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an AkzoNobel company

Eka Chemicals (AC) Limited

**Directors' report and
financial statements**

Year end 31 December 2009

Registered number 3384260

26th Floor, Portland House, Bressenden Place, London, SW1E 5BG, UK
Tel. +44 (0) 207 9329900 Fax. +44 (0) 207 9329932



AkzoNobel

Tomorrow's Answers Today

Directors' report and financial statements

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Directors and advisors

Executive directors

J Clifford
J Goddard
P Otway
I Thorn

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

Barclays Bank Plc
Level 28
One Churchill Place
Canary Wharf
E14 5HP

Solicitors

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

**Directors' report
for the year ended 31 December 2009**

The Directors have pleasure in submitting their annual report and the audited financial statements for the year ended 31 December 2009

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 2009 are shown on page 1 Each of them served on the Board during the whole of the year under review
J Clifford served as company secretary for the whole year under review

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 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

Results and dividend

The loss for the year after taxation amounted to £13,881 (2008 Loss £9,641)
The directors do not recommend the payment of a dividend (2008 £nil)

Change of registered office

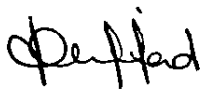
On 1 February 2009, the Company changed its registered office to 26th Floor, Portland House, Bressenden Place, London, SW1E 5BG

Directors' report (continued)**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 they ought to have taken as a director to make themselves 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

24 August 2010

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

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 auditors' report to the members of Eka Chemicals (AC) Limited

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We have audited the financial statements of Eka Chemicals (AC) Limited for the year ended 31 December 2009 set out on pages 7 to 16. 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 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 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 statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

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 2009 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.

**Independent auditors' report to the members
of Eka Chemicals (AC) Limited (continued)**

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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



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

Chartered Accountants
100 Temple Street
Bristol
BS1 6AG

31 August 2010

**Profit and loss account
for the year ended 31 December 2009**

	Notes	2009 £	2008 £
Turnover	2	16,764	29,686
Administrative expenses	3	(37,359)	(52,369)
Operating loss		(20,595)	(22,683)
Interest receivable and similar income	5	2,330	7,340
Loss on ordinary activities before taxation		(18,265)	(15,343)
Tax on loss on ordinary activities	6	4,384	5,702
(Loss)/profit for the year	10	(13,881)	(9,641)

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

The notes on pages 10 to 16 form part of these financial statements

**Balance sheet
at 31 December 2009**

	Notes	2009 £	2008 £
Fixed assets			
Investments	7	-	-
Current assets			
Debtors due within one year	8	218,503	203,361
Creditors			
Amounts falling due within one year	9	(352,585)	(377,268)
Net current liabilities		(134,082)	(173,907)
Debtors due after one year	8	168,259	221,965
Net assets		<u>34,177</u>	<u>48,058</u>
Capital and reserves			
Called-up share capital	11	2	2
Profit & loss account	10	34,175	48,056
Shareholders' funds		<u>34,177</u>	<u>48,058</u>

The notes on pages 10 to 16 form part of these financial statements

These financial statements were approved by the board on 24 August 2010 and signed on its behalf by

J Goddard



Director

**Reconciliation of movement in shareholders' funds/(deficit)
for the year ended 31 December 2009**

	2009	2008
	£	£
Opening shareholders' funds	48,058	57,699
Loss for the year	(13,881)	(9,641)
Closing shareholders' funds	<u>34,177</u>	<u>48,058</u>

Notes to the financial statements for the year ended 31 December 2009

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

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

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £134,082, which the directors believe to be appropriate for the following reasons. A related undertaking, 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.

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.

Notes to the financial statements (continued)**1 Accounting policies (continued)****Cash flow statement**

Under Financial Reporting Standard 1, Cash Flow Statements, Eka Chemicals (AC) Limited is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent undertaking, Akzo Nobel N V, includes the Company in its own consolidated financial statements, which are available from the address given in note 12

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.

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 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 Taxation.

A net deferred tax asset is recognised 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.

Related party transactions

The Company is controlled by Eka Chemicals Limited.

As the Company is a 100% owned subsidiary of Akzo Nobel N V, a company whose accounts are publicly available, advantage has been taken of the exemption in Financial Reporting Standard 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 N V, within which this Company is included, can be obtained from the address given in note 12.

Notes to the financial statements (continued)**2 Turnover**

	2009 £	2008 £
Geographical segment: by destination		
Other group companies - Finland	16,764	16,388
Other group companies - South Africa	-	13,298
	<u>16,764</u>	<u>29,686</u>

3 Administrative expenses

	2009 £	2008 £
Auditors' remuneration		
- for audit of these financial statements	1,600	1,600
Other operating charges	35,759	50,769
	<u>37,359</u>	<u>52,369</u>

Other operating charges includes a recharge for 50% share of costs incurred by The Particol Partnership £45,616 (2008 £51,544)

4 Staff costs

The Company had no employees during the year

The directors of the Company are employed and remunerated by Eka Chemicals Limited

5 Interest receivable and similar income

	2009 £	2008 £
Interest receivable on generator lease	1,230	2,725
Bank interest receivable	1,100	4,615
	<u>2,330</u>	<u>7,340</u>

Notes to the financial statements (continued)**6 Tax on (loss)/profit on ordinary activities**

	2009	2008
	£	£
Analysis of tax credit in year		
UK Corporation tax		
Current tax on income for the year	(32,656)	(36,599)
Adjustment in respect of prior years	(1,924)	-
Total current tax	<u>(34,580)</u>	<u>(36,599)</u>
Deferred tax		
Origination/reversal of timing differences (note 8)	30,196	30,897
Tax on loss on ordinary activities	<u>(4,384)</u>	<u>(5,702)</u>

Factors affecting the tax charge for the current year

The current tax credit for the year is higher (2008 higher) than the standard rate of corporation tax in the UK of 28% (2008 28.5%). The differences are explained below

	2009	2008
	£	£
Current tax reconciliation		
Loss on ordinary activities before taxation	<u>(18,265)</u>	<u>(15,343)</u>
Current tax on ordinary activities at the standard rate	(5,114)	(4,373)
Effect		
Expenses not deductible for tax purposes	-	(776)
Depreciation in excess of capital allowances	(27,542)	(31,450)
Adjustment in respect of prior years	(1,924)	-
Total current tax credit	<u>(34,580)</u>	<u>(36,599)</u>

Notes to the financial statements (continued)**7 Fixed asset investments**

	2009 £	2008 £
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 Ciba Specialty Chemicals Holdings Inc

8 Debtors

	2009 £	2008 £
Amounts falling due within one year:		
Amounts owed by group undertakings	87,657	112,600
Capital lease receivable	24,462	26,000
Other short term receivables	3,233	445
Accrued revenue	4,255	-
Group relief receivable	98,896	64,316
	<u>218,503</u>	<u>203,361</u>
Amounts falling due after one year:		
Capital lease receivable	-	23,510
Deferred tax asset	168,259	198,455
	<u>168,259</u>	<u>221,965</u>
Total debtors	<u><u>386,762</u></u>	<u><u>425,326</u></u>

Movement on the deferred tax balance in the year

At beginning of year	198,455	229,352
Debit to profit and loss account (note 6)	(30,196)	(30,897)
At end of year	<u>168,259</u>	<u>198,455</u>

Analysis of deferred tax balance

Excess of depreciation over capital allowances	<u>168,259</u>	<u>198,455</u>
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Notes to the financial statements (continued)

9 Creditors

	2009 £	2008 £
Amounts falling due within one year:		
Amounts owed to group undertakings	320,000	341,880
Amounts owed to Particol Partnership	23,522	28,025
Accruals and deferred income	7,800	7,363
Other short term payables	1,263	-
	<u>352,585</u>	<u>377,268</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 2009 the group position was £5.8m credit (2008 £2.8m overdraft). Included within amounts owed by group undertakings is £87,583 (2008 £94,843) in respect of the Company's share of the account.

10 Profit and loss account

	2009 £	2008 £
At beginning of year	48,056	57,697
Loss for the year (page 7)	(13,881)	(9,641)
At end of year	<u>34,175</u>	<u>48,056</u>

11 Share capital

	2009 £	2008 £
Allotted, called up and fully paid:		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

Notes to the financial statements (continued)

12 Ultimate holding company

The largest group in which the results of the Company are consolidated is headed by Akzo Nobel N V , 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 B V Both companies are incorporated and registered in the Netherlands. The financial statements of Akzo Nobel N V can be obtained from Velperweg 76, PO Box 9300, 6800 SB Arnhem, the Netherlands