

**Akzo Nobel Pulp and Performance  
Chemicals Limited**  
Annual Report and Financial Statements  
Registered number 1934005  
31 December 2016



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## Directors' Report

The directors present their Directors' Report and the audited Financial Statements for the year ended 31 December 2016.

### Strategic Report

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006 and is exempt from preparing a Strategic Report.

### Change of Registered Office

On 1 October 2016, the Company changed its registered office address from 26<sup>th</sup> Floor, Portland House, Bressenden Place, London SW1E 5BG to The AkzoNobel Building, Wexham Road, Slough, SL2 5DS, United Kingdom.

### Principal Activities

The principal activity of the Company is to employ a team of technical sales representatives who provide services for the wider Akzo Nobel group.

### Business Review

The Company made a loss after tax of £88,000 during the financial year (2015: *profit £654,000*), and has net liabilities of £15,922,000 as at the 31 December 2016 (2015: *£15,834,000*).

### Going Concern

Akzo Nobel N.V., the Company's ultimate parent undertaking, has provided notification that it shall continue to provide financial and other support to the Company for a period of at least twelve months from the date of approval of these financial statements and thereafter for the foreseeable future to enable it to continue to trade. On this basis the directors, having made appropriate enquiries, consider that the Company has adequate resources to continue in operational existence for the foreseeable future, and it is therefore appropriate to adopt the going concern basis in preparation of the financial statements.

### Dividends

The directors did not pay an interim dividend during the year, (2015: *£nil*) nor do the directors recommend the payment of a final dividend (2015: *£nil*).

### Post Balance Sheet Event

Amounts owed to group undertakings includes an intercompany loan of £18,900,000 (2015: *£18,900,000*). The loan matures on 15 June 2017. Interest is fixed at 1.45%. On the 15 June 2017 a new loan for £18,900,000 was entered into. The loan matures on 15 June 2022. Interest is fixed at 1.74%. In line with the Company's plans for Akzo Nobel to separate its chemicals unit into a standalone business, it is anticipated that this loan will be repaid in 2017. This is not expected to have an impact on the Company.

### Directors

The directors who held office during and up to the date of signing the financial statements were as follows:

J. Goddard  
M. Smalley

### Employee Involvement

The policy of providing employees with information about the Company will be continued through various media used by the Company to present such information. A Works Council meets on a regular basis which enables employee representatives to discuss business issues with senior management. An annual bonus scheme is in operation which rewards employees and is linked to the performance of the Company.

### Political Contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the current or prior year.

## **Directors' Report** *(continued)*

### **Financial Risk Management**

Financial risk includes price risk, credit risk, liquidity risk and cash flow risk. These are addressed and managed at a group level as disclosed in the AkzoNobel Report 2016, pages 47 to 53 and may be obtained from Velperweg 76, PO Box 9300, 6800 SB Arnhem, The Netherlands.

An overall risk management program seeks to identify, assess and if necessary, mitigate these financial risks in order to minimise potential adverse effects on financial performance.

### **Future Developments**

The directors are of the opinion that the Company is in a position to continue its principal activities in 2017.

### **Statement of directors' responsibilities in respect of the Financial Statements**

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

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

### **Independent Auditors**

On 3rd April 2017, KPMG LLP resigned as the Company's auditor, in line with the Group's planned rotation of audit firms.

Pursuant to Section 485(3)(c) of the Companies Act 2006, PricewaterhouseCoopers LLP was appointed as the Company's auditor until the next period for appointing auditors.

**Directors' Report** *(continued)*

By order of the Board

  
**L. Carter**  
Secretary

The AkzoNobel Building  
Wexham Road  
Slough  
SL2 5DS  
United Kingdom

29 September 2017

## **Independent Auditors' report to the Members of Akzo Nobel Pulp and Performance Chemicals Limited**

### **Report on the financial statements**

#### **Our opinion**

In our opinion, Akzo Nobel Pulp and Performance Chemicals Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **What we have audited**

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance sheet as at 31 December 2016;
- the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Directors' Report. We have nothing to report in this respect.

#### **Other Matters on which we are required to report by exception**

##### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

##### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## **Independent Auditors' report to the Members of Akzo Nobel Pulp and Performance Chemicals Limited (*continued*)**

### **Entitlement to exemption**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

### **Responsibilities for the financial statements and the audit**

#### **Our responsibilities and those of the directors**

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

**Miles Saunders (Senior Statutory Auditor)**  
**for and on behalf of PricewaterhouseCoopers LLP,**  
**Chartered Accountants and Statutory Auditors**  
Reading

29 September 2017

**Statement of Comprehensive Income**  
*for the year ended 31 December 2016*

	<i>Note(s)</i>	<b>2016</b> <b>£000</b>	<b>2015</b> <b>£000</b>
<b>Turnover</b>	<i>4</i>	<b>1,659</b>	<b>2,328</b>
Administrative expenses	<i>5-7</i>	<b>(1,746)</b>	<b>(2,273)</b>
Other operating income	<i>8</i>	<b>5</b>	<b>289</b>
<b>Operating (loss) / profit</b>		<b>(82)</b>	<b>344</b>
Interest payable and similar expenses	<i>9</i>	<b>(299)</b>	<b>(307)</b>
<b>(Loss) / profit before taxation</b>		<b>(381)</b>	<b>37</b>
Tax credit on (loss) / profit	<i>10</i>	<b>293</b>	<b>617</b>
<b>(Loss) / profit for the financial year</b>		<b>(88)</b>	<b>654</b>
<b>Total comprehensive (loss) / income for the financial year</b>		<b>(88)</b>	<b>654</b>

The results for both the current and preceding years relate to continuing operations.



**Balance Sheet**  
*at 31 December 2016*

	<i>Note</i>	<b>2016</b> <b>£000</b>	<b>2015</b> <b>£000</b>
<b>Non current assets</b>			
Investments	11	-	-
<b>Current assets</b>			
Debtors (including £177,000 (2015: £216,000) due after more than one year)	12	3,880	6,730
Creditors: amounts falling due within one year	13	(19,802)	(22,559)
<b>Net current assets / (liabilities)</b>		<b>(15,922)</b>	<b>(15,829)</b>
<b>Total assets less current liabilities</b>		<b>(15,922)</b>	<b>(15,829)</b>
<b>Provisions for liabilities</b>	14	-	(5)
<b>Net liabilities</b>		<b>(15,922)</b>	<b>(15,834)</b>
<b>Capital and reserves</b>			
Called up share capital	15	4,800	4,800
Accumulated deficit		(20,722)	(20,634)
<b>Total shareholders' deficit</b>		<b>(15,922)</b>	<b>(15,834)</b>

The notes on pages 9 to 18 are an integral part of these financial statements.

These financial statements on pages 6 to 18 were authorised for issue by the board of directors on 29 September 2017 and were signed on its behalf by:



**M. Smalley**  
*Director*

**Statement of Changes in Equity**  
*for the year ended 31 December 2016*

	<b>Called up share capital £000</b>	<b>Accumulated deficit £000</b>	<b>Total shareholders' deficit £000</b>
Balance at 1 January 2015	4,800	(21,288)	(16,488)
Profit for the financial year	-	654	654
Total comprehensive income for the year	-	654	654
<b>Balance at 31 December 2015</b>	<b>4,800</b>	<b>(20,634)</b>	<b>(15,834)</b>

	<b>Called up share capital £000</b>	<b>Accumulated deficit £000</b>	<b>Total shareholders' deficit £000</b>
Balance at 1 January 2016	4,800	(20,634)	(15,834)
Loss for the financial year	-	(88)	(88)
Total comprehensive expense for the year	-	(88)	(88)
<b>Balance at 31 December 2016</b>	<b>4,800</b>	<b>(20,722)</b>	<b>(15,922)</b>

## Notes to the Financial Statements

### 1 General information

Akzo Nobel Pulp and Performance Chemicals Limited (the "Company") is a private company limited by shares and domiciled in the UK. The Company registration number is 1934005 and the registered office address is The AkzoNobel Building, Wexham Road, Slough, SL2 5DS, United Kingdom.

### 2 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below and have, unless otherwise stated, been applied consistently to all years presented in these financial statements.

#### 2.1 Basis of preparation

These financial statements were prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") under historical cost convention in pound sterling. The amendments to FRS 101 (2013/14 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006.

The financial statements are prepared on the historical cost basis.

The Company's ultimate parent undertaking, Akzo Nobel N.V. includes the Company in its consolidated financial statements. The consolidated financial statements of Akzo Nobel N.V. are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Velperweg 76, PO Box 9300, 6800 SB Arnhem, The Netherlands.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Statement of Compliance with IFRS;
- Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of transactions entered into between two or more members of a group;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Akzo Nobel N.V. include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

## Notes to the Financial Statements *(continued)*

### 2 Accounting policies *(continued)*

#### 2.2 Going concern

Akzo Nobel N.V., the Company's ultimate parent undertaking, has provided notification that it shall continue to provide financial and other support to the Company for a period of at least twelve months from the date of approval of these financial statements and thereafter for the foreseeable future to enable it to continue to trade. On this basis the directors, having made appropriate enquiries, consider that the Company has adequate resources to continue in operational existence for the foreseeable future, and it is therefore appropriate to adopt the going concern basis in preparation of the financial statements.

#### 2.3 New standards, amendments and IFRIC interpretations

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2016, have had a material impact on the Company.

#### 2.4 Foreign currency translation

##### *(a) Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

##### *(b) Transactions and balances*

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

#### 2.5 Investments in subsidiaries and associated undertakings

Investments in subsidiaries are held at cost less accumulated impairment losses. Investments are annually reviewed and considered for impairment, if events or changes in circumstances indicate that the carrying amount may not be recoverable.

#### 2.6 Debtors

Amounts receivable are amounts due from group companies for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

#### 2.7 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers or group companies.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### 2.8 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

## Notes to the Financial Statements *(continued)*

### 2 Accounting policies *(continued)*

#### 2.9 Borrowing costs

Borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

#### 2.10 Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### 2.11 Employee benefits

##### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income in the periods during which services are rendered by employees.

##### *Defined benefit plans*

Some of the Company's employees are members of group wide defined benefit pension plans. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the legally sponsoring employers, which are Akzo Nobel UK Limited and Imperial Chemical Industries Limited. The Company then recognises a cost equal to its contribution payable for the period. The contributions payable in respect of active members by the participating entities are determined following each triennial valuation conducted by a qualified independent actuary, and charged as a percentage of salary costs.

#### 2.12 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

## Notes to the Financial Statements *(continued)*

### 2 Accounting policies *(continued)*

#### 2.13 Revenue recognition

##### *Sales of services*

Turnover represents the amounts (excluding value added tax) derived from the provision of UK services to the Akzo Nobel group. Revenue is recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

#### 2.14 Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

### 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### 3.1 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### *(a) Impairment of debtors*

The Company makes an estimate of the recoverable value of amounts receivable. When assessing impairment of amounts receivable, management considers factors including the credit rating of the receivable, the ageing profile of receivable and historical experience.

##### *(b) Deferred tax asset recognition*

Deferred tax assets are only recognised on losses to the extent that future probable taxable profits will be available against which the deferred tax asset can be utilised. This is based upon future taxable profit forecasts of the Company.

### 4 Turnover

Analysis of turnover by geography:	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
United Kingdom	12	12
Europe	1,647	2,316
Total turnover	<u>1,659</u>	<u>2,328</u>
Analysis of turnover by category:	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Rendering of services	1,659	2,328
Total turnover	<u>1,659</u>	<u>2,328</u>

## Notes to the Financial Statements *(continued)*

### 5 Administrative expenses

	2016 £000	2015 £000
Audit of these financial statements	10	8

### 6 Remuneration of directors

	2016 £000	2015 £000
Directors' emoluments in respect of qualifying services	67	66
Company contributions to defined benefit pension schemes (see note 18)	26	17

	2016	2015
Retirement benefits are accruing to the following number of directors under: Defined benefit pension schemes	1	1

One of the directors provides services, and receives remuneration for services from a wholly owned subsidiary of the ultimate parent company.

### 7 Staff numbers and costs

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

	2016 Number	2015 Number
Administration	3	3
Production	-	1
Sales, marketing and distribution	8	13
	11	17

The aggregate payroll costs of these persons were as follows:

	2016 £000	2015 £000
Wages and salaries, including other termination benefits	937	1,022
Social security costs	93	146
Other pension costs (note 18)	252	315
	1,282	1,483

### 8 Other operating income

	2016 £000	2015 £000
Release of unutilised provisions	5	289

## Notes to the Financial Statements *(continued)*

### 9 Interest payable and similar expenses

	2016	2015
	£000	£000
Interest payable to group undertakings	(299)	(279)
Unwind of discount on provisions	-	(28)
	<u>(299)</u>	<u>(307)</u>

### 10 Tax on (loss) / profit

#### Recognised in the statement of comprehensive income *Analysis of credit in year*

	2016	2015
	£000	£000
<i>UK corporation tax</i>		
Current credit tax on (loss) / profit for the year	332	766
Current tax credit on profit for the financial year	<u>332</u>	<u>766</u>
<i>Deferred tax (note 15)</i>		
Origination and reversal of temporary differences	(31)	(125)
Impact of change in the UK tax rate	(8)	(24)
Total deferred tax	<u>(39)</u>	<u>(149)</u>
Tax credit on (loss) / profit	<u>293</u>	<u>617</u>

#### Reconciliation of effective tax rate

	2016	2015
	£000	£000
(Loss) / profit before taxation	(381)	37
Tax using the UK corporation tax rate of 20% (2015: 20.25 %)	76	(8)
Reduction in tax rate on deferred tax balances	(8)	(24)
UK to UK transfer pricing adjustment	230	649
Non-deductible expenses	(5)	-
Total tax credit	<u>293</u>	<u>617</u>



## Notes to the Financial Statements *(continued)*

### 10 Tax on (loss) / profit *(continued)*

#### *Factors that may affect future current and total tax charges*

In the Autumn 2012 Budget Statement a corporation tax rate change was announced reducing the rate from 23% to 21% effective 1 April 2014 and in the Budget of March 2013 this 21% rate was further reduced to 20% effective from 1 April 2015. These changes were substantively enacted on 2 July 2013 and therefore the effective current tax rate applicable during 2015 was 20.25% and the rate applicable during 2016 was 20%.

In the Summer 2015 Budget Statement a corporation tax rate change was announced reducing the rate from 20% to 19% effective 1 April 2017, with a further reduction to 18% effective 1 April 2020. Both of these changes were substantively enacted on 26 October 2015.

In the March 2016 Budget Statement a corporation tax rate change was announced reducing the rate from 18% to 17% effective 1 April 2020. This change was substantively enacted at the balance sheet date and is applied to any deferred tax balances of the Company.

#### *UK to UK transfer pricing adjustment*

The transfer pricing adjustment, relates to an allocation of the top up contributions to the defined benefits scheme, of which the Company is a participating entity.

### 11 Investments

	Total £000
<i>Cost</i>	
At beginning and end of year	-
<i>Net book value</i>	
At beginning and end of year	-

The company, in which the Company's interest at 31 December 2016 is more than 20%, is as follows:

The historical cost of the investment is £2:

	Country of Incorporation	Class of shares held	Ownership	
			2016	2015
Akzo Nobel Pulp and Performance Chemicals (AC) Limited	England and Wales	Ordinary	100%	100%
Subsidiary undertakings	Registered Office Address	Limited by shares or guarantee	Registration number	Public or private
Akzo Nobel Pulp and Performance Chemicals (AC) Limited	The AkzoNobel Building, Wexham Road, Slough, SL2 5DS, United Kingdom.	Shares	3384260	Private

## Notes to the Financial Statements *(continued)*

### 12 Debtors

	2016 £000	2015 £000
Amounts owed by group undertakings	712	3,853
Group relief receivable	2,991	2,660
Other debtors	-	1
Deferred tax asset (see note 14)	177	216
	<u>3,880</u>	<u>6,730</u>
Due within one year	3,703	6,514
Due after more than one year	<u>177</u>	<u>216</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Group relief will be provided to fellow group companies for equivalent consideration.

### 13 Creditors: amounts falling due within one year

	2016 £000	2015 £000
Trade creditors	1	7
Amounts owed to group undertakings	19,479	22,197
Taxation and social security	91	42
Accruals and deferred income	231	313
	<u>19,802</u>	<u>22,559</u>

Amounts owed to group undertakings include a balance of £308,903 (2015: £3,116,943) that is repayable on demand. Interest is charged monthly based on 1 month LIBOR plus a spread of +15 basis points.

Amounts owed to group undertakings includes an intercompany loan of £18,900,000 (2015: £18,900,000). The loan matures on 15 June 2017. Interest is fixed at 1.45%. On the 15 June 2017 a new loan for £18,900,000 was entered into. The loan matures on 15 June 2022. Interest is fixed at 1.74%. In line with the Company's plans for Akzo Nobel to separate its chemicals unit into a standalone business, it is anticipated that this loan will be repaid in 2017.

## Notes to the Financial Statements *(continued)*

### 14 Deferred tax assets

#### *Recognised deferred tax assets*

Deferred tax assets are attributable to the following:

	2016 £000	2015 £000
Unclaimed capital allowances	177	188
Provisions	-	28
Net tax assets	<u>177</u>	<u>216</u>

#### *Movement in deferred tax during the year*

	1 January 2016 £000	Recognised in income £000	31 December 2016 £000
Unclaimed capital allowances	188	(11)	177
Provisions	28	(28)	-
	<u>216</u>	<u>(39)</u>	<u>177</u>

#### *Movement in deferred tax during the prior year*

	1 January 2015 £000	Recognised in income £000	31 December 2015 £000
Unclaimed capital allowances	209	(21)	188
Provisions	156	(128)	28
	<u>365</u>	<u>(149)</u>	<u>216</u>

Deferred tax assets are recognised on the basis that they may be surrendered to another group company as group relief.

### 15 Provisions for liabilities

	Other £000	Total £000
Balance at 1 January 2016	5	5
Provisions reversed during the year	(5)	(5)
Balance at 31 December 2016	<u>-</u>	<u>-</u>

#### **Provisions**

Provisions relate to unavoidable closure costs relating to the Blackburn manufacturing site and an administration office in Congresbury.

## Notes to the Financial Statements *(continued)*

### 16 Called up share capital

	2016 £000	2015 £000
<i>Allotted, called up and fully paid</i>		
4,800,000 (2015: 4,800,000) ordinary shares of £1 each	4,800	4,800

All share capital is classified as shareholders' funds. There has been no movement in the number of shares in the current year.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

### 17 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2016 £000	2015 £000
Less than one year	22	28
Between one and five years	23	53
	<u>45</u>	<u>81</u>

During the year £20,000 was recognised as an expense in the statement of comprehensive income in respect of operating leases (2015: £46,000).

### 18 Post-retirement benefit provisions

#### Defined benefit plans

The company is a participant in two group wide defined benefit schemes – Akzo Nobel (CPS) Pension Scheme ("CPS") and ICI Specialty Chemicals Pension Fund ("the ISCPF"). As the legally sponsoring entities for these schemes, the financial statements of Akzo Nobel UK Ltd and Imperial Chemical Industries Limited respectively identify and disclose the information on the plans as prescribed by IAS19, and these financial statements are available from the companies' registered office at The AkzoNobel Building, Wexham Road, Slough, SL2 5DS or from Companies House. The contributions payable in respect of active members by the participating entities are determined following each triennial valuation conducted by a qualified independent actuary, and charged as a percentage of salary costs. The charge recognised by the Company in respect of active members in 2016 was £304,000 (2015: £269,000). The group-wide policy is that funding deficits are not charged to non-sponsoring entities.

#### Defined contribution plans

The Company operates a defined contribution pension plan.

The total expense relating to this plan in 2016 was £69,000 (2015: £46,000)

In respect of both, defined benefit and defined contribution plans, £121,000 (2015: £nil) was recharged to other group companies.

### 19 Ultimate parent company and parent undertaking of largest group of which the Company is a member

The Company is a wholly owned subsidiary company of Akzo Nobel Chemicals International B.V., a company incorporated in the Netherlands.

The only group in which the results of the Company are consolidated is that headed by the ultimate parent company, Akzo Nobel N.V.

Copies of the Akzo Nobel N.V. Annual Report and Financial Statements are available to the public and may be obtained from Velperweg 76, PO Box 9300, 6800 SB Arnhem, The Netherlands.