

Ciba Specialty Chemicals PLC

**Directors' report and financial
statements**

3249009

31 December 2001



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

Principal activity

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

Business review

The company continues to manufacture and sell specialty chemicals.

Results and dividends

The profit for the year ended 31 December 2001 was £15.0 million (2000: £6.2 million). An interim dividend was paid during the year of £6.2 million (2000: £19.4 million).

Directors

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

BG Kerr (Chairman)

IEF Stewart

MD Wright

M Finkelstein (resigned 5 November 2001)

CA Forbes (appointed 5 November 2001)

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

The company's commitment to increasing empowerment of employees demands an effective exchange of information. The process of team briefing by line managers continues to be an important basis for ensuring good internal communications. This is supplemented by both segmental and company-wide publications.

Employment of disabled persons

It remains the company's policy that disabled people are given the same consideration as other applicants for all job vacancies for which they offer themselves as suitable candidates.

Every effort has been made to ensure that line managers fully understand that disabled people must have the same prospects and promotional opportunities that are available to other employees. The company makes appropriate modifications to procedures, equipment and job content where it is practicable and safe to do so. Employees who become disabled during the course of their employment with the company are helped with rehabilitation and retraining for alternative work if they are unable to continue their existing job.

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 £21,091 (2000: £25,764) were made for charitable purposes. In addition, £164,540 (2000: £229,393) 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 32 days (2000: 31 days).

Auditors

The directors will place a resolution before the Annual General Meeting to reappoint Arthur Andersen as auditors for the ensuing year.

By order of the board



I E F Stewart
Secretary

Charter Way
Macclesfield
Cheshire
SK10 2NX

13 March 2002

Statement of directors' responsibilities

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

We have audited the financial statements of Ciba Specialty Chemicals PLC for the year ended 31 December 2001 which comprise the profit and loss account, balance sheet and the related notes numbered 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are 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 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.

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 circumstances of the company, 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 at 31 December 2001 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors

Bank House
9 Charlotte Street
Manchester
M1 4EU

13 March 2002

Profit and loss account
for the year ended 31 December 2001

	<i>Notes</i>	Year ended 31 December 2001 £000	Year ended 31 December 2000 £000
Turnover	2	270,783	296,811
Cost of sales	3(a)	(194,399)	(210,034)
Gross profit		76,384	86,777
Net operating expenses	3(a)	(57,219)	(66,766)
Operating profit	3(a)(b)	19,165	20,011
Loss on disposal of discontinued operations	4	-	(7,226)
Profit on ordinary activities before finance charges		19,165	12,785
Net interest payable	5	(1,300)	(582)
Investment charges	6	(2,857)	(6,029)
Profit on ordinary activities before taxation		15,008	6,174
Tax on profit on ordinary activities	7	-	-
Profit for the financial year		15,008	6,174
Dividends paid	10	(6,174)	(19,392)
Retained profit/(deficit) for the financial year	19	8,834	(13,218)
Profit and loss account brought forward		48,363	61,581
Profit and loss account carried forward	19	57,197	48,363

All of the items above arose from continuing operations.

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

There are no recognised gains or losses in either year other than the result for the year.


Balance sheet


as at 31 December 2001

	Notes	2001 £000	2000 £000
Fixed assets			
Tangible assets	11(a)	148,819	156,461
Investments	11(b)	21	-
		<hr/> 148,840	<hr/> 156,461
Current assets			
Stocks	12	39,989	45,013
Debtors			
due within one year	13	139,534	168,159
due after one year	13	742,345	713,569
Cash at bank and in hand		14,974	2,474
		<hr/> 936,842	<hr/> 929,215
Creditors: amounts falling due within one year	14	(556,723)	(570,186)
		<hr/>	<hr/>
Net current assets		380,119	359,029
		<hr/>	<hr/>
Total assets less current liabilities		528,959	515,490
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	15	(360,066)	(355,402)
Provisions for liabilities and charges	17	(1,673)	(1,702)
		<hr/>	<hr/>
Net assets		167,220	158,386
		<hr/>	<hr/>
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	57,197	48,363
		<hr/>	<hr/>
Equity shareholders' funds	20	167,220	158,386
		<hr/>	<hr/>

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

These financial statements were approved by the board of directors on 13 March 2002 and were signed on its behalf by:


 C A Forbes


 I E F Stewart
 Directors

Notes

(forming part of 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.

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	-	33 years
Plant and machinery	-	10-20 years
Fixtures and fittings	-	3-10 years

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 receivable to date less the amounts so far credited to the profit and loss account (see note 15 (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 (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 or, if hedged, at the forward contract rate. Trading assets and liabilities denominated in foreign currency are translated into sterling at the rate of exchange ruling at the year end or, if appropriate, at the forward contract rate. Exchange gains and losses are taken to trading profit.

Pension and post-retirement benefits

Defined benefit pension schemes are administered by appointed trustees.

The pension cost charged to the profit and loss account is calculated on a basis designed to ensure that the cost is a substantially level percentage of the pensionable payroll for the foreseeable future. This may not therefore coincide with the contributions actually made to the pension funds, with any differences shown as provisions or prepayments.

The assets and liabilities of the schemes are valued periodically by independent actuaries at intervals of not more than three years. Any surplus arising from a valuation is amortised over the average working lives of existing employees.

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

Corporation tax payable is provided on taxable profits at the current rate.

Provision is made for deferred taxation if it is considered that a liability will arise in the foreseeable future. The rate of United Kingdom corporation tax applied is that which is expected to be payable in the period in which the liability arises. The same principles are applied to deferred taxation in relation to pension and post-retirement medical insurance costs.

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 retained profits, 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.

Notes (continued)

1 Accounting policies (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. These policies have remained unchanged since 1999.

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

	Year ended 31 December 2001 £000	Year ended 31 December 2000 £000
<i>Turnover by destination is as follows:</i>		
United Kingdom	100,510	111,530
Americas	28,146	33,397
Europe	125,344	129,719
Asia, Australia and Africa	16,783	22,165
	<hr/>	<hr/>
	270,783	296,811

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

Notes (continued)

3 (a) Net operating expenses

	Year ended 31 December 2001 £000	Year ended 31 December 2000 £000
Staff costs (see note 8)	29,061	30,702
Depreciation of tangible fixed assets	10,719	11,257
Other external costs	17,439	24,807
	<hr/> 57,219	<hr/> 66,766

(b) Operating profit on ordinary activities

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

	Year ended 31 December 2001 £000	Year ended 31 December 2000 £000
Auditors' remuneration:		
audit	75	102
other services	55	277
Operating leases:		
plant and machinery	186	131
other assets	728	584
Directors' emoluments (see note 9)	574	663
Amounts transferred from government grants (see note 15 (a))	(334)	(373)
Amortisation of pension surplus (see note 8)	(14,414)	(18,040)
Research and development expenditure (see note (c) below)	4,714	4,010
Exchange gains and losses on foreign currency borrowings	2,529	3,489

(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 by independent professional accountants. 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 on receipt from the independent accountants of their statement of the actual amounts payable and receivable. The total amount adjusted for during the year to 31 December 2001 relating to prior years was £4,699,000 (2000: £nil).

Notes (continued)

4 Loss on disposal of discontinued operations

	Year ended 31 December 2001 £000	Year ended 31 December 2000 £000
Decrease in pension prepayment due to business reorganisation (see note 8 (c))	-	7,226

5 Net interest payable

	Year ended 31 December 2001 £000	Year ended 31 December 2000 £000
<i>Interest payable</i>		
On loans wholly repayable within five years:		
Group companies	(31,402)	(25,223)
Bank interest and similar charges	(7,612)	(13,157)
	<u>(39,014)</u>	<u>(38,380)</u>
On loans wholly repayable after five years:		
Bank interest and similar charges	(15,789)	(18,565)
	<u>(54,803)</u>	<u>(56,945)</u>
<i>Interest receivable</i>		
Bank interest receivable and similar income	51	75
Group companies	53,452	56,288
	<u>(1,300)</u>	<u>(582)</u>

6 Investment charges

	Year ended 31 December 2001 £000	Year ended 31 December 2000 £000
Loss on termination of interest swap	-	5,009
Amortisation of capitalised portion of loss on termination	2,857	1,020
	<u>2,857</u>	<u>6,029</u>

Notes (continued)

7 Tax on profit on ordinary activities

There is no tax charge for the year due to the availability of losses within the UK group and the non-taxable nature of the credit arising on the amortisation of the pension surplus (see note 8(c)).

There is no provision for deferred tax as it is considered that a liability will not arise in the foreseeable future.

The amount of full potential deferred taxation is as follows:

	Year ended 31 December 2001 £000	Year ended 31 December 2000 (restated) £000
Capital allowances exceeding depreciation	16,627	13,673
Other timing differences	18,386	15,516
Post retirement medical insurance costs	(386)	(389)
Capital gains rolled over	1,707	1,707
	<hr/> 36,334	<hr/> 30,507

8 Employees

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

	Year ended 31 December 2001 Number	Year ended 31 December 2000 Number
Production	940	964
Administration	423	442
	<hr/> 1,363	<hr/> 1,406

- (b) Cost of employees, including executive directors:

	Year ended 31 December 2001 £000	Year ended 31 December 2000 £000
Wages and salaries	40,376	43,866
Social security costs	2,157	3,744
Amortisation of pension surplus	(14,414)	(18,040)
	<hr/> 28,119	<hr/> 29,570
Education, training and welfare	942	1,132
	<hr/> 29,061	<hr/> 30,702

Notes (continued)

8 Employees (continued)

At 31 December 2001 the following amounts were outstanding from non-director officers:

	£000	Number
Loans	517	15

(c) Pension scheme

The company operates a defined benefit scheme funded by contributions from members and from the company. The total pension cost for the company is assessed in accordance with the advice of an independent actuary using the projected unit method.

The assets of the pension scheme are held in a separate trustee administered fund for which the most recent actuarial valuation was carried out at 1 January 2000.

The company has continued to account for pensions in accordance with SSAP 24 and the disclosures given below are those required by that standard. FRS 17 Retirement Benefits was issued in November 2000 and accounting under FRS 17 is mandatory for the company from the year ended 31 December 2003. Prior to this, phased transitional disclosures are required and the first year disclosures are also set out below.

SSAP 24 Accounting for pension costs

The principal assumptions can be summarised as follows:

- (i) To allow for inflation the long term yield, which may be expected to be earned on new investments over a considerable period in the future, will exceed the general rate of salary increases by 3 per cent per annum and the rate of pension increase by 4.5 per cent per annum.
- (ii) Retirements in good health will occur at normal retirement age and appropriate allowance for mortality, withdrawal, ill-health and early retirement has been made.

The market value of the scheme's assets at the valuation date was £332 million and the actuarial value of the assets was sufficient to cover 175% of the benefits that accrued to members, after allowing for expected future increases in earnings, and for the improvements made to the scheme.

The surplus arose as a result of a strong historic investment performance by the pension fund. As a result of the valuation a net adjustment in accordance with SSAP 24 of £14.4 million (2000: £18.0 million) was credited to the profit and loss account.

An amount of £71.4 million (2000: £56.9 million) is included in prepayments, which represents the accumulated prepaid contributions prior to valuation together with the credit arising from the pension surplus.

On 30 September 1999 the company's business was reorganised which resulted in certain assets and liabilities of the Performance Polymers division being transferred to Ciba Specialty Chemicals Performance Polymers Limited. During the year ended 31 December 2000 a pension prepayment amounting to £7.2 million was allocated to Ciba Specialty Chemicals Performance Polymers Limited in proportion to the accrued pension entitlements of members.

FRS 17 Retirement Benefits

The valuation used for FRS 17 disclosures is based on the most recent actuarial valuation at 1 January 2000 and updated by the scheme actuaries, William M. Mercer Limited, to take account of the requirements of FRS 17 in order to assess the assets and liabilities of the scheme at 31 December 2001. Scheme assets are stated at their market value at 31 December 2001.

Notes (continued)

8 Employees (continued)

The major financial assumptions used to calculate scheme liabilities under FRS 17 are:

Valuation method	Projected unit
Inflation rate	2.4%
Rate of increase in salaries	3.9%
Rate of increase for pension in payment and deferred pension	2.4%
Rate used to discount scheme liabilities	6.0%

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

	Long-term rate of return expected at 31 December 2001	Value as at 31 December 2001 £000
Equities	7.7%	212,719
Bonds	4.7%	52,775
		<hr/>
Total market value of the assets		265,494
Present value of the scheme liabilities		(197,260)
		<hr/>
Recoverable surplus in the scheme		68,234
Related deferred tax liability		(20,470)
		<hr/>
Net pension asset		47,764

Following the actuarial valuation as at 1 January 2000 it was agreed that the company would not pay contributions to the scheme before 1 January 2010, subject to the actuarial review in the interim. Consequently no contributions were paid during 2001.

(d) Post-retirement medical insurance

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 1998 by independent actuaries. The next actuarial valuation was due on 31 December 2001, 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.

During the prior period the provision was reviewed to take account of costs and savings relating to buyout arrangements and changes to benefits but no changes were required.

Notes *(continued)*

9 Directors

	Year ended 31 December 2001 £000	Year ended 31 December 2000 £000
(a) Emoluments of directors		
Payments to executive directors	574	663
(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	228	259
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The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 31 December 2001 was £87,881 (2000: £82,018). There was no lump sum entitlement at 31 December 2001 (2000: £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 2000 £000	Maximum during the year £000	At 31 December 2001 £000
BG Kerr	110,000	110,000	110,000
MD Wright	45,000	45,000	45,000

10 Dividends paid

	Year ended 31 December 2001 £000	Year ended 31 December 2000 £000
Dividends (0.62p per share) (2000: 1.94p per share)	6,174	19,392

Notes (continued)

11 Fixed assets

(a) Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery £000	Fixtures & fittings £000	Assets in the course of construction £000	Total £000
Cost					
At 1 January 2001	61,132	175,665	16,121	8,542	261,460
Additions	82	180	237	2,777	3,276
Disposals	-	(572)	(1,773)	(16)	(2,361)
Reclassifications or transfers	698	968	(270)	(1,396)	-
At 31 December 2001	61,912	176,241	14,315	9,907	262,375
Depreciation					
At 1 January 2001	16,823	77,477	10,699	-	104,999
Charge for the year	1,750	7,570	1,399	-	10,719
Disposals	-	(447)	(1,715)	-	(2,162)
Reclassifications or transfers	187	(237)	50	-	-
At 31 December 2001	18,760	84,363	10,433	-	113,556
Net book value					
At 31 December 2001	43,152	91,878	3,882	9,907	148,819
At 31 December 2000	44,309	98,188	5,422	8,542	156,461

Freehold land with a value of £2.5 million at 31 December 2001 (2000: £2.5 million) has not been depreciated.

Capital commitments

Contracts for capital expenditure for which provision has not been made in the financial statements amounted to £nil (2000: £nil).

(b) Investments

Name	Country of incorporation	Principal activity	Nominal value £000	Holding	%
Subsidiary undertaking					
Ciba Specialty Chemicals (Financial Services) Limited	England and Wales	Financial services company (dormant company)	-	Ordinary shares	100%
Other investments					
Manchester Science Park Ltd	England and Wales	Property investment company	15 6	Ordinary 'C' shares Preference shares	25% 1.2%

Investment in Manchester Science Park Ltd has been previously included within debtors due after one year.

Notes (continued)

12 Stocks

	2001 £000	2000 £000
Raw materials and consumables	9,972	9,834
Work in progress	8,421	6,313
Finished goods	21,596	28,866
	<hr/> 39,989	<hr/> 45,013

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

13 Debtors

	2001 £000	2000 £000
<i>Amounts falling due within one year</i>		
Trade debtors	20,165	22,878
Amounts owed by group undertakings	114,381	138,009
Other debtors	1,854	4,841
Prepayments and accrued income	3,134	2,431
	<hr/> 139,534	<hr/> 168,159
<i>Amounts falling due after more than one year</i>		
Amounts owed by group undertakings	670,083	655,702
Pension prepayment (see note 8 (c))	71,370	56,896
Other debtors	892	971
	<hr/> 742,345	<hr/> 713,569

14 Creditors: amounts falling due within one year

	2001 £000	2000 £000
Trade creditors	12,866	7,101
Amounts owed to group undertakings	521,956	527,655
Other creditors	1,925	1,438
Accruals and deferred income	19,976	33,992
	<hr/> 556,723	<hr/> 570,186

Notes (continued)

15 Creditors: amounts falling due after more than one year

	2001 £000	2000 £000
Accruals and deferred income (see (a) below)	4,951	5,285
Unsecured long term debt (see (b) below)	355,115	350,117
	<hr/>	<hr/>
	360,066	355,402

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

	2001 £000	2000 £000
At 1 January 2001	5,285	5,658
Amounts credited to profit and loss account (see note 3 (b))	(334)	(373)
	<hr/>	<hr/>
At 31 December 2001	4,951	5,285

(b) Unsecured long term debt is repayable as follows:

	2001 £000	2000 £000
In more than one year but not more than two years	116,930	-
In more than two year but not more than five years	-	112,351
In more than five years	238,185	237,766
	<hr/>	<hr/>
	355,115	350,117

Of the long term loan, £238.2million (2000: £237.8 million) is payable on 24 April 2013 and interest is charged at 6.5%. The remainder is repayable on 27 May 2003 and interest is charged at 6.125%.

Notes (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 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 and US dollars.

As at 31 December 2001, the company's borrowings were on floating and fixed rates. The interest rate profile of these financial liabilities was:

	2001 £000	Weighted average interest rate %	2000 £000	Weighted average interest rate %
Fixed rate financial liabilities	355,115	6.38	350,117	6.38
Floating rate financial liabilities - group	505,794	4.42	502,715	6.53
	<u>860,909</u>		<u>852,832</u>	

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 2001, the company held open various currency swaps and forward contracts that the company had taken out to hedge expected future foreign currency transactions.

	2001 £000	2000 £000
Net foreign currency monetary liabilities:		
US Dollars	103,114	331,624

Notes (continued)

16 Financial instruments (continued)

Maturity of financial liabilities

At the end of the year 28% of the company's borrowings were due to mature in more than five years. The maturity profile of the company's financial liabilities in more detail as at 31 December 2001 is as follows:

	2001 £000	2000 £000
In one year or less, or on demand	505,794	502,715
In more than one year but not more than two	116,930	-
In more than two years but not more than five	-	112,351
In more than five years	238,185	237,766
	<hr/> 860,909	<hr/> 852,832

Borrowing facilities

The undrawn facilities available at 31 December 2001 in respect of which all conditions precedent had been met, were as follows:

	2001 £000	2000 £000
Overdraft facility	10,000	10,000
Bank loan facilities	115,000	125,000
	<hr/> 125,000	<hr/> 135,000

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 2001 is shown below:

	2001 Book value £000	2001 Fair value £000	2000 Book value £000	2000 Fair value £000
Group loans to finance the company's operations	505,794	505,794	502,715	502,715
Long-term borrowings	355,115	362,224	350,117	376,424

Notes (continued)

16 Financial instruments (continued)

All fair values have been determined using appropriate market rates as at 31 December 2001 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 2001	5,124	(896)	4,228
Gains and losses recognised in the year arising in previous years	(1,336)	896	(440)
	<hr/>	<hr/>	<hr/>
Gains and losses arising in previous years not recognised in the year	3,788	-	3,788
Gains and losses not recognised in the year arising in the year	37	(17)	20
	<hr/>	<hr/>	<hr/>
Unrecognised gains and losses at 31 December 2001	3,825	(17)	3,808
	<hr/>	<hr/>	<hr/>
Of which:			
Gains and losses expected to be recognised in the year ending 31 December 2002	37	(17)	20
Gains and losses expected to be recognised after 31 December 2002	3,788	-	3,788
	<hr/>	<hr/>	<hr/>
	3,825	(17)	3,808
	<hr/>	<hr/>	<hr/>

17 Provisions for liabilities and charges

	Post retirement medical insurance (see note 8 (d)) £000	Other provisions £000	Total £000
At 1 January 2001	1,295	407	1,702
Utilised during year	(9)	(180)	(189)
Transfer from other group companies	-	160	160
	<hr/>	<hr/>	<hr/>
At 31 December 2001	1,286	387	1,673
	<hr/>	<hr/>	<hr/>

Other provisions include unfunded pension provisions set up on the reorganisation of the company in 1991 and 1994.

Payment for post retirement medical insurance will be made until the members cease to be in the scheme.

Notes (continued)

18 Called up share capital

	2001	2000
	£000	£000
<i>Authorised</i>		
2 billion ordinary shares of £0.05 each	100,000	100,000
<i>Allotted, called up and fully paid</i>		
999,813,360 ordinary shares of £0.05 each	49,991	49,991

19 Reserves

	Share premium account £000	Profit and loss account £000
At 1 January 2001	60,032	48,363
Retained profit for the year	-	8,834
At 31 December 2001	60,032	57,197

20 Reconciliation of movements in equity shareholders' funds

	Year ended 31 December 2001 £000	Year ended 31 December 2000 £000
Profit for the financial year	15,008	6,174
Dividends paid	(6,174)	(19,392)
Net addition to/(reduction in) equity shareholders' funds	8,834	(13,218)
Opening equity shareholders' funds	158,386	171,604
Closing equity shareholders' funds	167,220	158,386

Notes (continued)

21 Commitments

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

	2001 Other £000	2000 Other £000
Commitments expiring:		
within one year	246	520
within two to five years	233	419
	<hr/>	<hr/>
Total commitments	479	939
	<hr/>	<hr/>

22 Ultimate controlling party

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.