Ciba UK Plc

(formerly known as Ciba Specialty Chemicals PLC)

Directors' report and financial statements
Registered number 3249009
31 December 2007

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

Principal activity and review of the business

The principal activity of the company is the manufacture and sale of Plastic Additives, Coating Effects and Water and Paper treatments

The company's key performance indicators during the year were as follows

	2007	2006	Change
Growth and profitability development			
Turnover (£000)	403,943	427,331	-5 5%
Total period costs as a % of sales	30 9%	33 6%	-2 7%
Headcount	1,588	1,849	-14 1%
Working capital management			
Accounts receivable as a % of sales	17 3%	19 3%	-2 0%
Accounts payable as a % of inventory	67 9%	71 4%	-3 5%
Safety			
Accidents per 100,000 hours worked	0 21	0 09	+0 12

The decrease in turnover during the year reflects reduced manufacturing in the UK, coupled with competitive pressures Growth is being experienced in certain businesses to partly offset this There has been continued improvement in total period costs as a percentage of sales This is a result of the restructuring programs entered into and efficiencies across the whole company Some benefits emanating from the new business processes in the UK have started to flow through in working capital management with improved figures for accounts receivable as a percentage of sales There has been a slight deterioration in the accounts payable as a percentage of inventory figures as a result of higher inventory levels at the year end The company's accident frequency rate remains at an excellent level, reflecting the commitment the company has to the safety of its employees

Principal risks and uncertainties

The company's management meet quarterly to review risks and uncertainties, and evaluate what decisions are required The principal risks and uncertainties facing the company are competition, industry development and environment, health and safety

<u>Competition</u>

The company operates in competitive markets and has many traditional as well as new global competitors All the businesses face competitive risks and uncertainties

<u>Industry development</u>

Raw material and energy costs are prone to increase which the company makes all efforts to pass onto the customer Dependent on the market, selling price increases cannot always be achieved

<u>Environment, Health and Safety</u>

The company meets the legal requirements to manage these risks Given the importance the company places on managing those risks, it also adheres to best practice and Chemical Industries Association Standards

Directors' report (continued)

Results and dıvidends

The profit for the year ended 31 December 2007 was £21 9 mıllıon (2006 profit £40 0 mıllıon) The dırectors do not recommend the payment of a dıvıdend (2006 Nıl)

Dırectors

The dırectors who held office durıng the year were as follows

AH Dımery
CA Forbes
MD Wrıght

CA Forbes wıll resıgn as a dırector of the company wıth effect from close of busıness on 30 June 2008

Accordıng to the regıster kept under Sectıon 325 of the Companıes Act 1985, no dırector had any beneficıal ınterest ın the shares of the company, a subsıdıary of the company, the company's holdıng company, or a subsıdıary of the company's holdıng company, eıther at the begınnıng or end of the year As permıtted by statutory ınstrument, the regıster does not ınclude any shareholdıngs of dırectors ın the ultımate holdıng company and ıts overseas subsıdıary companıes

Involvement of employees

Employee ınvolvement and consultatıon ıs managed ın a number of ways The process of team brıefings by lıne managers contınues to be an ımportant basıs for ensurıng good ınternal communıcatıons These arrangements also promote a common awareness amongst employees of the financıal and economıc factors affectıng the performance of theır segments and the busıness Thıs ıs supplemented by both segmental and company-wıde publıcatıons and an ıntranet

Employment of dısabled persons

Applıcatıons for dısabled employees are always fully consıdered, bearıng ın mınd the aptıtude of the applıcant concerned In the event of members of staff becomıng dısabled, every effort ıs made to ensure that theır employment wıthın the group contınues and that approprıate traınıng ıs arranged It ıs the polıcy of the group that the traınıng, career development and promotıon of dısabled persons should, as far as possıble, be ıdentıcal wıth that of other employees

Research and development

Cıba undertakes research and development on a worldwıde basıs The company makes a contrıbutıon to the total research expendıture ıncurred by Cıba and ıs reımbursed for the costs of research of worldwıde applıcatıons ıt undertakes ın the UK

Future developments

The dırectors aım to maıntaın the management polıcıes whıch have served the company well ın recent years They consıder that 2008 wıll contınue to be profitable as the company responds to the competıtıve challenges

Financial instruments

The company holds and uses financıal ınstruments to finance ıts operatıons and to manage ıts ınterest rate, lıquıdıty and currency rısks The company prımarıly finances ıts operatıons usıng borrowıngs, cash and lıquıd resources, trade debtors and credıtors, debt and equıty These financıal ınstruments all arıse ın the normal course of the company's operatıng actıvıtıes

As dırected by the board the company does not engage ın speculatıve actıvıtıes usıng derıvatıve financıal ınstruments Company cash reserves are held centrally to take advantage of the most rewardıng short-term ınvestments opportunıtıes

Directors' report (continued)

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

Political and charitable donations

No contributions were made by the company during the year for political purposes Donations amounting to £22,500 (2006 £23,000) were made for charitable purposes In addition, £124,000 (2006 £113,000) 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 in 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 55 outstanding days (2006 53 days)

Auditors

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

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

By order of the board

R Wilkinson
Secretary

Charter Way
Macclesfield
Cheshire
SK10 2NX
30 June 2008

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 that 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 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 UK plc

We have audited the company's financial statements for the year ended 31 December 2007 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses and Balance Sheet and the related notes 1 to 23 These financial statements have been prepared under 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

The directors are responsible for the preparation of the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

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 whether in our opinion the information given in the directors' report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or of information specified by law regarding directors' remuneration and other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its result for the year then ended, the financial statements have been properly prepared in accordance with the Companies Act 1985, and the information given in the directors' report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Manchester

30 June 2008

Profit and loss account
for the year ended 31 December 2007

	Notes	**2007 £000**	2006 £000
Turnover	*2*	**403,943**	427,331
Turnover - Continuing operations		**403,943**	$\boxed{422,082}$
Turnover - Discontinued operations		**-**	$\boxed{5,249}$
Cost of sales		**(330,255)**	(358,459)
Gross profit		**73,688**	68,872
Net operating expenses – excluding one-off pension effects	*3(a)*	**(29,773)**	$\boxed{(29,383)}$
Net operating income - one-off pension effects	*3(a)*	**-**	$\boxed{41,736}$
Net operating (expenses) / income		**(29,773)**	12,353
Operating profit	*3(b)*	**43,915**	81,225
Operating profit - Continuing operations		**43,915**	$\boxed{82,411}$
Operating loss - Discontinued operations		**-**	$\boxed{(1,186)}$
(Loss) / gain on sale of tangible fixed assets	*4(a)*	**(11)**	5,153
Loss on discontinued operations	*4(b)*	**-**	(1,435)
Restructuring costs	*4(c)*	**(9,759)**	(11,099)
Profit before finance charges		**34,145**	73,844
Profit before finance charges - Continuing operations		**34,145**	$\boxed{81,917}$
Loss before finance charges - Discontinued operations		**-**	$\boxed{(8,073)}$
Net interest payable	*5*	**(17,457)**	(18,236)
Other finance income	*6*	**4,737**	5,243
Profit on ordinary activities before taxation		**21,425**	60,851
Tax on profit on ordinary activities	*7*	**521**	(20,822)
Profit for the financial year	*20*	**21,946**	40,029

The accompanying notes form an integral part of the financial statements

Statement of total recognised gains and losses
for the year ended 31 December 2007

	Notes	**2007**	2006
		£000	£000
Profit for the financial year		**21,946**	40,029
Actuarial (loss) / gain on pension scheme	*8(c)*	**(12,781)**	5,971
Movement on deferred tax relating to the actuarial (loss) / gain on the pension scheme	*17*	**4,477**	(1,791)
Other (losses) / gains relating to the year	*20*	**(8,304)**	4,180
Total recognised gains since last annual report		**13,642**	44,209

Balance sheet
as at 31 December 2007

	Notes	2007 £000	2007 £000	2006 £000	2006 £000
Fixed assets					
Intangible assets	*10*		**175**		185
Tangible assets	*11(a)*		**146,962**		167,397
Investments	*11(b)*		**15**		15
			147,152		167,597
Current assets					
Stocks	*12*	**57,000**		53,239	
Debtors					
due within one year	*13*	**99,464**		104,508	
due after one year	*13*	**438,413**		440,906	
Cash at bank and in hand		**1,578**		2,997	
		596,455		601,650	
Creditors amounts falling due within one year	*14*	**(223,746)**		(86,649)	
Net current assets			**372,709**		515,001
Total assets less current liabilities			**519,861**		682,598
Creditors amounts falling due after more than one year	*15*		**(442,193)**		(606,663)
Provisions for liabilities and charges	*17*		**(20,113)**		(34,850)
Net assets excluding pension asset			**57,555**		41,085
Pension asset	*8(c)*		**22,989**		25,817
Net assets			**80,544**		66,902
Capital and reserves					
Called up share capital	*18*		**49,991**		49,991
Share premium account	*19*		**60,032**		60,032
Profit and loss account	*19*		**(29,479)**		(43,121)
Equity shareholders' funds	*20*		**80,544**		66,902

The accompanying notes form an integral part of these financial statements

These financial statements were approved by the board of directors on 30 June 2008 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

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

Intangible assets

Positive goodwill arising on the acquisition of businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life of 20 years Provision is made for any impairment

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 Revised depreciation is provided where an asset is expected to become obsolete before the end of its normal useful life

The principal estimated lives are as follows

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

Tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable These reviews assess the recoverable amount by reference to the net present value of expected future cash flows of the relevant income-generating unit, or disposal value if higher, resulting in revised depreciation or amortisation as appropriate

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 (note 15(a))

Notes to the financial statements (continued)

1 Accountıng polıcıes (continued)

Investments

Except as stated below, fixed asset ınvestments are shown at cost less provısıon for ımpaırment

In the company balance sheet, for ınvestments ın subsıdıarıes acquıred for consıderatıon ıncludıng the ıssue of shares qualıfyıng for merger relıef, cost ıs measured by reference to the nomınal value only of the shares ıssued Any premıum ıs ıgnored

Research and development

All research and development expendıture borne by the company, ıncludıng all expendıture ın respect of patents and trademarks, ıs wrıtten off as ıncurred

Stocks

Stocks are valued at the lower of cost and net realısable value The cost of products manufactured ıncludes an approprıate allocatıon of overheads Provısıon ıs made for obsolete and slow movıng stocks

Net realısable value ıs based on the estımated sellıng prıce less further costs expected to be ıncurred to completıon and dısposal

Translation of foreıgn currency

Transactıons ın foreıgn currencıes are recorded at the rate of exchange at the date of the transactıon Assets and lıabılıtıes denomınated ın foreıgn currency are translated ınto sterlıng at the rate of exchange rulıng at the year end Exchange gaıns and losses are taken to tradıng profit

Pension and post-retırement benefits

The company partıcıpates ın the Cıba group defined benefit and defined contrıbutıon scheme whıch ıs self admınıstered and ıs funded by contrıbutıons from members and from the company In accordance wıth FRS17, the servıce cost of pensıon provısıon relatıng to the perıod, together wıth the cost of any benefits relatıng to past servıce, ıs charged to the profit and loss account A charge equal to the ıncrease ın the present value of the company's share of the scheme lıabılıtıes and a credıt equıvalent to the long-term expected return on the company's share of the scheme assets (based on the faır value) at the start of the perıod, are ıncluded ın the profit and loss account

Untıl 2005, the contrıbutıons paıd by the company were accounted for as a defined contrıbutıon scheme, as the pensıon accountıng and related dısclosures were made ın the group accounts of Cıba UK Investment plc Wıth effect from 1 January 2005, the dırectors recommended the splıttıng of assets and lıabılıtıes between the legal entıtıes Accordıngly the 2006 and the 2005 figures were restated on a defined benefit basıs

The dıfference between the faır value of the assets of the scheme and the present value of accrued pensıon lıabılıtıes ıs shown as an asset or lıabılıty on the balance sheet net of deferred tax Any dıfference between the expected return on assets and that actually achıeved ıs recognısed ın the statement of total recognısed gaıns and losses along wıth dıfferences whıch arıse from experıence gaıns and losses and changes of assumptıons

Further ınformatıon on pensıon arrangements ıs set out ın note 8(c) to the accounts

Leases

Rentals under operatıng leases are charged to the profit and loss account on a straıght lıne basıs over the lease term, even ıf the payments are not made on such a basıs Benefits receıved and receıvable as an ıncentıve to sıgn an operatıng lease are sımılarly spread on a straıght lıne basıs over the lease term, except where the perıod to the revıew date on whıch the rent ıs first expected to be adjusted to the prevaılıng market rate ıs shorter than the full lease term, ın whıch case the shorter perıod ıs used

Notes to the financial statements (continued)

1 Accounting policies (continued)

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 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

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, debt and equity 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 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

Notes to the financial statements (continued)

2 Turnover

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

	2007 £000	2006 £000
United Kingdom	**103,287**	110,199
Americas	**49,692**	55,272
Europe	**188,570**	200,920
Asia, Australia and Africa	**62,394**	60,940
	403,943	427,331

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

3 (a) Net operating expenses – excluding one-off pension effects

	2007 £000	2006 £000
Distribution	**20,245**	22,040
Administration	**9,528**	7,343
	29,773	29,383

Net operating income – one-off pension effects (note 8 (c))

	2007 £000	2006 £000
Curtailment gains	-	34,252
Prior service credit	-	7,484
	-	41,736

Notes to the financial statements (continued)

(b) Operating profit on ordinary activities

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

	2007 £000	2006 £000
Auditors' remuneration		
UK Statutory Fees	187	302
Other UK assurance work	20	131
UK taxation services	-	4
Depreciation of tangible fixed assets	16,927	19,838
Operating leases		
plant and machinery	173	582
other assets	711	1,410
Directors' emoluments (note 9)	342	490
Amounts transferred from government grants (note 15 (a))	(498)	(401)
Research and development expenditure (note 3 (c))	6,212	5,159
Exchange gains and losses	855	(121)
Provisions charge/(credit) in the year (note 17)		
Post retirement medical insurance	(70)	(99)
Ex gratia	49	77
Environmental	-	(4,804)

(c) Central research

Ciba UK plc makes a contribution to the central research expenditure of the ultimate holding company Agreed costs of research of worldwide applications undertaken in the UK are reimbursed by the ultimate holding company

4 (a) (Loss) / gain on sale of tangible fixed assets

The loss on sale of tangible fixed assets of £10,839 (2006 £5,153,000 gain) relates to the disposal of assets to third parties and group undertakings The 2006 gain relates to the sale of the land at Clayton, for which the proceeds and costs were £10,500,000 and £5,347,000 respectively

(b) Loss on discontinued operations

The 2006 loss of £1,435,000 relates to the disposal of the Textile Effects business to Huntsman on 30 June 2006

Notes to the financial statements (continued)

(c) Restructuring costs

	2007 £000	2006 £000
Impairment of fixed assets	**8,637**	2,769
Severance costs	**1,863**	5,606
Other restructuring costs	**(741)**	2,724
	9,759	11,099

5 Net interest payable

	2007 £000	2006 £000
Interest payable		
On loans wholly repayable within five years		
Group companies	**(2,694)**	(1,254)
Bank interest and similar charges	**(147)**	(1,595)
Amortised loan interest	**(1,981)**	(419)
Other interest	**(282)**	-
	(5,104)	(3,268)
On loans wholly repayable after five years		
Bank interest and similar charges	**(13,453)**	(15,789)
	(18,557)	(19,057)
Interest receivable		
Bank interest receivable and similar income	**-**	657
Group companies	**793**	164
Other interest	**307**	-
	(17,457)	(18,236)

6 Other finance income (see note 8 (c))

	2007 £000	2006 £000
Expected return on pension scheme assets	**30,563**	28,601
Interest on pension scheme liabilities	**(24,081)**	(23,358)
Restriction in expected return on assets under Paragraph 41 (FRS 17)	**(1,745)**	-
	4,737	5,243

Notes to the financial statements (continued)

7 Tax on profit on ordinary activities

	2007 £000	2006 £000
Current tax		
UK corporation tax	**4,661**	-
Adjustments in respect of prior years	**602**	5,527
Total current tax	**5,263**	5,527
Deferred tax		
Adjustments in respect of prior periods	**508**	(443)
Origination and reversal of timing differences	**(6,292)**	15,738
Total deferred tax	**(5,784)**	15,295
Total tax (credit) / charge on ordinary activities	**(521)**	20,822

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

	2007 £000	2006 £000
Profit on ordinary activities before tax	**21,425**	60,851
Tax on ordinary activities at standard UK corporation tax rate of 30% (2006 30%)	**6,427**	18,255
Effects of		
Expenses not deductible for tax purposes	**946**	1,171
Income not taxable	**(222)**	(2,573)
Depreciation in excess of capital allowances	**574**	293
Short term timing differences	**(2,689)**	(16,022)
Group relief claimed for nil consideration	**(375)**	(1,124)
Prior year adjustments	**602**	5,527
Current tax charge for period	**5,263**	5,527

Notes to the financial statements (continued)

8 Employees

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

	2007 Number	2006 Number
Production	**1,063**	1,217
Administration	**525**	632
	1,588	1,849

(b) Cost of employees, including executive directors

	2007 £000	2006 £000
Wages and salaries	**56,090**	63,497
Social security costs	**4,180**	5,466
Pension costs - excluding one-off pension effects	**4,737**	10,018
	65,007	78,981
Education, training and welfare	**601**	411
	65,608	79,392

Notes to the financial statements (continued)

8 Employees (contınued)

At 31 December the following amounts were outstandıng from non-dırector officers

	2007 £000	2007 Number	2006 £000	2006 Number
Loans	**341**	**3**	356	4

(c) Pensıon scheme

The company partıcıpates ın a sıngle UK defined benefit and defined contrıbutıon scheme for employees of Cıba UK plc and Pıra Internatıonal Lımıted, funded by contrıbutıons from members and from those companıes The company adopted FRS17, "Retırement Benefits" ın 2003 The assets of the pensıon scheme are held ın a separate trustee admınıstered fund

An actuarıal valuatıon of the UK defined benefit scheme usıng the projected unıt basıs was carrıed out as at 31 December 2005 by Watson Wyatt, consultıng actuarıes PrıcewaterhouseCoopers LLP then updated thıs valuatıon specıfically for ındependent accountıng purposes Thıs was carrıed out as at 31 December 2007 to take account of the requırements of FRS 17 ın order to assess the assets and lıabılıtıes of the scheme as at 31 December 2007

	2007 Projected unıt	2006 Projected unıt	2005 Projected unıt
Inflatıon rate	**3 40%**	3 10%	2 80%
Rate of ıncrease ın salarıes	**4 40%**	4 10%	3 80%
Rate of ıncrease ın pensıons ın payment and deferred pensıon	**3 20%**	2 95%	2 70%
Rate used to dıscount scheme lıabılıtıes	**5 90%**	5 10%	4 80%

Notes to the financial statements (continued)

8 Employees (continued)

(c) Pension scheme (continued)

The market value of the assets held by the pension scheme and the expected rate of return for each class of the asset held at 31 December were

	Long-term rate of return expected at 2007	**Value at 2007 £000**	Long-term rate of return expected at 2006	Value at 2006 £000	Long-term rate of return expected at 2005	Value at 2005 £000
Equities	**7 60%**	**263,567**	7 60%	336 218	7 10%	303,661
Bonds	**5 33%**	**275,078**	4 65%	166,231	4 53%	162,647
Cash	**5 50%**	**581**	5 00%	13,828	4 50%	14,347
Total market value of the assets		**539,226**		516,277		480,655
Present value of the scheme liabilities		**(454,209)**		(479,396)		(492,668)
Surplus /(deficit) in the scheme		**85,017**		36,881		(12,013)
Related deferred tax (liability)/asset		**(8,941)**		(11,064)		3,604
Amount not recognised under Paragraph 41 (FRS 17)		**(53,087)**		-		-
Net pension asset / (liability)		**22,989**		25,817		(8,409)

The surplus/(deficit) in a defined benefit scheme is the excess / (shortfall) of the value of the assets in the scheme over/(below) the present value of the scheme liabilities The employer should recognise an asset to the extent that it is able to recover a surplus through reduced contributions in the future or through refunds from the scheme

As the Scheme's surplus under FRS 17 has increased significantly over 2007, and the service cost has reduced, the Directors believe it is appropriate to restrict the surplus to be recognised on the balance sheet at 31 December 2007

For the part of the scheme relevant to Ciba UK plc, using an estimated current service cost of £3 4 million, the recoverable surplus is calculated to be £31 93 million representing the surplus that can be recognised under FRS17 There is therefore £53 09 million of surplus which is considered to be non-recoverable either through reduced contributions in the future, or from refunds from the scheme that have been agreed by the Trustees of the scheme at the balance sheet date

Notes to the financial statements (continued)

8 Employees (continued)

(c) Pension scheme (continued)

Analysis of the amount charged / (credited) to operating profit.

	2007 £000	2006 £000
Current service costs	**4,737**	10,018
Curtailment gains	**-**	(34,252)
Prior service credits	**-**	(7,484)
Amount charged / (credited) to operating profit	**4,737**	(31,718)

The curtailment gain in 2006 arises due to the breaking of the final salary link (i e now linking retirement benefits to inflation rather than to final salary) with effect from 1 January 2007

The prior service credit in 2006 relates to a change in the rules to allow members to commute some of their pension for tax-free cash

Analysis of amount recognised in statement of total recognised gains and losses

	2007 £000	2006 £000
Actual return less expected return on pension scheme assets	**3,724**	18,808
Changes in assumptions underlying the present value of the scheme liabilities	**34,837**	(12,837)
Effect of limit in Paragraph 41 (FRS 17)	**(51,342)**	-
Actuarial (loss) / gain recognised in the statement of total recognised gains and losses	**(12,781)**	5,971

Movements in surplus /(deficit) during the period.

	2007 £000	2006 £000
Surplus / (deficit) in the scheme at the beginning of the period	**36,881**	(12,013)
Movements in the year		
Current service cost	**(4,737)**	(10,018)
Curtailment gains	**-**	34,252
Prior service credit	**-**	7,484
Contributions	**7,830**	5,962
Other finance income (note 6)	**4,737**	5,243
Actuarial (loss) /gain	**(12,781)**	5,971
Surplus in the scheme at the end of the period	**31,930**	36,881

Notes to the financial statements (continued)

8 Employees (continued)

History of experience gains and losses

	2007	2006	2005
Difference between the expected and actual return on scheme assets			
Amount (£000)	**3,724**	18,808	51,698
Percentage of scheme assets	**0 69%**	3 64%	10 76%
Experience gains on scheme liabilities			
Amount (£000)	-	-	8,045
Percentage of the present value of scheme liabilities	-	-	1 67%
Changes in assumptions underlying the present value of the scheme liabilities			
Amount (£000)	**34,837**	(12,837)	(55,525)
Percentage of the present value of scheme liabilities	**7 67%**	(2 68%)	(11 27%)
Total actuarial (losses) / gains recognised in the statement of total recognised gains and losses			
Amount (£000)	**(12,781)**	5,971	4,218
Percentage of the present value of scheme liabilities	**(2 81%)**	1 25%	0 86%

(d) Post-retirement medical insurance (note 17)

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 2005 by independent actuaries The valuation has been updated to 31 December 2007 to reflect movements in plan participation and the actual 2007 medical cost trend of 9%

The principal assumptions can be summarised as follows

(i) The rate of medical expenses inflation has been assumed as 9% for 2007, decreasing 1% per year thereafter until reaching the ultimate rate of 5%

(ii) The discount rate used is 5 90%

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

(e) Ex-gratia pensions (note 17)

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)

9 Directors

	2007 £000	2006 £000
(a) Emoluments of directors		
Payments to executive directors	**342**	490

Included in payments to executive directors is £33,611 (2006 £51,592) receivable under long term incentive schemes

(b) Pensions of directors		
The number of directors who were members of defined benefit pension schemes	**3**	4

(c) Highest paid director

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

Emoluments	**180**	213

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 31 December 2007 was £75,792 (2006 £50,000) per annum There was no lump sum entitlement at 31 December 2007 (2006 £nil)

10 Intangible fixed assets

	Total £000
Cost	
At 31 December 2007 and 1 January 2007	**205**
Amortisation	
At 1 January 2007	(20)
Amortisation charge for the year	(10)
At 31 December 2007	**(30)**
Net book value	
At 31 December 2007	**175**
At 31 December 2006	185

This goodwill arose on the acquisition of the Metasheen trade and assets during 2005

Notes to the financial statements (continued)

11 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 2007	95,665	352,145	22,843	9,319	479,972
Additions	-	-	-	5,519	5,519
Disposals	(15,000)	(72,531)	(4,343)	(47)	(91,921)
Transfers	484	7,677	247	(8,408)	-
At 31 December 2007	**81,149**	**287,291**	**18,747**	**6,383**	**393,570**
Depreciation					
At 1 January 2007	40,826	251,577	20,172	-	312,575
Charge for the year	2,225	14,246	456	-	16,927
Impairment	2,980	5,306	10	341	8,637
Disposals	(14,881)	(72,313)	(4,337)	-	(91,531)
At 31 December 2007	**31,150**	**198,816**	**16,301**	**341**	**246,608**
Net book value					
At 31 December 2007	**49,999**	**88,475**	**2,446**	**6,042**	**146,962**
At 31 December 2006	54,839	100,568	2,671	9,319	167,397

Freehold land with a value of 3 8 million at 31 December 2007 (2006 £3 8 million) has not been depreciated

The Clayton site demolition which commenced in 2004 was officially completed in March 2008 Assets with a cost of £90,955,000 were no longer in existence at the balance sheet date They are included within disposals above

The £8,637,000 impairment (2006 £2,769,000) above is the result of the decision made to close the Blue Pigment Manufacturing Unit at Paisley

In 2007, no formal impairment exercise was undertaken as there were no indications to suspect that assets may be impaired A formal impairment exercise was undertaken in 2006, whereby the carrying values of assets at the production sites was compared to their recoverable amount represented by value in use to the company The value in use was derived from discounted cash flow projections using nominal discount rates between 5 3% and 9 4%

Capital commitments

Contracts for capital expenditure for which provision has not been made in the financial statements amounted to £566,418 (2006 £6,204,000)

Notes to the financial statements (continued)

11 Fixed assets (continued)

(b) Investments

Name	Country of incorporation	Principal activity	Nominal value £000	Holding	%
Subsidiary undertaking					
Kolorcube Limited	Great Britain	Dormant	-	Ordinary shares	100
Other investments					
Manchester Science Park Ltd	Great Britain	Property investment company	15	Ordinary shares	1 3
			15		

12 Stocks

	2007 £000	2006 £000
Raw materials and consumables	7,218	6,589
Work in progress	6,948	8,156
Finished goods	42,834	38,494
	57,000	53,239

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

13 Debtors

	2007 £000	2006 £000
Amounts falling due within one year		
Trade debtors	26,626	26,366
Amounts owed by Group undertakings	45,229	53,707
Amounts owed by Group Treasury	21,205	20,414
Other debtors	5,919	2,374
Prepayments and accrued income	485	1,647
	99,464	104,508
Amounts falling due after more than one year		
Amounts owed by Group undertakings	438,340	437,758
Other debtors	73	3,148
	438,413	440,906

Notes to the financial statements (continued)

14 Creditors: amounts falling due within one year

	2007 £000	2006 £000
Trade creditors	**28,796**	27,306
Amounts owed to Group undertakings	**179,915**	25,549
Corporation tax	**777**	6,469
Other taxation and social security	**3,350**	3,596
Other creditors	**398**	401
Accruals and deferred income	**10,510**	23,328
	223,746	86,649

15 Creditors. amounts falling due after more than one year

	2007 £000	2006 £000
Accruals and deferred income (note 15 (a))	**1,779**	2,277
Unsecured long term debt (note 15 (b))	**69,905**	240,280
Amounts owed to Group undertakings	**370,509**	364,106
	442,193	606,663

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

	2007 £000	2006 £000
At 1 January 2007	**2,277**	2,649
Amounts credited to profit and loss account (note 3 (b))	**(498)**	(401)
Transferred to creditors falling due within one year	-	29
At 31 December 2007	**1,779**	2,277

(b) Unsecured long term debt is repayable as follows

	2007 £000	2006 £000
In less than one year	-	-
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	**69,905**	240,280
	69,905	240,280

The long term loan is repayable on 24 April 2013 and interest is charged at 6 5% per annum

Notes to the financial statements (continued)

16 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 excluded 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 (2006 sterling)

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

	2007 £000	**Weighted average interest rate %**	2006 £000	Weighted average interest rate %
Fixed rate financial liabilities	**69,905**	**6 50**	240,280	6 50
Floating rate financial liabilities – group loans	**371,785**	**0 00**	376,431	0 17
	441,690		616,711	

The weighted average period for which rates are fixed is 5 (2006 10 years)

Notes to the financial statements (continued)

16 Financial instruments (continued)

Maturity of financial liabilities

At the end of 2007, 100% of the company's borrowings were due to mature in more than five years (2006 98 0%) The maturity profile of the company's financial liabilities in more detail as at 31 December is as follows

	2007 £000	2006 £000
In one year or less, or on demand	-	12,325
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	441,690	604,386
	441,690	616,711

Borrowing facilities

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

	2007 £000	2006 £000
Overdraft facility	10,000	10,000
Bank loan facilities	-	30,000
	10,000	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 at 31 December is shown below

	2007 Book value £000	2007 Fair value £000	2006 Book value £000	2006 Fair value £000
Group loans to finance the company's operations	371,785	371,785	376,461	376,431
Long-term borrowings	69,905	71,995	240,280	249,108

Notes to the financial statements (continued)

17 Provisions for liabilities and charges

	Deferred taxation £000	Post retirement medical insurance (note 8(d)) £000	Environ-mental provision £000	Ex-gratia pensions (note 8(e)) £000	Legal Claims £000	Restruc-turing provisions £000	Total £000
At 1 January 2007	20,340	1,087	1,339	1,497	1,040	9,547	34,850
Utilised during the year	-	(21)	(19)	(121)	(275)	(7,264)	(7,700)
Charged/(credited) to profit and loss account	(8,138)	(70)	-	49		1,122	(7,037)
At 31 December 2007	**12,202**	**996**	**1,320**	**1,425**	**765**	**3,405**	**20,113**

The deferred taxation provision above excludes deferred tax which relates to the pension asset, as this is netted of against the pension surplus, see note 8 (c)

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

The restructuring provision includes severance and demolition costs for the Bradford, Clayton and Paisley sites This provision will be used in 2008 and in 2009

Notes to the financial statements (continued)

17 Provisions for liabilities and charges (continued)

Deferred tax is provided and unprovided as follows

	Provided 2007 £000	Unprovided 2007 £000	Provided 2006 £000	Unprovided 2006 £000
Accelerated capital allowances	13,027	-	21,446	-
Other timing differences	(825)	-	(1,106)	-
Deferred tax provision	12,202	-	20,340	-
Deferred tax liability on pension asset (note 8(c))	8,941	-	11,064	-
	21,143	-	31,404	-

	2007	2006
Provision at beginning of year including deferred tax on pension asset	31,404	14,318
Amount (credited) / debited to profit and loss account	(5,784)	15,295
Amount (credited) /debited to statement of total recognised gains and losses	(4,477)	1,791
Provision at end of year including deferred tax on pension asset	21,143	31,404

Announcements were made in the March 2007 Budget that the following changes to the UK tax legislation would be enacted in the 2007 and 2008 Finance Acts

1) the reduction of the main rate of corporation tax to 28% from 1 April 2008 onwards (FA 2007),

2) the abolition of balancing adjustments on the sale of an industrial building (FA 2007), and

3) the phasing out of industrial buildings allowances from 2008 onwards (FA 2008)

The first two of the above changes had been substantively enacted at the balance sheet date, and the numbers reported in the financial statements have been adjusted accordingly

The effect of the reduction of the main rate of corporation tax to 28% is to reduce the deferred tax liability provided at 31 December 2007 by £1,769,000 to £21,142,000, and to increase the profit after tax for the year by £1,769,000

The effect of the abolition of balancing adjustments enacted in FA 2007 is to reduce the deferred tax liability at 31 December 2007 by £6,551,000 to nil, and to increase the profit after tax for the year by £6,551,000 This is because, under FRS 19, once all conditions for retaining industrial buildings allowances have been met, any deferred tax in respect of the building must be reversed This condition is met once the balancing adjustments are abolished

The changes to be enacted in FA 2008 will have no further effects on the deferred tax liability provided at 31 December 2007

Notes to the financial statements (continued)

18 Called up share capital

	2007 £000	2006 £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

19 Reserves

	Share premium account £000	Profit and loss account £000
At 1 January 2007	60,032	(43,121)
Profit for the financial year	-	21,946
Other recognised losses	-	(8,304)
At 31 December 2007	**60,032**	**(29,479)**

20 Reconciliation of movements in equity shareholders' funds

	2007 £000	2006 £000
Profit for the financial year	**21,946**	40,029
Other recognised (losses) / gains	**(8,304)**	4,180
Opening equity shareholders' funds	**66,902**	22,693
Closing equity shareholders' funds	**80,544**	66,902

Notes to the financial statements (continued)

21 Commıtments

Annual commıtments for the company to make payments under non-cancellable operatıng leases

	2007 Land £000	**2007 Other £000**	2006 Land £000	2006 Other £000
Commıtments expırıng				
withın one year	-	**206**	-	338
withın two to five years	-	**824**	-	728
after 5 years	-	-	-	-
Total commıtments	-	**1,030**	-	1,066

22 Contıngent liabılıties

Durıng 2007 a professıonal assessment was undertaken to ıdentıfy the envıronmental financıal provısıons requıred for the Bradford, Duxford, and Paısley sıtes As a result of thıs assessment, contıngent lıabılıtıes totallıng £906,000 were ıdentıfied

23 Ultimate parent undertaking and controlling party

The ımmedıate parent undertakıng of the company was Cıba UK Investment plc (formerly known as Cıba Specıalty Chemıcals Investment PLC), a company ıncorporated ın England and Wales

The dırectors consıder that Cıba Holdıng Inc (formerly known as Cıba Specıalty Chemıcals Holdıng Inc), a company ıncorporated ın Swıtzerland, ıs the company's ultımate parent undertakıng and ultımate controllıng party

Cıba Holdıng Inc ıs the parent undertakıng of the smallest group of whıch Cıba UK plc ıs a member and for whıch group financıal statements are drawn up Copıes of these group financıal statements are avaılable from Cıba Holdıng Inc , Buıldıng K-141, CH-4002 Basle, Swıtzerland or http//www cıba com

As a subsıdıary undertakıng of Cıba Holdıng Inc , the company has taken advantage of the exemptıon ın FRS 8 "Related Party Dısclosures" not to dısclose transactıons wıth other members of the group