195)
Loss for the financial year as restated	**(12,087)**	(21,087)
Opening equity shareholders' funds (2002: originally £132,593,000 restated for prior year adjustment of £49,957,000)	**61,549**	82,636
Closing equity shareholders' funds	**49,462**	61,549

22 Commitments

Annual commitments for the company to make payments under non-cancellable operating leases:

	2003 Other £000	2002 Other £000
Commitments expiring:		
within one year	**191**	211
within two to five years	**219**	140
Total commitments	**410**	351

23 Ultimate parent undertaking and controlling party

The immediate parent undertaking of the company is Ciba Specialty Chemicals Investment PLC, a company incorporated in England and Wales.

The directors consider that Ciba Specialty Chemicals Holdings Inc., a company incorporated in Switzerland, is the company's ultimate parent undertaking and ultimate controlling party.

Ciba Specialty Chemicals Investment PLC is the parent undertaking of the smallest group of which Ciba Specialty Chemicals PLC is a member and for which group financial statements are drawn up. Copies of these group financial statements will be delivered to and be available from the Registrar of Companies, Companies Registration Office, Crown Way, Maindy, Cardiff, CF4 3UZ.

As a subsidiary undertaking of Ciba Specialty Chemicals Holdings Inc., the company has taken advantage of the exemption in FRS 8 "Related Party Disclosures" not to disclose transactions with other members of the group.