

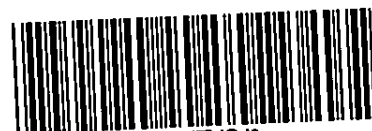
MetalFx Technology Limited

Directors' report and financial statements

Registered Number 4372394

Period to 31 December 2006

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Directors' report

The directors present their annual report and the audited financial statements for the 5 month period to 31 December 2006

Principal activity and review of business

The principal activity of the company is to establish and sell a global standard for metallic printing technology

The results for the period are below expectations but reflect the current focus of investing in the future of the business. The directors anticipate that the new product and service range will deliver results next year

Principal risks and uncertainties

The principal risks are the launch of similar systems by competitors, potential barriers to entry in distributing metallic inks, and working capital management. Intellectual property protection is important and the company maintains a rigorous approach to the enforcement of its copyrights

Results and dividends

The loss for the period after tax is £134,425 (period ended 30 July 2006: loss £82,219). The directors do not recommend the payment of a dividend (period ended 30 July 2006: £nil)

On 31 July 2006, 80% of the ordinary shares of MetalFx Technology were acquired by Ciba UK Investment plc. A director, AR Ainge, continues to hold the remaining 20% ordinary shareholding of MetalFx Technology Limited

Directors

The directors who held office during the period were as follows

A R Ainge
A H Dimery
C A Forbes
M Dawson (resigned 31 July 2006)

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £1 each	
	31 December 2006	30 July 2006
A R Ainge	20	20
A H Dimery	-	-
C A Forbes	-	-

Financial instruments

The company makes little use of financial instruments other than an operational bank account

The risks arising from price, credit, currency, liquidity and cash flow are not material to the assessment of assets, liabilities and result of the company

Charitable donations

During the period the company made charitable donations of £nil (period ended 30 July 2006: £580)

Directors' report (continued)

Directors' statement as to disclosure of information to auditors

In the case of each of the persons who were directors when the report is approved under s234A, the following applies

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- he has taken all the steps that he ought to have as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

In accordance with S385 of the Companies Act 1985, a resolution to appoint Ernst & Young LLP as auditors will be proposed at the Annual General Meeting

By order of the board



R Wilkinson

Secretary

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice

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 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 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 MetalFx Technology Limited

We have audited the company's financial statements for the period ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein. The financial statements of the company for the period ended 30 July 2006 are unaudited.

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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 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 except that the scope of our work was limited as explained below.

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 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. However the evidence available to us was limited because the financial statements for the period ended 30 July 2006 are unaudited and owing to the nature of the company's records, we have been unable to obtain sufficient appropriate audit evidence regarding the opening balances as at 31 July 2006 by using other audit procedures. Because of the significance of this limitation, we have been unable to form a view on the profit and loss account for the period ended 31 December 2006.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Independent auditors' report to the members of MetalFx Technology Limited
(continued)**

Opinion: disclaimer on view given by financial statements

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 2006

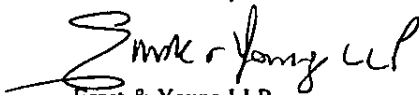
However, because of the possible effect of the limitation in evidence available to us, we are unable to form an opinion as to whether the financial statements,

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of its loss for the period ended 31 December 2006, and
- have been properly prepared in accordance with the Companies Act 1985

In respect solely of the limitation on our work referred to above

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit, and
- we were unable to determine whether proper accounting records have been maintained

Notwithstanding our disclaimer on the view given by the financial statements, in our opinion the information given in the directors' report is consistent with the financial statements



Ernst & Young LLP
Registered Auditors
Manchester

21 December 2007

Profit and loss account
for the period ended 31 December 2006

	<i>Notes</i>	Period ended 31 December 2006 £	(Unaudited) Period ended 30 July 2006 £
Turnover		89,664	527,272
Cost of sales		(38,901)	(122,527)
Gross profit		50,763	404,745
Administrative expenses		(167,625)	(497,660)
Operating loss	2	(116,862)	(92,915)
Interest payable and similar items	3	(4,812)	(6,577)
Loss on ordinary activities before taxation		(121,674)	(99,492)
Tax on loss on ordinary activities	4	(12,751)	17,273
Loss on ordinary activities after taxation		(134,425)	(82,219)
Dividends paid		-	-
Loss for the financial period	12	(134,425)	(82,219)

All activity arises from continuing operations

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


The accompanying notes form an integral part of this profit and loss account

Balance sheet
as at 31 December 2006

		31 December 2006		(Unaudited) Restated 30 July 2006	
	Notes	£	£	£	£
Current assets					
Stocks	7	33,595		14,449	
Debtors	8	41,188		89,398	
Cash at bank and in hand		235		200	
		<u>75,018</u>		<u>104,047</u>	
Creditors amounts falling due within one year	9	(343,204)		(235,537)	
Net current liabilities			(268,186)		(131,490)
Total assets less current liabilities			<u>(268,186)</u>		<u>(131,490)</u>
Creditors: amounts falling due after one year	10		(12,104)		(14,375)
Net liabilities			<u>(280,290)</u>		<u>(145,865)</u>
Capital and reserves					
Called up share capital	11		100		100
Share Premium account	12		102,400		102,400
Profit and loss account	12		(382,790)		(248,365)
Equity shareholders' funds	13		<u>(280,290)</u>		<u>(145,865)</u>

The accompanying notes form an integral part of this balance sheet

These financial statements were approved by the board of directors on 17 December 2007 and were signed on its behalf by


C A Forbes
Director

Cash flow statement
for the period ended 31 December 2006

	<i>Notes</i>	Period ended 31 December 2006 £	(Unaudited) Period ended 30 July 2006 £
Net cash outflow from operating activities	<i>14(a)</i>	(136,932)	(11,260)
Returns on investments and servicing of finance			
Interest paid		(5,505)	(6,577)
Interest received		693	-
		(4,812)	(6,577)
Net cash outflow before financing		(141,744)	(17,837)
Financing			
Loan repayment		(5,815)	(13,632)
Cash inflow from Group treasury		254,513	-
		248,698	(13,632)
Increase / (decrease) in cash	<i>14(b)</i>	106,954	(31,469)

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 in accordance with applicable Accounting Standards under the historical cost convention

The financial statements have been prepared on the going concern, notwithstanding net liabilities of £280,290, which the directors believe to be appropriate for the following reasons

The company has received confirmation from its immediate controlling party, Ciba UK Investment plc, that financial and other support will continue to be provided for a period of twelve months from the date of approval of these financial statements

Turnover

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

Revenue from sales is recognised when a signed contract exists and where delivery to a customer has occurred with no significant completion obligations remaining. In instances where a significant completion obligation exists, revenue recognition is delayed until the obligation has been satisfied

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

Stocks

Stocks are valued at the lower of cost and net realisable value. The cost 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

Translation of foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Assets and liabilities denominated in foreign currency are translated into sterling at the rate of exchange ruling at the year end. Exchange gains and losses are taken to trading profit

Pensions and post-retirement benefits

During February 2007, the company offered its' employees the opportunity to participate in the Ciba Specialty Chemicals defined contribution scheme funded by contributions from members and from the company

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 substantially enacted by the balance sheet date

Deferred tax has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more tax in future, or a right to pay less taxation in future. An asset is not recognised to the extent that the transfer of economic benefits is uncertain. Deferred tax assets and liabilities have not been discounted

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

Notes to the financial statements (continued)

Change in accounting policy and in presentation

The company's accounting policy in respect of trade debtors and accrued income has been changed to better reflect the definitions of FRS 5. Invoices issued on a proforma basis where goods have not been dispatched are no longer recognized as trade debtors, consequently there is no longer a requirement to disclose a corresponding balance in deferred income.

As a result, comparative figures for the period ended 30 July 2006 have been adjusted as follows

	Debtors £	Creditors £
As previously reported	159,056	305,195
Effect of the change in accounting treatment	(69,658)	(69,658)
	<u>89,398</u>	<u>235,537</u>

There is no corresponding effect on the profit and loss account

2 Operating loss on ordinary activities

Operating loss on ordinary activities is stated after charging the following

	Period ended 31 December 2006 £	Period ended 30 July 2006 £
Auditors' remuneration		
- audit	5,000	-
- other assurance services	11,000	-
Accountants' remuneration	-	6,000
Operating leases	8,606	16,782
Depreciation of tangible fixed assets	-	7,660
Impairment loss on fixed assets	-	36,483
Research and development	88,394	122,821
	<u>88,394</u>	<u>122,821</u>

Notes to the financial statements (continued)

3 Net interest payable

	Period ended 31 December 2006 £	Period ended 30 July 2006 £
<i>Interest payable</i>		
Bank interest	867	5,050
Interest on group loans	3,601	-
Other loans	656	1,527
Other interest	381	-
	<hr/>	<hr/>
	5,505	6,577
<i>Interest receivable</i>		
Other interest receivable	(693)	-
	<hr/>	<hr/>
	4,812	6,577
	<hr/>	<hr/>

4 Tax on loss on ordinary activities

	Period ended 31 December 2006 £	Period ended 30 July 2006 £
<i>Current tax</i>		
UK corporation tax charge / (credit)	-	-
Adjustments in respect of prior periods	12,751	(17,273)
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	-
Adjustments in respect of prior periods	-	-
	<hr/>	<hr/>
Total tax charge / (credit) on loss on ordinary activities	12,751	(17,273)
	<hr/>	<hr/>

Notes to the financial statements (continued)

4 Tax on loss on ordinary activities (continued)

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

	Period ended 31 December 2006 £	Period ended 30 July 2006 £
Loss on ordinary activities before tax	(121,674)	(99,492)
Tax on loss on ordinary activities at standard UK corporation tax rate of 30% (30 July 2006 19%)	(36,502)	(18,903)
Effects of		
Research and development tax relief	(3,498)	(10,635)
Adjustments to prior periods	12,751	(17,273)
Expenses not deductible for tax purposes	220	9,264
Timing difference between capital allowances and depreciation	(596)	4,016
Tax losses not utilised	40,376	16,258
Current tax charge / (credit) for period	12,751	(17,273)

Deferred tax

Deferred tax assets of £71,105 (30 July 2006 - £19,879) comprising carried forward losses of £65,983 (30 July 2006 - £16,258) and fixed asset timing differences of £5,122 (30 July 2006 - £3,621) have not been recognised as it is not considered certain that future taxable profits will arise in the foreseeable future

5 Employees

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

	Period ended 31 December 2006 Number	Period ended 30 July 2006 Number
Production	2	2
Administration	5	5
	7	7

- (b) Cost of employees, including executive directors

	Period ended 31 December 2006 £	Period ended 30 July 2006 £
Wages and salaries	79,394	192,000
Social security costs	12,200	20,145
	91,594	212,145

Notes to the financial statements (continued)

6 Directors

	Period ended 31 December 2006 £	Period ended 30 July 2006 £
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(a) Emoluments of directors

Payments to executive directors	25,549	62,686
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Included in payments to executive directors is £nil (period ended 30 July 2006 £nil) receivable under long term incentive schemes

(b) Pensions of directors

The number of directors who were members of defined benefit pension schemes	-	-
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(c) Highest paid director

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

	Period ended 31 December 2006 £	Period Ended 30 July 2006 £
Emoluments	25,549	62,686

The accrued pension entitlement under Ciba UK plc's defined benefit and defined contribution scheme of the highest paid director at 31 December 2006 was £nil (30 July 2006 £nil) There was no lump sum entitlement at 31 December 2006 (30 July 2006. £nil)

7 Stocks

	31 December 2006 £	30 July 2006 £
Raw materials	33,595	14,449
	33,595	14,449

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

Notes to the financial statements (continued)

8 Debtors

	31 December 2006 £	Restated 30 July 2006 £
Prepayments	9,233	16,858
Other debtors	8,157	35,991
Corporation tax	23,798	36,549
	<u>41,188</u>	<u>89,398</u>

9 Creditors amounts falling due within one year

	31 December 2006 £	Restated 30 July 2006 £
Bank loans and overdrafts	14,348	124,811
Trade creditors	24,265	55,739
Other taxes and social security	-	38,768
Accruals and deferred income	16,615	16,219
Amount owing to Group treasury	254,513	-
Amount owing to fellow subsidiary undertakings	33,463	-
	<u>343,204</u>	<u>235,537</u>

10 Creditors amounts falling due after one year

	31 December 2006 £	30 July 2006 £
Bank loans and overdrafts	12,104	14,375
	<u>12,104</u>	<u>14,375</u>

Notes to the financial statements (continued)

11 Called up share capital

	31 December 2006 £	30 July 2006 £
<i>Authorised</i>		
100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>
	100	100
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>
	100	100
	<hr/>	<hr/>

12 Reserves

	Share Premium £	Profit and loss account £
At 31 July 2006	102,400	(248,365)
Loss for the period	-	(134,425)
	<hr/>	<hr/>
At 31 December 2006	102,400	(382,790)
	<hr/>	<hr/>

13 Reconciliation of movements in shareholders' funds

	31 December 2006 £	30 July 2006 £
Loss for the financial period	(134,425)	(82,219)
	<hr/>	<hr/>
Net addition to shareholders' funds	(134,425)	(82,219)
Opening shareholders' funds	(145,865)	(63,646)
	<hr/>	<hr/>
Closing shareholders' funds	(280,290)	(145,865)
	<hr/>	<hr/>

Notes to the financial statements (continued)

14 Notes to the statement of cash flows

	Period ended 31 December 2006 £	Period ended 30 July 2006 £
(a) Reconciliation of operating loss to net cash outflow from operating activities		
Operating loss	(116,862)	(92,915)
Decrease in debtors	35,460	29,740
(Increase) / decrease in stocks	(19,146)	28,411
Decrease in creditors	(36,384)	(12,979)
Add back impairment of fixed assets	-	36,483
Net cash outflow from operating activities	(136,932)	(11,260)

(b) Analysis of net debt

	At 31 July 2006 £	Net cash flow £	Other changes £	At 31 December 2006 £
Cash in hand	200	35	-	235
Overdrafts	(113,492)	106,919	-	(6,573)
		<u>106,954</u>		
Financing				
<i>Debt due within 1 year</i>				
Bank loans and overdrafts	(11,319)	5,815	(2,271)	(7,775)
Cash inflow from Group treasury	-	(254,513)	-	(254,513)
<i>Debt due after 1 year</i>				
Bank loans and overdrafts	(14,375)	-	2,271	(12,104)
Total	(138,986)	(141,744)	-	(280,730)

15 Capital commitments

	31 December 2006 £	30 July 2006 £
Contracted for but not provided for in these financial statements	-	-

Notes to the financial statements (continued)

16 Operating lease commitments

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as follows

	31 December 2006 £	30 July 2006 £
Commitments expiring within one year	1,667	14
between two and five years	1,140	495
	<hr/> 2,807 <hr/>	<hr/> 509 <hr/>

17 Related parties

During the period, the following related party transactions were undertaken

(a) The company paid £75,731 and received £330,244 under an in house banking arrangement operated by Ciba Specialty Chemicals Treasury Services B V which is a fellow subsidiary At 31 December, £254,513 was owed to Ciba Specialty Chemicals Treasury Services B V No such payments or receipts were made during the period ended 30 July 2006

(b) Payroll costs of £83,655 were paid on behalf of the company by Ciba UK plc, a fellow subsidiary At 31 December 2006, £33,463 (30 July 2006 £nil) was owing to Ciba UK plc

(c) Blanc Canvas Limited, a company in which Mr Andrew Ainge, a director of the company, is the 100% shareholder, made sales of £1,511 (period ended 30 July 2006 £3,503) and purchases of £nil (period ended 30 July 2006 £2,100) with the company

There were no monies outstanding to / from Blanc Canvas Limited at 31 December 2006 (30 July 2006 £nil)

18 Ultimate parent undertaking and controlling party

The immediate parent undertaking of the company is Ciba UK Investment plc, a company incorporated in England and Wales

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

Ciba Specialty Chemicals Holding Inc is the parent undertaking of the smallest group of which MetalFx Technology Limited is a member and for which group financial statements are drawn up Copies of these group financial statements are available from Ciba Specialty Chemicals Holding Inc, Building K-141, CH-4002 Basle, Switzerland or <http://www.cibasc.com>

19 Post balance sheet events

On 21 March 2007, the Chancellor of the Exchequer announced that the standard rate of Corporation Tax in the UK would be reduced from 30% to 28% with effect from 1 April 2008 Additionally, with effect from 21 March 2007, balancing allowances / charges arising on the sale of industrial buildings were withdrawn Had these two measures been enacted, or substantially enacted, at the balance sheet date, the unprovided deferred tax asset of £71,105 would have been reduced to £66,365