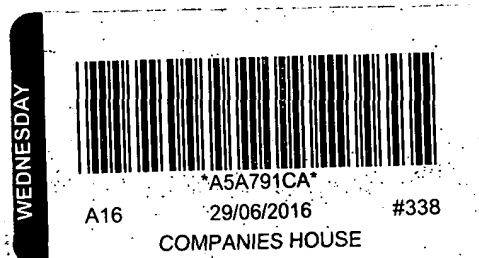


**Akzo Nobel Pulp and Performance  
Chemicals (AC) Limited**  
Directors' Report and Financial  
Statements

Registered number 3384260

31 December 2015



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## Directors' Report

The directors present their Directors' Report and Financial Statements for the year ended 31 December 2015.

### Principal activities and business review

The Company participates in "The Particol Partnership", with Interlates Limited, a wholly owned subsidiary of Allied Colloids Group Plc for the exploitation of patent rights to paper chemical technology.

The results for the year ended 31 December 2015 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.

### Proposed dividend

The directors do not recommend the payment of a dividend (2014: £nil).

### Directors

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

O.H. Director Limited	resigned 25 February 2015
J. Goddard	
M. Smalley	appointed 25 February 2015
D. Turner	appointed 25 February 2015, resigned 27 April 2015

### Political contributions

The Company made no political donations or incurred any political expenditure during the current and previous financial year.

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

In line with the decision of Akzo Nobel N.V. (the ultimate parent) to appoint PricewaterhouseCoopers LLP as external auditors for the group for the year ending 31 December 2016, it is expected that PricewaterhouseCoopers LLP will be appointed as the auditors for the Company for the year ending 31 December 2016.

### 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**

Company Secretary

O.H. SECRETARIAT LIMITED  
  
AUTHORISED SIGNATORY

26th Floor  
Portland House  
Bressenden Place  
London  
SW1E 5BG

22 June 2016

## **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), including FRS 101 *Reduced Disclosure Framework*.

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 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 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. 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.



## KPMG LLP

15 Canada Square  
London  
E14 5GL  
United Kingdom

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AKZO NOBEL PULP AND PERFORMANCE CHEMICALS (AC) LIMITED**

We have audited the financial statements of Akzo Nobel Pulp and Performance Chemicals (AC) Limited for the year ended 31 December 2015 set out on pages 5 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 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). 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](http://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 2015 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.

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

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

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' report:

- we have not identified material misstatements in that report; and
- in our opinion, that report has been prepared in accordance with the Companies Act 2006.

**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

22 JUNE 2016

## Profit and loss account

*For the year ended 31 December 2015*

	<i>Note</i>	<b>2015</b> <b>£000</b>	2014 £000
Turnover	2	96	92
Administrative expenses		(16)	(21)
<b>Profit on ordinary activities before taxation</b>		<b>80</b>	71
Tax on profit on ordinary activities	5	(46)	(16)
<b>Profit for the financial year</b>		<b>34</b>	55

There are no items of other comprehensive income in either year.

The notes on pages 8 to 13 form part of these financial statements.

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

**Balance sheet***at 31 December 2015*

	<i>Note</i>	<b>2015</b> <b>£000</b>	<b>2015</b> <b>£000</b>	2014 £000	2014 £000
<b>Fixed assets</b>					
Investments	6	-	-	-	-
<b>Current assets</b>					
Debtors (including £267,000 (2014: £297,000) due after more than one year)	7	307		321	
<b>Creditors: amounts falling due within one year</b>	8	<b>(64)</b>		<b>(112)</b>	
<b>Net current assets</b>			<b>243</b>		209
<b>Net assets</b>			<b>243</b>		209
<b>Capital and reserves</b>					
Called up share capital	10	-	-	-	-
Profit and loss account			<b>243</b>		209
<b>Shareholders' funds</b>			<b>243</b>		209

The notes on pages 8 to 13 form part of these financial statements.

These financial statements were approved by the board of directors on 22 June 2016 and were signed on its behalf by:


**M. Smalley***Director*



## Statement of Changes in Equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2014	-	154	154
<b>Total comprehensive income for the period</b>			
Profit or loss	-	55	55
<b>Balance at 31 December 2014</b>	-	209	209

	Called up share Capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2015	-	209	209
<b>Total comprehensive income for the period</b>			
Profit or loss	-	34	34
<b>Balance at 31 December 2015</b>	-	243	243

The notes on pages 8 to 13 form part of these financial statements.

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Akzo Nobel Pulp and Performance Chemicals (AC) Limited (the "Company") is a company incorporated and domiciled in the UK.

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.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2013/14 Cycle) issued in July 2014 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.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. In the transition to FRS 101 from UK GAAP, the Company has made no measurement and recognition adjustments.

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.

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

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of transactions with wholly owned subsidiaries ;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the reclassification of items in the financial statements; and
- 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:

- IFRS 2 Share Based Payments in respect of group settled share based payments,
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Disclosures required by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company;
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

**Notes** (continued)**1 Accounting policies** (continued)

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet at 1 January 2014 for the purposes of the transition to FRS 101.

**1.1 Measurement convention**

The financial statements are prepared on the historical cost basis. Non-current assets are stated at the lower of previous carrying amount and fair value less costs to sell.

**1.2 Going concern**

The directors have made the necessary enquiries and assessed the company's financial position and have a reasonable expectation that the company has adequate resources to continue operating for the foreseeable future. The directors therefore, continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**1.3 Foreign currency**

Transactions in foreign currencies are translated to the Company's functional currencies 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 profit and loss account.

**1.4 Non-derivative financial instruments**

Non-derivative financial instruments comprise trade and other debtors, loans and borrowings and trade and other creditors.

**Trade and other debtors**

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

**Trade and other creditors**

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

**Investments**

Investments in subsidiaries are carried at cost less impairment. Investments are reviewed for impairment annually.

**Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

## **Notes** (continued)

### **1 Accounting policies** *(continued)*

#### **1.5 Impairment excluding deferred tax assets**

##### *Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### **1.6 Turnover**

Turnover represents the amounts (excluding value added tax) derived from the provision of administration and accounting services incurred in relation to the Particol Partnership and recovered from the AkzoNobel group.

#### **1.7 Taxation**

The charge for taxation is based on the profit or 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.

### **2 Turnover**

#### Geographical segment: by destination

	<b>2015</b>	2014
	<b>£000</b>	£000
Other group companies - Finland	<b>9</b>	11
Other group companies - USA	<b>87</b>	81
	<hr/> <b>96</b> <hr/>	<hr/> 92 <hr/>

## Notes (continued)

### 3 Expenses and auditor's remuneration

	2015 £000	2014 £000
Audit of these financial statements	2	2

### 4 Directors' remuneration

No individuals were employed by the Company during either year. The directors received no remuneration for their services to the Company in either year. The present directors are employed by, and receive remuneration for services from, a wholly owned subsidiary of the ultimate parent company.

### 5 Taxation

#### Recognised in the profit and loss account

<i>Analysis of charge in period</i>	2015 £000	2014 £000
<i>UK corporation tax</i>		
Current tax credit/(charge) on income for the period	46	16

#### Reconciliation of effective tax rate

	2015 £000	2014 £000
Profit for the year	34	55
Total tax expense	(46)	(16)
Profit excluding taxation	80	71
Tax using the UK corporation tax rate of 20.25% (2014: 21.5 %)	16	15
Adjustment to tax charge in respect of previous periods	30	1
Total current tax (see above)	46	16

#### 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%.

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. As a result of these changes, any deferred tax asset or liability at 31 December 2015 will be recognised at 18%.

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 not substantively enacted at the balance sheet date but will reduce the current tax charge and any deferred tax asset of the Company in the future.

**Notes** (continued)

**6 Fixed asset investments**

	<b>Total £000</b>
<i>Cost less initial capital repaid</i>	
At beginning and end of year	2,687
	<hr/>
<i>Write down of investment to share of net asset value</i>	
At beginning and end of year	(2,687)
	<hr/>
<i>Net book value</i>	
At 31 December 2015 and 2014	-
	<hr/>

The Particol Partnership is a 50:50 joint venture with Interlates Limited, a wholly owned subsidiary of Allied Colloids Group Plc.

**7 Debtors**

	<b>2015 £000</b>	<b>2014 £000</b>
Amounts owed by group undertakings	20	-
Deferred tax asset (see note 9)	267	297
Prepayments and accrued income	20	24
	<hr/>	<hr/>
	307	321
	<hr/>	<hr/>
Due within one year	40	24
Due after more than one year	267	297
	<hr/>	<hr/>

**8 Creditors: amounts falling due within one year**

	<b>2015 £000</b>	<b>2014 £000</b>
Amounts owed to group undertakings	1	62
Amounts owed to undertakings in which the company has a participating interest	15	19
Taxation and social security	47	30
Accruals and deferred income	1	1
	<hr/>	<hr/>
	64	112
	<hr/>	<hr/>

**Notes** (continued)

**9 Deferred tax assets**

*Recognised deferred tax assets*

Deferred tax assets are attributable to the following:

	2015 £000	2014 £000
Tangible fixed assets	267	297

**10 Capital and reserves**

	2015 £000	2014 £000
<i>Allotted, called up and fully paid</i>		
2 (2014: 2) ordinary shares of £1 each	-	-

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

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.

**11 Ultimate parent company and parent company of larger group**

The Company is a subsidiary undertaking of Akzo Nobel Pulp and Performance Chemicals Limited, a company incorporated in England and Wales.

The largest 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. The consolidated financial statements of Akzo Nobel N.V. are available to the public and may be obtained from Velperweg 76, PO Box 9300, 6800 SB Arnhem, The Netherlands.