



an AkzoNobel company

Eka Chemicals (AC) Limited
Directors' Report and
financial statements
Year end 31 December 2011

Registered number 3384260

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Eka Chemicals (AC) Limited Registered number 3384260

Directors and advisors

Executive directors

J Clifford
J Goddard
P Otway (resigned 6 April 2012)
I Thorn (resigned 30 April 2011)

Registered auditor

KPMG LLP
100 Temple Street
Bristol
BS1 6AG

Secretary and registered office

J Clifford
26th Floor
Portland House
Bressenden Place
London
SW1E 5BG

Bankers

ING Bank NV
Branch London
60 London Wall
London
EC2M 5TQ

Solicitors

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

Eka Chemicals (AC) Limited Registered number 3384260

Directors' Report for the year ended 31 December 2011

The directors have pleasure in submitting their annual report and the audited financial statements for the year ended 31 December 2011

Principal activities

The Company participates in a partnership, "The Particol Partnership", with Interlates Limited, a wholly owned subsidiary of Basf Processed Products PLC for the exploitation of patent rights to paper chemical technology

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

Directors

The directors of the Company at 31 December 2011 are shown on page 1. Jackie Clifford, Jason Goddard and Peter Otway served on the Board during the whole year under review. Ian Thorn resigned from the Board on 30 April 2011. J Clifford served as company secretary for the whole year under review. Peter Otway subsequently resigned from the Board on 6 April 2012.

Review of business and future developments

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

Of the four generators transferred from The Particol Partnership to Eka Chemicals (AC) Limited, three were in operation for the full year. The fourth generator became operational during the year under review.

Eka Chemicals (AC) Limited Registered number 3384260

Directors' Report (continued)

Results and dividend

The profit for the year after taxation amounted to £155,745 (2010 loss of £25,294)

The directors do not recommend the payment of a final dividend (2010 £nil)

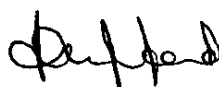
Disclosure of information to auditor

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. 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.

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.

By order of the board



J Clifford
Secretary

28 May 2012

Registered office
26th Floor
Portland House
Bressenden Place
London
SW1E 5BG

Eka Chemicals (AC) Limited Registered number 3384260

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 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 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. 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 Eka Chemicals (AC) Limited

We have audited the financial statements of Eka Chemicals (AC) Limited for the year ended 31 December 2011 set out on pages 7 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Policies).

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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statement is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

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 2011 and of its profit 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

Independent auditor's report to the members of Eka Chemicals (AC) Limited (continued)

Opinion on other matters 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 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



**AC Campbell-Orde (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants
100 Temple Street
Bristol
BS1 6AG

28 May 2012

Eka Chemicals (AC) Limited Registered number 3384260

**Profit and loss account
for the year ended 31 December 2011**

	Note	2011 £	2010 £
Turnover	1,2	72,411	35,324
Administrative expenses	3	(59,603)	(63,516)
Operating profit/(loss)		12,808	(28,192)
Interest receivable and similar income	5	304	647
Profit/(loss) on ordinary activities before taxation		13,112	(27,545)
Tax on profit/(loss) on ordinary activities	6	142,633	2,251
Profit/(loss) for the year	10	155,745	(25,294)

All amounts relate to continuing operations

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

Eka Chemicals (AC) Limited Registered number 3384260

**Balance sheet
at 31 December 2011**

	Note	2011 £	2010 £
Fixed assets			
Investments	7	-	-
Current assets			
Debtors due within one year	8	113,829	209,622
Creditors			
Amounts falling due within one year	9	(319,888)	(340,739)
Net current liabilities		(206,059)	(131,117)
Debtors due after one year	8	370,687	140,000
Net assets		<u>164,628</u>	<u>8,883</u>
Capital and reserves			
Called-up share capital	11	2	2
Profit & loss account	10	164,626	8,881
Shareholder's funds		<u>164,628</u>	<u>8,883</u>

The notes on pages 10 to 17 form an integral part of these financial statements

These financial statements were approved by the board on 28 May 2012 and signed on its behalf by



J Goddard
Director

Eka Chemicals (AC) Limited Registered number 3384260

**Reconciliation of movement in shareholder's funds
for the year ended 31 December 2011**

	2011	2010
	£	£
Opening shareholder's funds	8,883	34,177
Profit/(loss) for the year	155,745	(25,294)
Closing shareholder's funds	164,628	8,883

Eka Chemicals (AC) Limited Registered number 3384260**Notes to the financial statements
for the year ended 31 December 2011****1 Accounting policies**

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

Basis of preparation

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

In accordance with s400 of the Companies Act 2006, the Company is exempt from the requirement to prepare group accounts. These financial statements present the information about the Company as an individual undertaking and not about its group

Going concern

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £206,059, which the directors believe to be appropriate for the following reasons. The ultimate parent company, Akzo Nobel N V, has provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to provide financial and other support to Eka Chemicals (AC) Limited to enable the Company to continue to trade. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Cash flow statement

Under FRS 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent company, Akzo Nobel N V, includes the Company in its own published consolidated financial statements, which are available from the address given in note 12.

Eka Chemicals (AC) Limited Registered number 3384260**Notes to the financial statements (continued)****1 Accounting policies (continued)****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.

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 recognized at the point of invoice.

Current and deferred taxation

The charge for taxation is based on the 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 recognized, 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.

A net deferred tax asset is recognized only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted, or that the Company will receive consideration for group relief that enables this asset to be realised.

Eka Chemicals (AC) Limited Registered number 3384260

Notes to the financial statements (continued)
1 Accounting policies (continued)
Related party transactions

The Company is controlled by Eka Chemicals Limited

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

2 Turnover

	2011	2010
	£	£
Geographical segment: by destination		
Other group companies – Finland	19,420	15,566
Other group companies – USA	52,991	19,758
	<u>72,411</u>	<u>35,324</u>

3 Administrative expenses

	2011	2010
	£	£
<i>Auditor's remuneration</i>		
Audit of these financial statements	1,120	1,100
Other operating charges	58,483	62,416
	<u>59,603</u>	<u>63,516</u>

Other operating charges include a recharge for 50% share of costs incurred by The Particol Partnership of £57,655 (2010 £64,181).

Eka Chemicals (AC) Limited Registered number 3384260

Notes to the financial statements (continued)
4 Staff costs

The Company had no employees during either year. The directors of the Company are employed and remunerated by the controlling party, Eka Chemicals Limited, in both the current and prior years.

5 Interest receivable and similar income

	2011	2010
	£	£
Bank interest receivable	<u>304</u>	<u>647</u>

6 Tax on profit on ordinary activities

	2011	2010
	£	£
<i>Analysis of tax credit in year</i>		
<i>UK Corporation tax</i>		
Current tax on income for the year	3,475	(30,510)
Adjustment in respect of prior years	<u>84,579</u>	<u>-</u>
	88,054	(30,510)
<i>Deferred tax (note 8)</i>		
Original/reversal of timing differences	-	22,797
Prior year adjustment	(260,342)	-
Effect of tax rate change	<u>29,655</u>	<u>5,462</u>
Tax on profit/(loss) on ordinary activities	<u>(142,633)</u>	<u>(2,251)</u>

Eka Chemicals (AC) Limited Registered number 3384260

Notes to the financial statements (continued)
6 Tax on loss on ordinary activities (continued)
Factors affecting the tax change for the current year

The current tax charge for the year is higher (2010 credit higher) than the standard rate of corporation tax in the UK of 26.5% (2010 28%). The differences are explained below.

	2011 £	2010 £
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before taxation	<u>13,112</u>	<u>(27,545)</u>
Current tax on ordinary activities at the standard rate	3,475	(7,713)
<i>Effects of</i>		
Depreciation in excess of capital allowances	-	(22,797)
Adjustment in respect of prior years	<u>84,579</u>	<u>-</u>
Total current tax credit/(charge)	<u>88,054</u>	<u>(30,510)</u>

7 Fixed asset investments

	2011 £	2010 £
50% interest in the Particol Partnership		
Cost less initial capital repaid	2,687,003	2,687,003
Write-down of investment to share of net asset value		
Brought forward	<u>(2,687,003)</u>	<u>(2,687,003)</u>
	<u>-</u>	<u>-</u>

The Particol Partnership is a 50/50 joint venture with Interlates Limited, a wholly owned subsidiary of Basf Processed Products PLC

Eka Chemicals (AC) Limited Registered number 3384260

Notes to the financial statements (continued)
8 Debtors

	2011	2010
	£	£
Amounts falling due within one year:		
Amounts owed by group undertakings	80,388	62,641
Other short term receivables	-	5,904
Accrued revenue	24,089	11,671
Group relief receivable	9,352	129,406
	<u>113,829</u>	<u>209,622</u>

Amounts falling due after one year:

Deferred tax asset	370,687	140,000
Total debtors	<u>484,516</u>	<u>349,622</u>

	2011	2010
	£	£
Movement on the deferred tax balance in the year		
At beginning of year	140,000	168,259
Credit to profit and loss account (see note 6)	230,687	(28,259)
At end of year	<u>370,687</u>	<u>140,000</u>

Analysis of deferred tax balance.

Excess of depreciation over capital allowances	<u>370,687</u>	<u>140,000</u>
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Eka Chemicals (AC) Limited Registered number 3384260

Notes to the financial statements (continued)
8 Debtors (continued)

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 separate 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 as cash at bank. All parties to the arrangement are jointly and severally liable to the bank for any overdraft thereon. At 31 December 2011 the overall balance was £1.1m credit (2010 £1.1m credit). Included within amounts owed by group undertakings is £Nil (2010 £3) in respect of the Company's share of the account.

9 Creditors

	2011	2010
	£	£
Amounts falling due within one year:		
Amounts owed to group undertakings	300,000	300,000
Amounts owed to Particol Partnership	18,788	39,639
Accruals and deferred income	1,100	1,100
	<u>319,888</u>	<u>340,739</u>

10 Profit and loss account

	2011	2010
	£	£
At beginning of year	8,881	34,175
Profit/(loss) for the year	155,745	(25,294)
At end of year	<u>164,626</u>	<u>8,881</u>

11 Share capital

	2011	2010
	£	£
Allotted, called-up and fully paid:		
2 ordinary shares of £1 each (2012 2)	<u>2</u>	<u>2</u>

Eka Chemicals (AC) Limited Registered number 3384260

Notes to the financial statements (continued)

12 Ultimate parent company and parent undertaking 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.