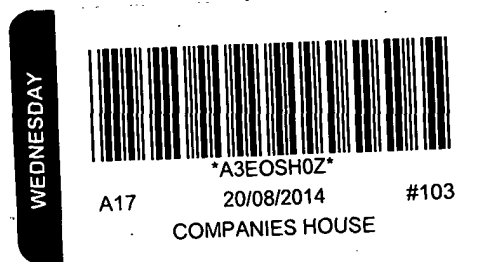


**Akzo Nobel Pulp and Performance
Chemicals Limited**
Annual Report and Financial Statements
31 December 2013
Registered number 1934005



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Directors Report

The directors present their Directors' Report and the audited financial statements for the year ended 31 December 2013.

Principal activities

The principal activity of the Company is to support the supply of chemicals to the UK paper industry through the provision of supply chain and technical sales force activities to a subsidiary of the ultimate parent company, Akzo Nobel Pulp and Performance Chemicals AB, under the single business entity concept.

During the year, the Company continued to engage in activities in line with the strategy for the wider Pulp and Performance Chemicals business. The Company closed its facility at the Blackburn site in May 2013 and are exploring options to dispose of the lease, which runs to 2066 and was provided in full in the prior year. The activities relating to the operations of the Blackburn site have been classed as discontinued operations in the current and prior year.

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

Business review

The results for the year ended 31 December 2013 are set out on page 5 of the financial statements.

Strategic Report

In accordance with Section 414B of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, the Company is exempt from preparing a Strategic Report.

Going concern

Akzo Nobel N.V., the Company's ultimate parent undertaking, has provided written 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.

Dividend

The directors do not recommend the payment of a dividend.

Directors

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

J. Goddard
A-C. Hogberg
O.H. Director Limited

Political donations

The Company made no political donations during the current or previous financial year. The Company's directly owned subsidiaries made no political donations during the current or previous financial year.

Auditor

Pursuant to Section 487(2) of the Companies Act 2006, the Company's auditor is deemed to be reappointed and therefore KPMG LLP will continue in office.

Directors Report (*continued*)

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board

O.H. SECRETARIAT LIMITED

AUTHORISED SIGNATORY

O.H. Secretariat Limited

Company Secretary

26th Floor
Portland House
Bressenden Place
London
SW1E 5BG

15 August 2014

Statement of directors' responsibilities in respect of the Directors' Report and the Financial Statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 their profit or loss for that period. In preparing 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Independent auditor's report to the members of Akzo Nobel Pulp and Performance Chemicals Limited

We have audited the financial statements of Akzo Nobel Pulp and Performance Chemicals Limited for the year ended 31 December 2013 which are set out on pages 5 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

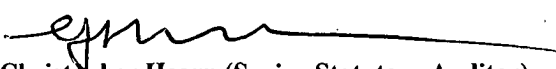
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.


Christopher Hearn (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
United Kingdom

15 August 2014

Profit and loss account

For the year ended 31 December 2013

	Note	2013 £000	2012 £000
Turnover	<i>1</i>		
Continuing operations		2,574	3,872
Discontinued operations		79	862
		<u>2,653</u>	<u>4,734</u>
Administrative expenses		(5,421)	(15,809)
Operating loss	<i>2-5</i>		
Continuing operations		(2,606)	(9,733)
Discontinued operations		(162)	(1,342)
		<u>(2,768)</u>	<u>(11,075)</u>
Interest payable and similar charges	<i>6</i>	(14)	(32)
		<u>(2,782)</u>	<u>(11,107)</u>
Loss on ordinary activities before taxation			
Tax on loss on ordinary activities	<i>7</i>	561	2,466
		<u>(2,221)</u>	<u>(8,641)</u>
Loss for the financial year		<u><u>(2,221)</u></u>	<u><u>(8,641)</u></u>

The notes on pages 8 to 15 form part of these financial statements.

There were no recognised gains or losses in either year other than those dealt with in the profit and loss account.

Balance sheet

At 31 December 2013

	Note	2013 £000	2013 £000	2012 £000	2012 £000
Fixed assets					
Tangible assets	8	-	-	-	-
Investments	9	-	-	-	-
Current assets					
Debtors (including £557,000 (2012: £966,000) due after more than one year)	10	5,669		4,798	
Creditors: amounts falling due within one year	11	(18,803)		(15,330)	
Net current liabilities			(13,134)		(10,532)
Total assets less current liabilities			(13,134)		(10,532)
Provisions for liabilities	12		(720)		(1,101)
Net liabilities			(13,854)		(11,633)
Capital and reserves					
Called up share capital	14		4,800		4,800
Profit and loss account	15		(18,654)		(16,433)
Shareholders' deficit			(13,854)		(11,633)

The notes on pages 8 to 15 form part of these financial statements.

These financial statements were approved by the board of directors on 15 August 2014 and were signed on its behalf by:

O.H. DIRECTOR LIMITED

AUTHORISED SIGNATORY
O.H Director Limited
Director

Reconciliation of movements in shareholders' deficit

For the year ended 31 December 2013

	2013 £000	2012 £000
Loss for the financial year	(2,221)	(8,641)
Net addition to shareholders' deficit	(2,221)	(8,641)
Opening shareholders' deficit	(11,633)	(2,992)
Closing shareholders' deficit	(13,854)	(11,633)

The notes on pages 8 to 15 form part of these financial statements.

Notes (Forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under Financial Reporting Standard 1 "Cash flow statements", the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

The Company is exempt by virtue of Section 400 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.

As 100% of the Company's voting rights are controlled within the group headed by Akzo Nobel N.V., the Company has taken advantage of the exemption contained in Financial Reporting Standard 8 "Related Party Disclosures" and has therefore not disclosed transactions or balances with entities which form part of the group.

As the Company operations at Blackburn ceased in 2013, under Financial Reporting Standard 3 "Reporting Financial Performance" these activities have been classified as discontinued operations for the current and prior year.

Going concern

Akzo Nobel N.V., the Company's ultimate parent undertaking, has provided written 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.

Foreign currencies

Transactions in foreign currencies are recorded using the rate set at the beginning of each month. Any gains or losses are included in the profit and loss account. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Fixed asset investments

Investments in subsidiaries are stated at cost less any provisions for impairment. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold land and buildings	life of the lease
Plant and machinery	estimated life of the asset

Leases

Lease rental payments in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term, except in cases where another systematic and rational basis is more appropriate.

Pension costs

The Company participates in a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Financial Reporting Standard 17 "Retirement Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Notes (continued)

1 Accounting policies (continued)

Provisions for liabilities

Provisions are recognised when a present legal or constructive obligation as a result of a past event exists, it is probable that an outflow of economic benefits is required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are measured at net present value. The expected future cash outflows are discounted at appropriate pre-tax interest rates, reflecting current market assessments of the time value of money and, if applicable, the risks specific to the liability. The increase of provisions as a result of the passage of time is recognised in the profit and loss account under interest payable and similar charges.

Taxation

The charge/credit for taxation is based on the profit/loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the Balance Sheet date, except as otherwise required by Financial Reporting Standard 19 'Deferred Tax.'

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of UK services to the Akzo Nobel group.

2 Notes to the profit and loss account

Loss on ordinary activities before taxation is stated after charging:

	2013 £000	2012 £000
Impairment of tangible fixed assets	-	698
Auditors' remuneration: audit of these financial statements	8	8
Operating lease rentals - land and buildings	12	561
Operating lease rentals - other assets	73	156
	<u>73</u>	<u>156</u>

Included in operating lease rentals – land and buildings is an amount in respect of provisions related to onerous leases £6,000 (2012: £491,000). Included in operating lease rentals – other assets is an amount in respect of provisions related to onerous leases £nil (2012: £11,000).

3 Remuneration of directors

	2013 £000	2012 £000
Directors' emoluments in respect of qualifying services	58	181
Company contributions to defined benefit group pension schemes	16	356
Directors' emoluments in respect of loss of office	-	60
	<u>58</u>	<u>60</u>

The aggregate of emoluments of the highest paid director in respect of qualifying services was £58,000 (2012: £62,000). Company pension contributions of £16,000 (2012: £12,000) were made to a group defined benefit pension scheme on his behalf.

	Number of directors	
	2013	2012
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	1	1
	<u>1</u>	<u>1</u>

Notes (continued)

4 Staff numbers and costs

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

	2013	2012
	Number	Number
Administration	5	6
Production	-	2
Sales, marketing and distribution	17	20
	<u>22</u>	<u>28</u>

The aggregate payroll costs of these persons were as follows:

	2013	2012
	£000	£000
Wages and salaries	1,070	1,390
Social security costs	145	163
Pension costs (note 16)	3,251	10,153
Other pension plans	-	22
Restructuring costs		
Wages and salaries (net of unutilised provision)	(83)	702
Social security costs	2	3
Pension costs - Akzo Nobel (CPS) pension scheme	6	588
	<u>4,391</u>	<u>13,021</u>

5 Analysis of continuing and discontinued operations

	2013			2012		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
	£000	£000	£000	£000	£000	£000
Turnover	2,574	79	2,653	3,872	862	4,734
Administrative expenses	(5,180)	(241)	(5,421)	(13,605)	(2,204)	(15,809)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Operating loss	(2,606)	(162)	(2,768)	(9,733)	(1,342)	(11,075)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

6 Interest payable and similar charges

	2013	2012
	£000	£000
Interest payable to group undertakings	(32)	(32)
Discounted provisions (note 12)	18	-
	<u>(14)</u>	<u>(32)</u>

Notes (continued)

7 Taxation

	2013 £000	2013 £000	2012 £000	2012 £000
<i>UK corporation tax</i>				
Current tax on loss for the period	970		2,526	
Total current tax credit		970		2,526
<i>Deferred tax (note 13)</i>				
Effect of decreased tax rate	(409)		(60)	
Total deferred tax charge		(409)		(60)
Tax credit on loss on ordinary activities		561		2,466

Factors affecting the tax credit for the current period

The current tax credit for the period is different from (2012: different from) the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%). The differences are explained below.

	2013 £000	2012 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(2,782)	(11,107)
Current tax credit at 23.25% (2012: 24.5%)	647	2,721
<i>Effects of:</i>		
Expenses not deductible/ taxable for tax purposes	(6)	(171)
Capital allowances lower than depreciation	-	(6)
Other timing differences – pension spreading	240	252
Other timing differences – restructuring	89	(270)
Total current tax credit (see above)	970	2,526

Factors that may affect future current and total tax charges

On 3 July 2012 a change in the rate of corporation tax was substantively enacted, reducing the rate from 24% to 23%, being effective from 1 April 2013. Therefore the standard rate of corporation tax for 2013 was 23.25% (2012: 24.5%).

In the Autumn 2012 Budget statement a further rate change was announced reducing the rate from 23% to 21% effective 1 April 2014 and in the budget of 20 March 2013 this 21% rate was further reduced to 20% effective from 1 April 2015. Both of these changes were substantively enacted on the 2 July 2013 and therefore any deferred tax asset at 31 December 2013 is recorded at 20%.

Notes (continued)

8 Tangible fixed assets

	Leasehold land and buildings £000	Plant and machinery £000	Total £000
<i>Cost</i>			
At beginning of year	1,056	1,252	2,308
Disposals	(34)	(1,170)	(1,204)
	<hr/>	<hr/>	<hr/>
At end of year	1,022	82	1,104
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At beginning of year	(1,056)	(1,252)	(2,308)
Disposals	34	1,170	1,204
	<hr/>	<hr/>	<hr/>
At end of year	(1,022)	(82)	(1,104)
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2013	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2012	-	-	-
	<hr/>	<hr/>	<hr/>

9 Fixed asset investments

	Total £000
<i>Cost</i>	
At beginning and end of year	-
	<hr/>
<i>Net book value</i>	
At 31 December 2013	-
	<hr/>
At 31 December 2012	-
	<hr/>

The Company holds 100% of the ordinary share capital of the following company and the historical cost of the investment is £2:

Subsidiary company	Country of incorporation	Principal Activity	Percentage and class of shares held
Akzo Nobel Pulp and Performance Chemicals (AC) Limited	England	Holding Company for joint venture	100% Ordinary

Notes (continued)

10 Debtors

	2013 £000	2012 £000
Amounts falling due within one year:		
Trade debtors	16	14
Amounts owed by group undertakings	1,063	472
Other debtors	124	20
Group relief receivable	3,866	2,896
Prepayments and accrued income	43	430
	<u>5,112</u>	<u>3,832</u>
Amounts falling due after more than one year:		
Deferred tax asset (see note 13)	557	966
	<u>5,669</u>	<u>4,798</u>

11 Creditors: amounts falling due within one year

	2013 £000	2012 £000
Trade creditors	29	16
Amounts owed to group undertakings	18,537	15,115
Other creditors including social security	24	28
Accruals and deferred income	213	171
	<u>18,803</u>	<u>15,330</u>

12 Provisions for liabilities

	Severance £000	Onerous £000	Other £000	Total £000
At beginning of year	228	575	298	1,101
Provision utilised	(139)	(96)	(169)	(404)
Profit and loss account	(89)	6	124	41
Discounting (note 6)	-	(18)	-	(18)
	<u>-</u>	<u>467</u>	<u>253</u>	<u>720</u>

Onerous and other provisions

Onerous provisions relate to leasehold costs. Other provisions relate to other unavoidable closure costs relating to the Blackburn manufacturing site and an administration office in Congresbury. These are included in 'administration costs' in the profit and loss account and the expenditure is expected to be incurred between 2013 and 2066.

Notes (continued)

13 Deferred tax

Deferred tax assets are recognised to the extent that future probable taxable profits will be available against which the deferred tax asset can be utilised and based upon future taxable profit forecasts the Company has recognised a deferred tax asset. The deferred tax asset is in respect of;

	2013 £000	2012 £000
Accelerated depreciation over tax balances	207	238
Short term timing differences – pension spreading	350	728
	<u>557</u>	<u>966</u>

14 Called up share capital

	2013 £000	2012 £000
<i>Allotted, called up and fully paid</i>		
4,800,000 ordinary shares of £1 each (2012: 4,800,000)	4,800	4,800
	<u>4,800</u>	<u>4,800</u>

All shares are classified as equity in shareholders' funds.

15 Reserves

	2013 Profit and loss account £000
At beginning of year	(16,433)
Loss for the financial year	(2,221)
	<u>(18,654)</u>

16 Pension schemes

The Company operates both a multi-employer defined benefit schemes and a defined contribution scheme for its employees.

Defined Benefit Scheme

Akzo Nobel (CPS) Pension Scheme

The Company participates in the Akzo Nobel (CPS) Pension Scheme ("the CPS scheme") providing benefits based on final pensionable pay.

The CPS scheme is a multi-employer scheme in which the Company is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis and, as permitted by Financial Reporting Standard 17 "Retirement Benefits", the scheme has been accounted for in these financial statements as if the scheme was a defined contribution scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme.

Actuarial valuations are carried out every three years by a qualified independent actuary. The latest full actuarial valuation was carried out at 31 March 2012. At this valuation date the market value of the scheme assets was sufficient to cover 87% (31 March 2009: 71%) of the benefits that had accrued to members at that date.

The contribution rate is generally reviewed every three years following each full actuarial valuation of the scheme. The employer contribution rate applicable during 2013 was 34% of pensionable pay for the first three months and then 32.8% for the remaining nine months based upon the 2009 and 2012 actuarial valuations.

The total contribution made by the Company excluding annual top ups was £245,000 (2012: £321,000).

Following the 2012 valuation an updated recovery plan was agreed. Additional contributions totalling £385.4m were agreed to be paid to the CPS scheme between 2013 and 2018 with £67.0m paid in 2013. The portion of this additional

Notes (continued)**16 Pension schemes (continued)**

contribution that was charged to the Company in relation to the 2013 payment was £2.97m (2012: £9.78m). The portion of the additional contribution for the years 2014 to 2018 that will be charged to the Company is, as yet, unknown.

The CPS scheme is included within the group accounts of the ultimate parent company, Akzo Nobel N.V., and valued under International Accounting Standard 19 "Employee Benefits". At 31 December 2013 the funded status valuation was a deficit of £91m (2012: £331m deficit). This valuation is not used to determine the funding requirements under UK pension regulations and therefore has no impact upon the Company. The contribution rate and top up contributions affecting the Company during 2013 are as disclosed above and were set at the 2009/2012 full actuarial valuations.

Akzo Nobel Benefit Builder Retirement Plan

The Company is also a member of the Akzo Nobel Benefit Builder Retirement Plan providing benefits based on contributions made. There were no outstanding or prepaid contributions at the beginning or end of the financial year.

The total contribution made by the Company was £40,000 (2012: £55,000).

Pension Contributions

The total contribution made by the Company during the year to both the defined contribution plan and to the defined benefit plan, including the Company's share of the deficit recovery plan, was £3,257,000 (2012: £10,741,000) (see note 4).

17 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2013			2012		
	Land & Buildings £000	Other £000	Total £000	Land & Buildings £000	Other £000	Total £000
<i>Operating leases which expire:</i>						
Within one year	3	13	16	4	9	13
In the second to fifth years	42	33	75	42	70	112
Over five years	22	-	22	22	-	22
	<u>67</u>	<u>46</u>	<u>113</u>	<u>68</u>	<u>79</u>	<u>147</u>

Included within Other provisions (see note 12) is the operating lease cost for the Company's Blackburn and Congresbury sites. The Congresbury lease expires in 2015 and the Blackburn lease expires in 2066 and both have been provided for in full.

18 Ultimate parent company and parent undertaking of larger group of which the Company is a member.

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

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

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