

MetalFx Technology Limited

**Directors' report and financial
statements**

Registered Number 4372394

Year ended 31 December 2007

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Contents

Directors' report	1-2
Statement of directors' responsibilities	3
Independent auditors' report to the members of MetalFx Technology Limited	4
Profit and loss account	5
Balance sheet	6
Cashflow statement	7
Notes to the financial statements	8-18

Directors' report

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

Principal activity and review of 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 year after tax is £269,435 (period ended 31 December 2006: loss £134,425). The directors do not recommend the payment of a dividend (period ended 31 December 2006: £Nil).

Post balance sheet events

On 4 April 2008, Ciba UK Investment plc purchased the remaining 20 ordinary shares in MetalFx Technology Limited from Mr Ainge, a director of the company. Full details of the purchase are disclosed in note 20.

Directors

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

AR Ainge	
AH Dimery	
CA Forbes	
R Wilkinson	Appointed 1 March 2008

CA Forbes will resign as directors of the company with effect from close of business on 30 June 2008.

AR Ainge will resign as director with effect from 1 July 2008.

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

	Ordinary shares of £1 each	
	31 December 2007	31 December 2006
AR Ainge	20	20
AH Dimery	-	-
CA Forbes	-	-
R Wilkinson	-	-

On 4 April 2008, AR Ainge's interest was purchased by Ciba UK Investment plc. Full details of the purchase are disclosed in note 19.

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 31 December 2006: £580).

Directors' report (continued)

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

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

By order of the board


R Wilkinson
Secretary

Charter Way
Macclesfield
Cheshire
SK10 2NX
30 June 2008

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable 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 year ended 31 December 2007 which comprise the Profit and Loss Account, Balance Sheet, Cash flow Statement and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or of information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

We planned 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, because the financial statements for the period ended 30 July 2006 were unaudited and owing to the nature of the company's records, we were 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, our audit report on the financial statements for the period ended 31 December 2006 included a disclaimer on the view given by the financial statements in respect of this matter as we were unable to form a view on the profit and loss account for the period ended 31 December 2006. Consequently, the results reported for the current financial year may not be comparable with those reported for the period ended 31 December 2006.

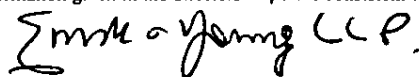
In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Qualified opinion - limitation of scope in respect of comparatives

Except for the financial effects on the comparatives for 2006 of the adjustments, if any, to the results for the period ended 31 December 2006 which we might have determined to be necessary had we been able to obtain sufficient appropriate audit evidence regarding the opening balances at 31 July 2006, in our opinion, the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its result for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

In our opinion, the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP
Registered Auditor
Manchester



30 June 2008

Profit and loss account
for the year ended 31 December 2007

	<i>Notes</i>	Year ended 31 December 2007 £	5 month period ended 31 December 2006 £
Turnover		257,334	89,664
Cost of sales		(92,546)	(38,901)
Gross profit		164,788	50,763
Administrative expenses		(404,193)	(167,625)
Operating loss	3	(239,405)	(116,862)
Interest payable and similar items	4	(30,030)	(4,812)
Loss on ordinary activities before taxation		(269,435)	(121,674)
Tax on loss on ordinary activities	5	-	(12,751)
Loss for the financial period after taxation	15	(269,435)	(134,425)

There were no recognised gains and losses other than those reflected in the above profit and loss account


All activity arises from continuing operations

Balance sheet
as at 31 December 2007

	Notes	31 December 2007		31 December 2006	
		£	£	£	£
Current assets					
Stocks	8	31,547		33,595	
Debtors	9	138,959		41,188	
Cash at bank and in hand		-		235	
		170,506		75,018	
Creditors: amounts falling due within one year	10	(717,782)		(343,204)	
Net current liabilities			(547,276)		(268,186)
Total assets less current liabilities			(547,276)		(268,186)
Creditors: amounts falling due after one year	11		-		(12,104)
Provisions for liabilities and charges	12		(2,449)		-
Net liabilities			(549,725)		(280,290)
Capital and reserves					
Called up share capital	13		100		100
Share Premium account	14		102,400		102,400
Profit and loss account	14		(652,225)		(382,790)
Equity shareholders' funds	15		(549,725)		(280,290)

The accompanying notes form an integral part of this balance sheet

These financial statements were approved by the board of directors on 30 June 2008 and were signed on its behalf by


C A Forbes
Director

Cash flow statement
for the year ended 31 December 2007

	<i>Notes</i>	Year ended 31 December 2007 £	Period ended 31 December 2006 £
Net cash outflow from operating activities	<i>16(a)</i>	(367,777)	(136,932)
Returns on investments and servicing of finance			
Interest paid		(30,030)	(5,505)
Interest received		-	693
		(30,030)	(4,812)
Net cash outflow before financing		(397,807)	(141,744)
Financing			
Loan repayment		(19,879)	(5,815)
Cash inflow from Group treasury		424,024	254,513
		404,145	248,698
Increase in cash	<i>16(b)</i>	6,338	106,954

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 £549,725, 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)

2 Turnover

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

	2007 £000	2006 £000
United Kingdom	12,867	4,483
Rest of world	244,467	85,181
	<u>257,334</u>	<u>89,664</u>

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

3 Operating loss on ordinary activities

Operating loss on ordinary activities is stated after charging the following

		Year ended 31 December 2007 £	Period ended 31 December 2006 £
Auditors' remuneration	- audit	-	5,000
	- other assurance services	4,500	11,000
Operating leases	- other	23,001	8,606
Research and development		<u>86,141</u>	<u>88,394</u>

The auditor's remuneration (£5,000) was borne by Ciba UK plc (formerly known as Ciba Speciality Chemicals PLC) a group undertaking, in 2007. In 2006, the cost was borne by the company.

Notes to the financial statements (continued)

4 Net interest payable

	Year ended 31 December 2007 £	Period ended 31 December 2006 £
<i>Interest payable</i>		
Bank interest	-	867
Group interest	28,885	3,601
Other loans	1,145	656
Other interest	-	381
	<u>30,030</u>	<u>5,505</u>
<i>Interest receivable</i>		
Other interest receivable	-	(693)
	<u>30,030</u>	<u>4,812</u>

5 Tax on loss on ordinary activities

	Year ended 31 December 2007 £	Period ended 31 December 2006 £
Current tax		
UK corporation tax charge	-	-
Adjustments in respect of prior periods	-	12,751
Deferred tax		
Origination and reversal of timing differences	-	-
Adjustments in respect of prior periods	-	-
Total tax charge on loss on ordinary activities	<u>-</u>	<u>12,751</u>

Notes to the financial statements (continued)

5 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

	Year ended 31 December 2007 £	Period ended 31 December 2006 £
Loss on ordinary activities before tax	(269,435)	(121,674)
Tax on loss on ordinary activities at standard UK corporation tax rate of 30% (31 December 2006 30%)	(80,831)	(36,502)
Effects of		
Tax losses surrendered	82,205	-
Research and development tax relief	(9,515)	(3,498)
Adjustments to prior periods	-	12,751
Expenses not deductible for tax purposes	9,421	220
Timing difference between capital allowances and depreciation	(1,280)	(596)
Tax losses not utilised	-	40,376
Current tax charge for period	-	12,751

Deferred tax

Deferred tax assets of £65,170 (31 December 2006 - £71,105) comprising carried forward losses of £61,584 (31 December 2006 - £65,983) and fixed asset timing differences of £3,585 (31 December 2006 - £5,122) have not been recognised as it is not considered certain that future taxable profits will arise in the foreseeable future

Notes to the financial statements (continued)

6 Employees

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

	Year ended 31 December 2007 Number	Period ended 31 December 2006 Number
Production	2	2
Administration	5	5
	<u>7</u>	<u>7</u>

- (b) Cost of employees, including executive directors

	Year ended 31 December 2007 £	Period ended 31 December 2006 £
Wages and salaries	202,140	79,394
Social security costs	21,133	12,200
	<u>223,273</u>	<u>91,594</u>

7 Directors

	Year ended 31 December 2007 £	Period ended 31 December 2006 £
(a) Emoluments of directors		
Payments to executive directors	<u>61,514</u>	<u>25,549</u>

Included in payments to executive directors is £nil (period ended 31 December 2006 £nil) receivable under long term incentive schemes

- (b) Pensions of directors

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

-	-
<u>-</u>	<u>-</u>

Notes to the financial statements (continued)

8 Stocks

	31 December 2007 £	31 December 2006 £
Raw materials	31,547	33,595
	<u>31,547</u>	<u>33,595</u>

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

9 Debtors

	31 December 2007 £	31 December 2006 £
Prepayments	21,306	9,233
Other debtors	24,472	8,157
Corporation tax	23,798	23,798
Amount owed by Group undertakings	69,383	-
	<u>138,959</u>	<u>41,188</u>

10 Creditors amounts falling due within one year

	31 December 2007 £	31 December 2006 £
Bank loans and overdrafts	-	14,348
Trade creditors	11,955	24,265
Accruals and deferred income	11,837	16,615
Amount owing to Group treasury	678,537	254,513
Amount owing to Group undertakings	15,453	33,463
	<u>717,782</u>	<u>343,204</u>

Notes to the financial statements (continued)

11 Creditors amounts falling due after one year

	31 December 2007 £	31 December 2006 £
Bank loans and overdrafts	-	12,104
	<u>-</u>	<u>12,104</u>
	<u>-</u>	<u>12,104</u>

12 Provisions for liabilities and charges

	Payroll costs £	Total £
At 1 January 2007	-	-
Utilised during the year	-	-
Charged to profit and loss account	2,449	2,449
	<u>2,449</u>	<u>2,449</u>
At 31 December 2007	<u>2,449</u>	<u>2,449</u>

The payroll costs liability represents potential additional social security costs which have been identified. These issues are expected to be resolved in 2008.

13 Called up share capital

	31 December 2007 £	31 December 2006 £
<i>Authorised</i>		
100 ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>
	<u>100</u>	<u>100</u>
<i>Allotted, called up and fully paid</i>		
100 ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>
	<u>100</u>	<u>100</u>

Notes to the financial statements (continued)

14 Reserves

	Share Premium	Profit and loss account
	£	£
At 1 January 2007	102,400	(382,790)
Loss for the year	-	(269,435)
	<hr/>	<hr/>
At 31 December 2007	102,400	(652,225)
	<hr/>	<hr/>

15 Reconciliation of movements in shareholders' funds

	Year ended 31 December 2007 £	Period ended 31 December 2006 £
Loss for the financial year	(269,435)	(134,425)
	<hr/>	<hr/>
Net deduction to shareholders' funds	(269,435)	(134,425)
Opening shareholders' funds	(280,290)	(145,865)
	<hr/>	<hr/>
Closing shareholders' funds	(549,725)	(280,290)
	<hr/>	<hr/>

Notes to the financial statements (continued)

16 Notes to the statement of cash flows

	Year ended 31 December 2007 £	Period ended 31 December 2006 £
(a) Reconciliation of operating loss to net cash outflow from operating activities		
Operating loss	(239,405)	(116,862)
(Increase) / decrease in debtors	(97,771)	35,460
Decrease / (increase) in stocks	2,048	(19,146)
Decrease in creditors	(32,649)	(36,384)
Net cash outflow from operating activities	(367,777)	(136,932)

(b) Analysis of net debt

	At 1 January 2007 £	Net cash inflow / (outflow) £	At 31 December 2007 £
Cash in hand	235	(235)	-
Overdrafts	(6,573)	6,573	-
Financing	(6,338)	6,338	-
Debt due within 1 year			
Bank loans and overdrafts	(7,775)	7,775	-
Cash inflow from Group treasury	(254,513)	(424,024)	(678,537)
Debt due after 1 year			
Bank loans and overdrafts	(12,104)	12,104	-
Total	(280,730)	(397,807)	(678,537)

Notes to the financial statements (continued)

17 Operating lease commitments

At 31 December 2007 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2007	2006	2007	2006
Commitments expiring				
Within one year	-	-	-	1,667
between two and five years	15,000	-	1,140	1,140
After 5 years	-	-	-	-
At 31 December 2007	15,000	-	-	2,807

18 Related parties

During the period, the following related party transactions were undertaken

(a) The company paid £247,147 (2006 £75,731) and received £642,286 (2006 £330,244) under an in house banking arrangement operated by Ciba Specialty Chemicals Treasury Services B V which is a fellow subsidiary. Interest of £28,885 (2006 £3,601) was paid on the advance. At 31 December 2007 £678,537, (2006 £254,513) was owed to Ciba Specialty Chemicals Treasury Services B V. No such payments or receipts were made during the period ended 31 December 2006.

(b) Payroll costs of £223,273 (2006 £83,655) were paid on behalf of the company by Ciba UK plc, a fellow subsidiary. At 31 December 2007 £15,454, (2006 £33,463) 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, was recharged £3,690 for rent, rates and utility costs (2006 £nil). In addition, Blanc Canvas recharged £6,330 to the company for goods and services.

£3,443 was outstanding from Blanc Canvas Limited at 31 December 2007 (2006 £nil).

19 Ultimate parent undertaking and controlling party

The immediate parent undertaking of the company is Ciba UK Investment plc (formerly known as Ciba Specialty Chemicals Investment PLC), a company incorporated in England and Wales.

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

Ciba 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 Holding Inc, Building K-141, CH-4002 Basle, Switzerland or <http://www.ciba.com>.

Notes to the financial statements (continued)

20 Post balance sheet events

On 4 April 2008, Ciba UK Investment plc purchased the remaining 20 ordinary shares in MetalFx Technology Limited from Mr Ainge, a director of the company. The provisions for acquisition of the minority interest held by Mr Ainge under the 2006 Sale and Purchase Agreement were varied by the terms of a Deed of Variation. Under the Deed of Variation, Ciba UK Investment plc purchased the 20 ordinary shares free of any charges etc at a consideration to be calculated by reference to the sales in the 6 months to 30th June 2008.

In addition to the share transfer, Mr Ainge was served notice to terminate his service agreement to expire 30 June 2008. Mr Ainge has signed a Compromise Agreement which waives and releases all claims relating to his employment with the company and a letter of resignation in relation to his position as a director with effect from 30 June 2008. Both of these were reaffirmed on 30 June 2008 under the terms of the agreements.