



an AkzoNobel company

Eka Chemicals (AC) Limited

**Directors' report and
financial statements**

Year end 31 December 2007

Registered number 3384260

Bridge House, High Street, Congresbury, BS49 5JA, UK
Tel. +44 (0) 1934 839880 Fax. +44 (0) 1934 839870



AkzoNobel

Tomorrow's Answers Today

FRIDAY



A56 31/10/2008 7
COMPANIES HOUSE

Eka Chemicals (AC) Limited

Directors' report and financial statements

Contents

	Page
Directors and advisors	1
Directors' report	2
Statement of directors' responsibilities in respect of the directors' report and the financial statements	4
Independent auditors' report to the members of Eka Chemicals (AC) Limited	5
Profit and loss account	6
Balance sheet	7
Reconciliation of movement in shareholders' funds	8
Notes to the financial statements	9

Directors and advisors

Executive directors

J Clifford
P Otway (appointed 1 Feb 2008)
P S J Coates (resigned 31 Dec 2007)
J Goddard
I Thorn

Registered auditor

KPMG LLP
100 Temple Street
Bristol
BS1 6AG

Secretary and registered office

J Clifford
Bridge House
The Cross
High Street
Congresbury
Somerset
BS49 5JA

Bankers

Barclays Bank Plc
54 Lombard Street
London
EC3P 3AH

Solicitors

Barrington & Sons
60 High Street
Burnham-on-Sea
Somerset
TA8 1PE

**Directors' report
for the year ended 31 December 2007**

The Directors have pleasure in submitting their annual report and the audited financial statements for the year ended 31 December 2007

Principal activities

The Company participates in a partnership, "The Particol Partnership", with Interlates Limited, a wholly owned subsidiary of Ciba Specialty Chemicals Holdings Inc., for the exploitation of patent rights to paper chemical technology

Directors

The directors of the Company at 31 December 2007 are shown on page 1. Each of them served on the Board during the whole of the year under review. Subsequent Board changes saw the resignation of P. Coates and the appointment of P. Otway. J. Clifford served as company secretary for the whole year under review.

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the Company.

Review of business and future developments

The Company's business consisted of its participation in The Particol Partnership and includes the lease and / or sale of generators to the paper making industry.

Of the four generators transferred from the Particol Partnership to Eka Chemicals (AC) Limited, three are currently in operation. No new generators have been added during the year.

As the Particol Partnership no longer has any revenue streams, Eka Chemicals (AC)'s interest in it has been written down accordingly with all future revenues, for Eka Chemicals (AC)'s generators accruing direct to the Company.

During the year Eka Chemicals (AC) received its share of the cash allocation bought about by the restructuring of The Particol Partnership in 2006.

The directors believe Eka Chemicals (AC) Limited to be a going concern, as set out within Note 1: Accounting policies on page 9.

Directors' report (continued)

Results and dividend

The profit for the year after taxation amounted to £272,536 (2006 loss £487,624)
The directors do not recommend the payment of a dividend (2006 £nil)

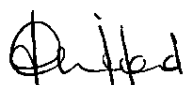
Disclosure of information to auditors

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 auditors are unaware. Each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

In accordance with Section 487(2) of the Companies Act 2006, there is no requirement to appoint auditors annually and therefore KPMG LLP will continue in office.

By order of the board



J Clifford
Secretary

29 October 2008

Registered office
Bridge House
The Cross
High Street
Congresbury
Somerset
BS49 5JA

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 the law the directors have elected to prepare financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for the period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records that 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.

We have audited the financial statements of Eka Chemicals (AC) Limited for the year ended 31 December 2007 which comprise the Profit and loss account, the Balance sheet, the Reconciliation of movements in shareholders' funds and the related notes. 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 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 auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities in respect of the directors' report and the financial statements on page 4.

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 if 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

Chartered Accountants
Registered Auditor

100 Temple Street
Bristol
BS1 6AG

29 October 2008

**Profit and loss account
for the year ended 31 December 2007**

	Notes	2007 £	2006 £
Turnover	2	12,845	11,532
Administrative expenses	3	(58,057)	(6,082)
Operating (loss)/profit		<u>(45,212)</u>	<u>5,450</u>
Interest receivable and similar income	5	6,703	-
Amounts credited/(charged) in respect of fixed asset investment	7	283,494	(399,293)
Profit/(loss) on ordinary activities before taxation		<u>244,985</u>	<u>(393,843)</u>
Tax on profit/(loss) on ordinary activities	6	27,551	(93,781)
Profit/(loss) for the year	10	<u><u>272,536</u></u>	<u><u>(487,624)</u></u>

All results arose from continuing activities

The Company had no recognised gains or losses during the current or preceding financial year other than those disclosed in the profit and loss account above

Balance sheet
at 31 December 2007

	Notes	2007 £	2006 £
Fixed assets			
Investments	7	-	-
Current assets			
Debtors	8	144,578	37,837
Creditors			
Amounts falling due within one year	9	(367,329)	(619,256)
Net current assets/(liabilities)			
Due within one year		(222,751)	(581,419)
Due after one year		280,450	366,582
		<u>57,699</u>	<u>(214,837)</u>
Total assets less current liabilities		57,699	(214,837)
Net assets/(liabilities)		<u>57,699</u>	<u>(214,837)</u>
Capital and reserves			
Called-up share capital	11	2	2
Profit & loss account	10	57,697	(214,839)
Shareholders' funds/(deficit)		<u>57,699</u>	<u>(214,837)</u>

These financial statements were approved by the board on 29 October 2008 and signed on its behalf by

J Goddard



Director

**Reconciliation of movement in shareholders' funds/(deficit)
for the year ended 31 December 2007**

	2007 £	2006 £
Opening shareholders' (deficit)/funds	(214,837)	272,787
Profit/(loss) for the year	272,536	(487,624)
Closing shareholders' funds/(deficit)	<u>57,699</u>	<u>(214,837)</u>

**Notes to the financial statements
for the year ended 31 December 2007****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.

The directors have presented the financial statements on a going concern basis. It is their opinion that the immediate holding company, Eka Chemicals Limited, will provide funding necessary to support the continued development of the company. This opinion is based on the continued funding of the Company since the balance sheet date. Confirmation has been received from Akzo Nobel Chemicals NV of their intention to continue funding Eka Chemicals (AC) Limited.

If the Company were unable to continue to trade, adjustments would have to be made to reduce the value of assets to their recoverable amounts, to provide for any further liabilities that might arise and to reclassify fixed assets and long term liabilities as current assets and current liabilities. The financial statements at 31 December 2007 would be materially affected by changes in future funding arrangements.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

Investments

Investments are stated at cost less any provision for a permanent diminution in value.

Cash flow statement

Under Financial Reporting Standard 1, Cash Flow Statements, Eka Chemicals (AC) Limited is exempt from the requirement to prepare a cashflow statement on the grounds that the ultimate parent undertaking, Akzo Nobel NV, includes the Company in its own consolidated financial statements.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Turnover

The Company's turnover is generated through royalties receivable. Turnover represents the amounts invoiced to other group companies excluding value added tax. Turnover is recognised at the point of invoice

Deferred taxation

The charge for taxation is based on the profit 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 FRS 19, Deferred Taxation

Related party transactions

The Company is controlled by Eka Chemicals Limited

As the Company is a 90% or more owned subsidiary of Akzo Nobel NV, a company whose accounts are publicly available, advantage has been taken of the exemption in FRS 8, Related Party Disclosure, relating to the disclosure of material, related party transactions, and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Akzo Nobel NV, within which this Company is included, can be obtained from the address given in note 12

2 Turnover

	2007 £	2006 £
Geographical segment: by destination		
Other group companies - Finland	2,205	6,430
Other group companies - South Africa	10,640	5,102
	<u>12,845</u>	<u>11,532</u>

Notes to the financial statements (continued)

3 Administrative expenses

	2007 £	2006 £
Auditors' remuneration		
- for audit of these financial statements	1,600	1,880
Other operating charges	<u>56,457</u>	<u>4,202</u>
	<u><u>58,057</u></u>	<u><u>6,082</u></u>

Other operating charges includes a recharge for 50% share of costs incurred by The Particol Partnership £53,412 (2006 £nil)

4 Staff costs

Other than the directors, the Company had no employees during the year
The directors received no remuneration during the year The directors of the Company were remunerated by Eka Chemicals Limited

5 Interest receivable and similar income

	2007 £	2006 £
Interest receivable on generator lease	4,712	-
Bank interest receivable	<u>1,991</u>	<u>-</u>
	<u><u>6,703</u></u>	<u><u>-</u></u>

6 Tax on profit/(loss) on ordinary activities

	2007 £	2006 £
Analysis of tax credit/(charge) in year		
UK Corporation tax		
Current tax on income for the year	(55,707)	39,104
Adjustment in respect of prior years	<u>(32,381)</u>	<u>-</u>
Total current tax	<u>(88,088)</u>	<u>39,104</u>
Deferred tax		
Origination/reversal of timing differences (note 8)	<u>60,537</u>	<u>54,677</u>
Tax on profit/(loss) on ordinary activities	<u><u>(27,551)</u></u>	<u><u>93,781</u></u>

Factors affecting the tax charge for the current year.

The current tax credit for the year is lower (2006. lower) than the standard rate of corporation tax in the UK 30% (2006 30%) The differences are explained over

Notes to the financial statements (continued)

6 Tax on profit/(loss) on ordinary activities (continued)

	2007 £	2006 £
Current tax reconciliation:		
Profit/(loss) on ordinary activities before taxation	<u>244,985</u>	<u>(393,843)</u>
Current tax on ordinary activities at the standard rate	73,496	(118,153)
Effect.		
Write-back of intercompany loan not taxable	147,034	16,190
Write-down in value of interest in fixed asset investment	(147,034)	(28,177)
Expenses not deductible for tax purposes	(85,049)	223,921
Depreciation in excess of capital allowances	(44,154)	(54,677)
Adjustment in respect of prior years	(32,381)	-
Total current tax (credit)/charge	<u>(88,088)</u>	<u>39,104</u>

7 Fixed asset investments

	2007 £	2006 £
50% interest in the Particol Partnership:		
Cost less initial capital repaid	2,687,003	2,925,606
Write-down of investment to share of net asset value.		
Brought forward	(2,970,497)	(2,423,314)
Charge for the year (page 6)	283,494	(399,293)
Transfer to capital lease receivables	-	(102,999)
	<u>-</u>	<u>-</u>

The Particol Partnership is a 50.50 joint venture with Interlates Limited, a wholly owned subsidiary of Ciba Specialty Chemicals Holdings Inc

Notes to the financial statements (continued)

8 Debtors

	2007 £	2006 £
Amounts falling due within one year:		
Amounts owed by group undertakings	90,680	11,532
Capital lease receivable	26,000	26,305
Other short term receivables	181	-
Group relief receivable	27,717	-
	<u>144,578</u>	<u>37,837</u>
Amounts falling due after one year:		
Capital lease receivable	51,098	76,693
Deferred tax asset	229,352	289,889
Total debtors	<u>425,028</u>	<u>404,419</u>

Movement on the deferred tax balance in the year.

At beginning of year	289,889	344,566
Debit to profit and loss account (note 6)	(60,537)	(54,677)
At end of year	<u>229,352</u>	<u>289,889</u>

Analysis of deferred tax balance

Excess of depreciation over capital allowances	<u>229,352</u>	<u>289,889</u>
--	----------------	----------------

9 Creditors

	2007 £	2006 £
Amounts falling due within one year:		
Amounts owed to group undertakings	359,017	554,085
Amounts owed to related parties	3,412	-
Accruals and deferred income	4,900	4,800
Group relief payable	-	60,371
	<u>367,329</u>	<u>619,256</u>

The Company participates in a cash pooling arrangement with certain other group companies. This arrangement allows the Company to draw upon or credit amounts to a separately designated facility within a cash pool account in the name of Akzo Nobel Coatings (BLD) Limited. The Company operates the facility as if it were the Company's own bank account, however, the Company has no legal title. Accordingly, the amounts have therefore been included within amounts owed by group undertakings rather than cash at bank. All parties to the arrangement are jointly and severally liable to the bank for any overdraft thereon. At 31 December 2007 the overdraft was £1,200,000 (2006: £1,640,000). Included within amounts owed by group undertakings is £72,353 (2006: £nil) in respect of the Company's share of the account.

The amounts owed to group undertakings do not require any further write down during the year following the directors' impairment review of the investment.

Notes to the financial statements (continued)

10 Profit and loss account

	2007 £	2006 £
At beginning of year	(214,839)	272,785
Profit/(loss) for the year (page 6)	<u>272,536</u>	<u>(487,624)</u>
At end of year	<u>57,697</u>	<u>(214,839)</u>

11 Share capital

	2007 £	2006 £
Authorised:		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid:		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

12 Ultimate holding company

The largest group in which the results of the Company are consolidated is headed by Akzo Nobel NV, the company's ultimate holding company and controlling party, and the smallest group in which the results are consolidated is headed by Akzo Nobel Chemicals International BV. Both companies are incorporated and registered in the Netherlands. The financial statements of Akzo Nobel NV can be obtained from Velperweg 76, PO Box 9300, 6800 SB Arnhem, the Netherlands