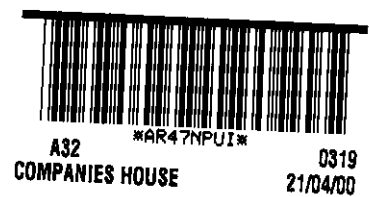


Ciba Specialty Chemicals PLC

**Directors' report and financial
statements**

3249009

31 December 1999



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1999.

Principal activities

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. The profit before tax amounted to £19.1 million (1998 as restated: £1.6 million)

Results and dividends

The profit for the year ended 31 December 1999 was £19.1 million (1998 as restated: profit of £1.6 million).

On 30 September 1999 the company's business was reconstructed in consequence of which certain assets and liabilities of the Performance Polymers division were transferred to Ciba Specialty Chemicals Performance Polymers Limited.

Following the disposal the results of this division have been disclosed as discontinued operations.

As part of the reconstruction, a dividend of £10,000 was paid in the year ended 31 December 1999, which was satisfied by the transfer of the net assets of the Performance Polymers division (1998: £Nil).

Directors

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

BG Kerr (Chairman)

IEF Stewart

MD Wright

M Finkelstein

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 the important basis for ensuring good internal communications. This is supplemented by both divisional 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.

Directors' report *(continued)*

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 application it undertakes in the UK.

Political and charitable donations

No contributions were made by the company during the year for political purposes. Donations amounting to £26,000 (1998: £14,000) were made for charitable purposes. In addition, £228,745 (1998: £281,000) 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 34 days (1998: 35 days).

Year 2000

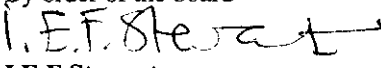
The company is acutely aware of the potential for the millennium date change to disrupt its operations significantly. In order to assess this potential and to take early corrective action, a team was set up in 1998 to devise an action plan.

The action plan was completed well in advance of the end of 1999. The total costs incurred to date and expected to be incurred are not separately identifiable and are not expected to be material. No problems have come to light since December 1999.

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

12 April 2000

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;
- 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 to 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.

Report of the auditors to the shareholders of Ciba Specialty Chemicals PLC

We have audited the financial statements on pages 5 to 24 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 10.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material 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 the company's affairs as at 31 December 1999 and of its 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

12 April 2000

Profit and loss account
for the year ended 31 December 1999

	<i>Notes</i>	Year ended 31 December 1999 £000	As restated Year ended 31 December 1998 £000
Turnover	2		
Continuing operations		290,335	296,414
Discontinued operations		60,466	83,068
		<hr/> 350,801 <hr/>	<hr/> 379,482 <hr/>
Cost of sales		(253,519)	(286,534)
		<hr/>	<hr/>
Gross profit		97,282	92,948
Net operating expenses	3(a)	(78,531)	(74,047)
		<hr/>	<hr/>
Operating profit on ordinary activities			
Continuing operations	2/3(b)	12,171	12,531
Discontinued operations	2	6,580	6,370
		<hr/> 18,751 <hr/>	<hr/> 18,901 <hr/>
Exceptional items			
Continuing operations			
Provisions for fundamental restructuring costs	4	-	(8,486)
		<hr/> 18,751 <hr/>	<hr/> 10,415 <hr/>
Net interest receivable/(payable)	5	305	(8,862)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		19,056	1,553
Tax on profit on ordinary activities	6	-	-
		<hr/>	<hr/>
Profit for the financial year		19,056	1,553
Dividends paid	9	(10)	-
		<hr/>	<hr/>
Retained profit for the financial year	16	19,046	1,553
		<hr/>	<hr/>
Profit and loss account brought forward		42,535	40,982
		<hr/>	<hr/>
Retained profit for the financial year	16	61,581	42,535
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form an integral part of the accounts.

Statement of total recognised gains and losses
for the year ended 31 December 1999

	1999	1998
	£000	£000
Profit for the financial year	19,056	1,553
Total recognised gains and losses relating to the year	19,056	1,553
Prior year adjustment (note 16)	11,687	
	30,743	

The accompanying notes form an integral part of the accounts.

Balance sheet
at 31 December 1999

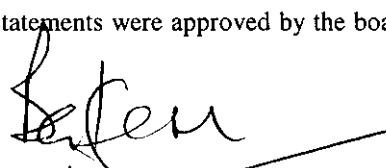

	<i>Note</i>	1999 £000	£000	As restated 1998 £000	£000
Fixed assets					
Tangible assets	10		165,067		199,509
Current assets					
Stock	11	42,291		70,354	
Debtors					
due within one year	12	288,472		358,707	
due after one year	12	706,974		583,202	
Cash at bank and in hand		3,308		749	
		<u>1,041,045</u>		<u>1,013,012</u>	
Creditors: amounts falling due within one year	13	<u>(547,696)</u>		<u>(564,541)</u>	
Net current assets			<u>493,349</u>		<u>448,471</u>
Total assets less current liabilities			<u>658,416</u>		<u>647,980</u>
Creditors: amounts falling due after more than one year	14		(484,469)		(483,970)
Provisions for liabilities and charges	16		(2,343)		(11,452)
Net assets			<u>171,604</u>		<u>152,558</u>
Capital and reserves					
Called up share capital	17		49,991		49,991
Share premium account	18		60,032		60,032
Profit and loss account	18		61,581		42,535
Shareholders' funds					
Equity	19		<u>171,604</u>		<u>152,558</u>

The accompanying notes form an integral part of these accounts.

These financial statements were approved by the board of directors on 12 April 2000 and were signed on its behalf by:

B G Kerr

I E F Stewart
Directors

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently except in respect of environmental liability provisions following the introduction of FRS12, 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.

The company is exempt from the requirement to produce 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, but no depreciation is provided on 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 14a).

Research and development

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

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.

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.

Notes (continued)

Accounting policies (continued)

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.

Repairs and renewals

All expenditure on repairs and renewals is written off as incurred.

Leases

Assets held under finance and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

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.

Notes (continued)

Accounting policies (continued)

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 risk 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 groups financial policies and they have remained unchanged since 1998.

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 1999 £000	Year ended 31 December 1998 £000
<i>Turnover by destination is as follows:</i>		
United Kingdom	157,489	181,700
Americas	35,398	27,149
Europe	134,813	148,171
Asia, Australia and Africa	23,101	22,462
	<hr/> 350,801 <hr/>	<hr/> 379,482 <hr/>

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

Notes (continued)

2 Turnover (continued)

	1999			1998		
	£000	£000	£000	£000	£000	£000
	Discontinued	Continuing	Total	Discontinued	Continuing	Total
Turnover	60,466	290,335	350,801	83,068	296,414	379,482
Cost of sales	45,041	208,478	253,519	63,079	223,455	286,534
Gross profit	15,425	81,857	97,282	19,989	72,959	92,948
Other operating expenses						
Other external costs	992	7,638	8,630	1,281	3,357	4,638
Staff costs	5,042	31,798	36,840	8,320	37,574	45,894
Depreciation of tangible fixed assets	1,316	11,405	12,721	1,802	10,100	11,902
Other operating charges	1,495	18,845	20,340	2,216	9,397	11,613
Net operating expenses	8,845	69,686	78,531	13,619	60,428	74,047
Operating profit	6,580	12,171	18,751	6,370	12,531	18,901

3 (a) Net operating expenses

	Year ended 31 December 1999 £000	As restated Year ended 31 December 1998 £000
Other external charges	8,630	4,638
Staff costs (see note 7)	36,840	45,894
Depreciation of tangible fixed assets	12,721	11,902
Other operating charges	20,340	11,613
Net operating expenses	78,531	74,047

Notes *(continued)*

(b) Operating profit on ordinary activities

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

	Year ended 31 December 1999 £000	Year ended 31 December 1998 £000
Auditors' remuneration:		
audit	110	120
other services	166	396
Operating leases:		
plant and machinery	79	392
other assets	463	-
Directors' emoluments (note 8)	562	484
Amounts transferred from government grants (note 14 (a))	(422)	(456)
Amortisation of pension surplus (note 4)	(14,439)	(12,778)
	<u> </u>	<u> </u>

(c) Central research

Ciba Specialty Chemicals PLC makes a contribution to the central research and overhead expenditure of the holding company of an amount agreed annually by independent professional accountants. The cost of research of worldwide application undertaken in the UK are reimbursed annually by the holding company.

The provision for the contribution and the reimbursement of research and overhead costs for 1999 included in these accounts has been estimated and is subject to adjustment on receipt from the independent accountants of their statement of the actual amounts payable and receivable.

Notes (continued)

4 Exceptional items

	Year ended 31 December 1999 £000	Year ended 31 December 1998 £000
(a) Recognised in arriving at operating profit: Amortisation of pension surplus (note 7)	(14,439)	(12,778)
(b) Recognised in arriving at profit before taxation: Provisions for fundamental restructuring of specialty chemicals divisions	-	8,486
Total net exceptional credit	(14,439)	(4,292)

5 Net interest receivable/(payable)

	Year ended 31 December 1999 £000	Year ended 31 December 1998 £000
On loans wholly repayable within five years:		
Group companies	(19,682)	(13,536)
Bank interest and similar charges	(34,541)	(24,427)
	(54,223)	(37,963)
Interest receivable and similar income	95	788
Group companies	54,433	28,313
	305	(8,862)

6 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 7).

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

Notes (continued)

6 Tax on profit on ordinary activities (continued)

The amount of full potential deferred taxation is as follows:

	Year ended 31 December 1999 £000	Year ended 31 December 1998 £000
Capital allowances exceeding depreciation and other timing differences	27,685	23,710
Post retirement medical insurance costs	(381)	(618)
Capital gains rolled over	1,706	1,721
	<u>29,010</u>	<u>24,813</u>

7 Employees

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

	Year ended 31 December 1999	Year ended 31 December 1998
Production	1,102	1,289
Administration	582	588
	<u>1,684</u>	<u>1,877</u>

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

	Year ended 31 December 1999 £000	Year ended 31 December 1998 £000
Wages and salaries	46,498	51,905
Social security costs	4,235	4,616
Amortisation of pension surplus	(14,439)	(12,778)
Education, training and welfare	546	2,151
	<u>36,840</u>	<u>45,894</u>

Notes (continued)

7 Employees (continued)

(a) Pension schemes

The company operates defined benefit schemes 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 1997.

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 2 per cent per annum and the rate of pension escalation by 4 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 £221 million and the actuarial value of the assets was sufficient to cover 149% 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 investment performance by the pension fund. As a result of the valuation a net adjustment in accordance with SSAP 24 of £14.4 million was credited to the profit and loss account.

An amount of £46.0million is included in prepayments, which represents the accumulated prepaid contributions prior to valuation together with the credit arising from the pension surplus.

(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 principal assumptions can be summarised as follows:

- (i) The rate of medical expenses inflation has been assumed as 7% p.a. for the next five 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 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)

8 Directors

	Year ended 31 December 1999 £000	Year ended 31 December 1998 £000
(a) Emoluments of directors		
Payments to executive directors	562	484
(b) Pensions of directors		
The number of directors who were members of pension schemes	4	4
(c) Highest paid director		
The above amounts for emoluments include the following in respect of the highest paid director.		
Emoluments	212	198

The accrued pension entitlement under the Company's defined benefit scheme of the highest paid director at 31 December 1999 was £76,955 (31 December 1998: £69,933). There was no lump sum entitlement at 31 December 1999.

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

The amounts outstanding are shown below:

	At 1 January 1999	Maximum during 1999	At 31 December 1999
BG Kerr	110,000	110,000	110,000
IEF Stewart	44,500	44,500	44,500
MD Wright	45,000	45,000	45,000

9 Dividends

	Year ended 31 December 1999 £000	Year ended 31 December 1998 £000
Dividend in specie of 0.01p per share (1998: £nil)	10	-

During the year there was a reconstruction of the business of Ciba Specialty Chemicals PLC. Under the terms of this reconstruction the assets of the Performance Polymers business were transferred to Ciba Specialty Chemicals Performance Polymers Ltd which, in turn, issued shares to Ciba Specialty Chemicals Investment PLC.

Notes (continued)

10 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 1999	55,134	175,199	23,821	43,943	298,097
Additions	-	60	169	3,602	3,831
Disposals	(1,021)	(2,918)	(3,023)	(544)	(7,506)
Transfer to group undertaking	(11,787)	(15,753)	(5,285)	(706)	(33,531)
Reclassifications	1,869	2,963	837	(5,669)	-
At 31 December 1999	44,195	159,551	16,519	40,626	260,891
Depreciation					
At 1 January 1999	17,496	67,193	13,899	-	98,588
Charge for the year	1,612	8,911	2,198	-	12,721
Written back on disposals	(339)	(1,607)	(2,046)	-	(3,992)
Transfer to group undertaking	(4,063)	(4,029)	(3,401)	-	(11,493)
Reclassifications	28	(241)	213	-	-
At 31 December 1999	14,734	70,227	10,863	-	95,824
Net book value					
At 31 December 1999	29,461	89,324	5,656	40,626	165,067
At 1 January 1999	37,638	108,006	9,922	43,943	199,509

Freehold land with a value of £2.8 million at 31 December 1999 has not been depreciated.

Capital commitments

	1999 £000	1998 £000
Contracts for capital expenditure for which provision has not been made in the accounts	-	2,788

(b) Investments

A £2 investment in a subsidiary undertaking comprises the entire share capital of Ciba Specialty Chemicals (Financial Services) Limited, a financial services company operating and registered in England and Wales.

Notes (continued)

11 Stock

	Year ended 31 December 1999 £000	Year ended 31 December 1998 £000
Raw materials and consumables	7,388	15,530
Work in progress	7,226	7,034
Finished goods	27,677	47,790
	<u>42,291</u>	<u>70,354</u>

12 Debtors

	Year ended 31 December 1999 £000	Year ended 31 December 1998 £000
Amounts falling due within one year:		
Trade debtors	23,940	31,189
Amounts owed by group undertakings	258,126	317,233
Other debtors	5,643	4,344
Prepayments and accrued income	763	5,941
	<u>288,472</u>	<u>358,707</u>
Amounts falling due after more than one year:		
Amounts owed by group companies	657,200	550,388
Pension prepayment	45,962	31,604
Other debtors	3,812	1,210
	<u>706,974</u>	<u>583,202</u>

13 Creditors: amounts falling due within one year

	Year ended 31 December 1999 £000	Year ended 31 December 1998 £000
Bank loans	41,062	95,550
Trade creditors	9,345	6,599
Amounts owed to group companies	471,429	423,076
Amounts owed to subsidiary undertakings	-	617
Taxation and social security	396	5,376
Other creditors	3,665	22,590
Accruals and deferred income	21,799	10,733
	<u>547,696</u>	<u>564,541</u>

Notes (continued)

14 Creditors: amounts falling due after more than one year

	Year ended 31 December 1999 £000	Year ended 31 December 1998 £000
Accruals and deferred income (see (a) below)	5,658	6,464
Unsecured long term debt (see (b) below)	478,811	477,506
	<u>484,469</u>	<u>483,970</u>

(a) Included within accruals and deferred income are government grants as follows:

	Year ended 31 December 1999 £000	Year ended 31 December 1998 £000
Amounts brought forward	6,464	6,120
Amounts credited to profit and loss account	(422)	(456)
Government grants received	-	800
Repayment of grants	(384)	-
	<u>5,658</u>	<u>6,464</u>

(b) Borrowings are repayable as follows:

	Year ended 31 December 1999 £000	Year ended 31 December 1998 £000
Unsecured long term debt		
Within 2-5 years	178,811	177,506
After 5 years	300,000	300,000
	<u>478,811</u>	<u>477,506</u>

Of the long term loan, £300 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 Swiss LIBOR plus 4.38%.

Notes (continued)

15 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 given in Note 1 Accounting policies.

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 and in not providing comparatives for the previous year when this disclosure was not required.

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, swiss francs and US dollars.

As at 31 December 1999, part of the Company's borrowings were on a fixed rate. The interest rate profile of the remaining financial liabilities were:

	£000	Weighted average interest rate %
Fixed rate financial liabilities	300,000	6.50
Floating rate financial liabilities	672,500	5.36
	<hr/> 972,500	<hr/> 5.72

Currency exposures

Net foreign currency monetary assets (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 1999, the Company also held open various currency swaps and forward contracts that the Company had taken out to hedge expected future foreign currency transactions.

	US Dollars £000	Swiss Francs £000	Sterling £000	Total £000
Net foreign currency monetary (assets) liabilities	173,292	125,317	(159,227)	139,382

Maturity of financial liabilities

At the end of the year 31% 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 1999 is as follows:

	£000
In one year or less, or on demand	493,689
In more than two years but not more than five	178,811
In over five years	300,000
	<hr/> 972,500

Notes (continued)

15 Financial instruments (continued)

Borrowing facilities

The facilities available at 31 December 1999 in respect of which all conditions precedent had been met, were as follows:

	£000
Overdraft facility	10,000
Bank loan facilities	225,000
	<hr/>
	235,000
	<hr/>

Fair values of financial assets and financial liabilities

A comparison by category of the book values and fair values of the financial assets and liabilities of the Company as at 31 December 1999 are shown below:

	Book value £000	Fair value £000
Group loans to finance the Company's operations	452,627	452,627
Short-term financial liabilities and current portion of long-term borrowings	41,062	41,062
Long-term borrowings	478,811	462,589
	<hr/>	<hr/>

All fair values have been determined using appropriate market rates as at 31 December 1999 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 1999	Losses 1999	Net 1999
Unrecognised gains and losses on hedges at 1 January 1999	-	(2,220)	(2,220)
Gains and losses recognised in the year arising in previous years	-	2,220	2,220
	<hr/>	<hr/>	<hr/>
Gains and losses arising in previous years not recognised in the year	-	-	-
Gains and losses not recognised in the year arising in year	2,648	(1,438)	1,210
	<hr/>	<hr/>	<hr/>
Unrecognised gains and losses at 31 December 1999	2,648	(1,438)	1,210
	<hr/>	<hr/>	<hr/>
Of which:			
Gains and losses expected to be recognised in the year ending 31 December 2000	2,648	(1,438)	1,210
Gains and losses expected to be recognised after 31 December 2000	-	-	-
	<hr/>	<hr/>	<hr/>
	2,648	(1,438)	1,210
	<hr/>	<hr/>	<hr/>

Notes (continued)

16 Provisions for liabilities and charges

	Environmental remediation	Post retirement medical insurance (see note 7)	Other provisions	Total
	£000	£000	£000	£000
At 1 January 1999	11,687	2,036	9,416	23,139
Prior period adjustment	(11,687)	-	-	(11,687)
As restated	-	2,036	9,416	11,452
Utilised during year	-	(116)	(7,923)	(8,039)
Transferred to other group companies	-	(647)	(547)	(1,194)
Charged to profit and loss account	-	-	124	124
At 31 December 1999	-	1,273	1,070	2,343

Accounting standard FRS12 (provisions, liabilities and assets) became mandatory for accounting periods ending after 23 March 1999. As a result, the environmental provisions have been released as a prior year adjustment.

Other provisions relating to the reorganisation of the company will be paid in the next financial year. Payment for post retirement medical insurance will be made until the members cease to be in the scheme.

17 Called up share capital

	Year ended 31 December 1999 £000	Year ended 31 December 1998 £000
Authorised		
2 billion 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

Notes (continued)

18 Share premium and reserves

	Share premium account £000	As restated Profit and loss account £000
At 1 January 1999	60,032	30,848
Prior year adjustment (note 16)	-	11,687
	<hr/>	<hr/>
As restated	-	42,535
Profit for the year	-	19,046
	<hr/>	<hr/>
At 31 December 1999	60,032	61,581
	<hr/>	<hr/>

19 Reconciliation of movements in equity shareholders' funds

	Year ended 31 December 1999 £000	As restated Year ended 31 December 1998 £000
Opening equity shareholders' funds	140,871	138,523
Prior year adjustment (note 16)	11,687	12,482
	<hr/>	<hr/>
As restated	152,558	151,005
Profit for the financial year	19,046	1,553
	<hr/>	<hr/>
Closing equity shareholders' funds	171,604	152,558
	<hr/>	<hr/>

Notes (continued)

20 Commitments and contingent liabilities

Contingent Liability

A contingent liability exists at the balance sheet date in respect of a potential claim for environmental remediation from a third party occupant of land previously owned by Ciba Specialty Chemicals Plc. Ongoing remediation work on the site is being assessed by the third party in the context of the indemnity given to them by the Company on purchase of the land.

It is not yet practicable to estimate the extent of any potential liability that may arise.

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

	Year ended 31 December 1999 Other £000	Year ended 31 December 1998 Total £000
Commitments expiring:		
within one year	364	65
within two to five years	112	457
in more than five years	-	57
	<hr/>	<hr/>
Total commitments	476	579
	<hr/>	<hr/>

21 Ultimate parent company

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

Ciba Specialty Chemicals Investment PLC is the parent undertaking of the group of which Ciba Specialty Chemicals PLC is a member and for which group accounts are drawn up. Copies of these group accounts have been delivered to and are 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.