

**Momentive Specialty Chemicals Stanlow Limited**

**Annual report and financial statements  
for the year ended 31 December 2012**

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# **Momentive Specialty Chemicals Stanlow Limited**

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# **Momentive Specialty Chemicals Stanlow Limited**

## **Officers and professional advisers**

### **Directors**

J P Bevilaqua  
N Seymour  
A Mertens

### **Secretary**

A Mertens

### **Registered office**

Sully Moors Road  
Penarth  
South Glamorgan  
United Kingdom  
CF64 5YU

### **Bankers**

CITIBANK  
Canary Wharf  
Citigroup Centre,  
Canada Square,  
Canary Wharf,  
London  
E14 5LB

### **Solicitors**

Geldards LLP,  
Cardiff  
CF10 3ZF

### **Independent Auditors**

PricewaterhouseCoopers LLP  
1 Kingsway  
Cardiff  
CF10 3PW

# **Momentive Specialty Chemicals Stanlow Limited**

## **Directors' report for the year ended 31 December 2012**

The directors present their annual report and the audited financial statements for the year ended 31 December 2012

### **Principal activities**

The Company manufactures epoxy resins. The Company has a manufacturing agreement whereby the Company agreed to exclusively manufacture products for Momentive Specialty Chemicals BV.

### **Review of developments, future prospects and financial position**

The results for the financial year are set out in the profit and loss account on page 6. The profit for the year ended 31 December 2012 after taxation was £764,000 (2011: £728,000 profit). The financial position of the company at the year-end is set out in the balance sheet on page 7.

The directors expect the company to perform satisfactorily during the forthcoming financial year, although note that from 30 June 2014 production will cease.

### **Post balance sheet event**

During June 2013 it was announced that the Stanlow production facility will close when production ceases on 30<sup>th</sup> June 2014. The directors estimate that a provision of approximately £3.6m will be required in respect of the costs associated with ceasing production, including the site closure and clean-up costs and contract termination. In addition, any remaining fixed assets when production ceases will be transferred at net book value where they will continue to be used.

### **Key Performance Indicators**

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

### **Dividends**

The directors do not recommend the payment of a dividend for the year ended 31 December 2012 (2011: £nil).

### **Directors**

The directors of the company who were in office during the year and up to the date of signing the financial statements were as follows:

J P Bevilaqua	(resigned 12 July 2012)
N Seymour	(appointed 12 July 2012)
A Mertens	(appointed 12 July 2012)

The directors do not have an insurance policy in place to provide them with indemnity cover.

### **Political and charitable donations**

The Company made no political or charitable donations in the year (2011: £nil).

# **Momentive Specialty Chemicals Stanlow Limited**

## **Directors' report for the year ended 31 December 2012 (continued)**

### **Statement of directors' responsibilities**

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 the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting 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,
- 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Disclosure of information to auditors**

Each of the persons who are directors at the time this Directors' Report is approved have confirmed that

- so far as that Director is aware, there is no relevant audit information (i.e. information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- that the Director has taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **Independent auditors**

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting. PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

On behalf of the board

A Mertens  
Director



# **Momentive Specialty Chemicals Stanlow Limited**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MOMENTIVE SPECIALTY CHEMICALS STANLOW LIMITED**

We have audited the financial statements of Momentive Specialty Chemicals Stanlow Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of directors' responsibilities 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **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 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom 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.

# Momentive Specialty Chemicals Stanlow Limited

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MOMENTIVE SPECIALTY CHEMICALS STANLOW LIMITED (CONTINUED)

### 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



Jason Clarke (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cardiff  
Date **27** September 2013

# Momentive Specialty Chemicals Stanlow Limited

## Profit and loss account for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Turnover	2	3,527	3,726
Cost of sales		-	-
<b>Gross profit</b>		<b>3,527</b>	<b>3,726</b>
Administrative expenses		(2,716)	(3,004)
<b>Operating profit</b>	3	<b>811</b>	<b>722</b>
Interest receivable and similar income	6	506	751
Interest payable and similar charges	7	(581)	(747)
<b>Profit on ordinary activities before tax</b>		<b>736</b>	<b>726</b>
Tax on profit on ordinary activities	8	28	2
<b>Retained profit for the financial year</b>	15	<b>764</b>	<b>728</b>

All results derive from continuing operations in both the current and prior financial year

The company has no recognised gains and losses for the current or the prior financial year other than those included in the results above, and therefore, no separate statement of total recognised gains and losses has been presented

There is no material difference between the results shown on a historic cost basis and those shown above in both the current and prior financial year

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

# Momentive Specialty Chemicals Stanlow Limited

## Balance sheet as at 31 December 2012

	Note	2012 £'000	2011 £'000
<b>Fixed assets</b>			
Tangible assets	9	812	818
<b>Current assets</b>			
Debtors	11	6,349	20,625
		6,349	20,625
Creditors - Amounts falling due within one year	12	(384)	(21,064)
Net current assets / (liabilities)		5,965	(439)
Total assets less current liabilities		6,777	379
Creditors: amounts falling due after more than year	13	(5,634)	-
Net assets		1,143	379
<b>Capital and reserves</b>			
Called up share capital	14	-	-
Profit and loss account	15	1,143	379
Total equity shareholders' funds	16	1,143	379

The financial statements on pages 6 to 15 were approved and authorised for issue by the board and were signed on its behalf on 27 September 2013 by

A Mertens  
Director



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

# **Momentive Specialty Chemicals Stanlow Limited**

## **Notes to the financial statements for the year ended 31 December 2012**

### **1 Accounting policies**

#### **Basis of preparation**

The financial statements have been prepared on a going concern basis in accordance with the Companies Act 2006, on the basis of historic cost and in accordance with applicable accounting standards in the United Kingdom. The principal accounting policies, that have been consistently applied, are set out below.

#### **Going concern**

The directors have considered the twelve month period from the date of approval of these financial statements and are satisfied that the company remains a going concern, although note that production is planned to cease on 30 June 2014. The parent company has provided a letter of support to ensure the company can meet its debts as they fall due.

#### **Turnover**

Momentive Specialty Chemicals Stanlow Limited is remunerated by a group Company under a tolling contract that includes a mark-up on cost, and the reimbursement of other fixed and variable cost. Income is recognised on a monthly basis as costs are incurred.

#### **Foreign currencies**

Income and expense items denominated in foreign currencies have been expressed in Sterling at the rate ruling on their transaction date. Monetary assets and liabilities recorded in foreign currencies have been expressed in Sterling at the rates of exchange ruling on the balance sheet date. Differences on transaction are included in the profit and loss account.

#### **Cash flow statement**

The Company has adopted FRS1 and consequently claims exemption from the preparation of a cash flow statement in accordance with the provisions of that standard. The Company's cash flows are included within the group financial statements of Momentive Specialty Chemicals Inc.

#### **Tangible fixed assets and depreciation**

Tangible fixed assets are included at purchase cost, including any installation costs, less accumulated depreciation. Depreciation is provided to write off historic cost and is calculated on a straight line basis over the estimated useful lives as follows,

Plant and machinery	5-10% per annum
---------------------	-----------------

Assets which are in the course of construction at the year-end are included at cost. No depreciation is provided for these assets until they are complete.

#### **Stocks**

The Company holds materials under the terms of the manufacturing agreement with its Parent Company, Momentive Specialty Chemicals BV, in the ordinary course of business. Momentive Specialty Chemicals BV procure all raw materials required for production by the Company and retains ownership of these throughout the manufacturing process. Momentive Specialty Chemicals BV, retains title and bears all the risks and rewards over the materials and as such the Company does not recognise stock on its Balance Sheet.

# Momentive Specialty Chemicals Stanlow Limited

## Notes to the financial statements for the year ended 31 December 2012 (continued)

### 1 Accounting policies (continued)

#### Taxation and deferred taxation

Corporation tax is provided on the assessable profits of the Company at the appropriate rates in force

Deferred tax is provided in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements

Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable taxable profits in the future against which the deferred tax asset can be offset. Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax balances are not discounted

#### Pension Costs

The Company operates personal pension arrangements for its existing UK Scheme members. Contributions by the Company are paid directly into the individual arrangements and charged to the profit and loss account as incurred

Pension costs as incurred by the Company under a defined contribution scheme are reimbursed by the associated Company, Momentive Specialty Chemicals BV, as incurred

#### Operating Leases

Rentals paid under any operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease. These are reimbursed in full by the associated Company, Momentive Specialty Chemicals BV

### 2 Turnover

Details of the destination of sales are given below

	2012 £'000	2011 £'000
The Netherlands	3,527	3,726
	3,527	3,726

Momentive Specialty Chemicals Stanlow Limited is remunerated from a Group Company under a tolling contract that includes a mark-up on cost, and the reimbursement of other fixed and variable cost

# Momentive Specialty Chemicals Stanlow Limited

## Notes to the financial statements for the year ended 31 December 2012 (continued)

### 3 Operating profit

	2012 £'000	2011 £'000
<b>Operating profit is stated after charging:</b>		
<b>Staff costs:</b>		
Wages and salaries	147	141
Social security costs	18	18
Other pension costs (Note 17)	29	25
Operating lease rentals - other	9	8
Depreciation of own fixed assets (Note 9)	122	101
(Loss)/ gain on retranslation of foreign currencies	(39)	35
<b>Services provided by the Company's auditor and its associates</b>		
Audit services	8	10
Non audit services	-	-

All costs incurred by the Company in the year were recharged to its sister Company, Momentive Specialty Chemicals BV and have been included as turnover

### 4 Directors

No remuneration has been paid to the directors for their services to the Company as directors during the year (2011 £ Nil) The directors are remunerated by other group companies for their services to the group as a whole during both periods

### 5 Employee information

The average monthly number of persons (excluding executive directors) employed by the Company during the year was 2 all Administration (2011 2) All payroll costs incurred by the Company in the year were recharged to its sister Company, Momentive Specialty Chemicals BV in the ordinary course of business

### 6 Interest receivable and similar income

	2012 £'000	2011 £'000
Interest receivable on amounts owed by group undertakings	506	751

### 7 Interest payable and similar charges

	2012 £'000	2011 £'000
Interest payable on amounts owed to group undertakings	(581)	(747)

# Momentive Specialty Chemicals Stanlow Limited

## Notes to the financial statements for the year ended 31 December 2012 (continued)

### 8 Tax on profit on ordinary activities

#### (a) Analysis of charge in the year

	2012 £'000	2011 £'000
Current tax	-	-
Deferred tax credit	28	2
	28	2

In addition to the changes in rates of corporation tax disclosed above a number of further changes to the UK corporation tax system were announced in the March 2012 UK Budget Statement. A resolution passed by Parliament on 26 March 2012 reduced the main rate of corporation tax to 24% from 1 April 2012. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 was included in the Finance Act 2012. The effect of these changes has been included within these financial statements.

The March 2013 UK Budget Statement proposed further reductions to the main rate to 21% from 1 April 2014 and 20% from 1 April 2015. This had not been substantively enacted at the balance sheet date and, therefore, the effect of, is not included in these financial statements.

#### (b) Factors affecting current tax charge

The tax charge for the year is different to the standard rate of corporation tax in the UK 24.5% (2011 26.5%).

The differences are explained below:

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	736	726
Profit on ordinary activities multiplied by the standard rate in the UK of 24.5% (2011 26.5%)	180	192
Expenses not deductible for tax	-	2
Capital allowances in excess of depreciation	(13)	(17)
Group relief	(167)	(177)
Current tax charge for the year	-	-

# Momentive Specialty Chemicals Stanlow Limited

## Notes to the financial statements for the year ended 31 December 2012 (continued)

### 8 Tax on profit on ordinary activities (continued)

#### (c) Analysis of deferred tax balance for the year

The balance is made up of

	2012 £'000	2011 £'000
Opening deferred tax (liability)	(27)	(29)
Credit to the profit and loss	28	2
Closing deferred tax asset / (liability)	1	(27)
Deferred tax asset /(liability) at 31 December comprise		
Accelerated capital allowances and other timing differences	1	(27)

### 9 Tangible fixed assets

	Plant and Machinery £'000
<b>Cost</b>	
At 1 January 2012	1,473
Additions	116
<b>At 31 December 2012</b>	<b>1,589</b>
<b>Accumulated Depreciation</b>	
At 1 January 2012	655
Charge for the year	122
<b>At 31 December 2012</b>	<b>777</b>
<b>Net book value</b>	
<b>At 31 December 2012</b>	<b>812</b>
At 31 December 2011	818

Included within tangible fixed assets are assets in the course of construction. The net book value of these assets at the year end is £NIL (2011 £22,056)

### 10 Stock

The Company holds materials under the terms of the manufacturing agreement with its Parent Company, Momentive Specialty Chemicals BV, in the ordinary course of business. Momentive Specialty Chemicals BV procure all raw materials required for production by the Company and retains ownership of these throughout the manufacturing process. The value of such stock, at cost, which has been excluded from the Balance Sheet amounted to £914,454 (2011 £726,965)

# Momentive Specialty Chemicals Stanlow Limited

## Notes to the financial statements for the year ended 31 December 2012 (continued)

### 11 Debtors

	2012 £'000	2011 £'000
Amounts owed by group undertakings	6,210	20,399
Other debtors	-	13
Taxation	138	213
Deferred tax asset (Note 8)	1	-
	<b>6,349</b>	<b>20,625</b>

Included within amounts owed by group undertakings are amounts of £4,452,647 (2011 £18,374,955) due in more than one year and bear interest at a rate of 3.8075% with a fixed maturity date of 1<sup>st</sup> January 2014. The remainder of amounts owed by group undertakings are unsecured, interest free and have no fixed repayment terms.

### 12 Creditors – Amounts falling due within one year

	2012 £'000	2011 £'000
Trade creditors	274	4
Amounts owed to group undertakings	74	20,945
Other creditors including taxation	-	-
Accruals and deferred income	36	88
Deferred tax liability (Note 8)	-	27
	<b>384</b>	<b>21,064</b>

### 13 Creditors – Amounts falling due after more than one year

	2012 £'000	2011 £'000
Amounts owed to group undertakings	5,634	-

Included within amounts owed to group undertakings are loans of £5,634,461 that are unsecured, bear interest at 3.8075% and have a maturity date of 1<sup>st</sup> January 2014. The remaining amounts owed to group undertakings are unsecured, bear interest at a rate of 3.8075% and have no fixed repayment terms. Subsequent to the year end, other group companies have confirmed that the loans will not be called for repayment until at least December 2014.

# Momentive Specialty Chemicals Stanlow Limited

## Notes to the financial statements for the year ended 31 December 2012 (continued)

### 14 Called up share capital

	2012 £	2011 £
<b>Authorised, allotted and fully paid</b>		
2 (2011 2) ordinary shares of £1 each	2	2

### 15 Reserves

	£'000
At 1 January 2012	379
Profit for the year	764
<b>At 31 December 2012</b>	<b>1,143</b>

### 16 Reconciliation of movements in equity shareholders' funds

	2012 £'000	2011 £'000
Profit for the year	764	728
Opening equity shareholders' funds/(deficit)	379	(349)
<b>Closing equity shareholders' funds</b>	<b>1,143</b>	<b>379</b>

### 17 Pension Costs

The Company participated in a defined contribution pension scheme during the year. Costs that have been incurred of £28,586 (2011 £25,000) under this scheme by the Company in the year have been fully recharged to the sister Company, Momentive Specialty Chemicals BV. There are no prepaid or outstanding amounts at the year end (2011 nil).

### 18 Financial Commitments

At 31 December 2012 the Company has no annual commitments under non-cancellable operating leases (2011 Nil).

### 19 Related party transactions

The company claims exemption from disclosing transactions with members of the group headed by Momentive Specialty Chemicals Inc. in accordance with the exemptions contained in paragraph 3(c) of FRS 8, as it is a 100% subsidiary of that group whose financial statements are publicly available.

# **Momentive Specialty Chemicals Stanlow Limited**

## **Notes to the financial statements for the year ended 31 December 2012 (continued)**

### **20 Ultimate parent undertaking**

The Company's immediate parent is Momentive Specialty Chemicals BV. The ultimate parent undertaking and controlling party is Momentive Specialty Chemicals Inc, a company incorporated in the USA. Copies of the consolidated financial statements of Momentive Specialty Chemicals Inc can be obtained from 180 E Broad St Columbus OH 43215, USA. At 31 December 2012 the ultimate controlling entity was considered to be Apollo Management, LP, a private investment firm based in the USA.

### **21 Post balance sheet event**

During June 2013 it was announced that the Stanlow production facility will close when production ceases on 30<sup>th</sup> June 2014. The directors estimate that a provision of approximately £3.6m will be required in respect of the costs associated with ceasing production, including the site closure and clean-up costs and contract termination. In addition, any remaining fixed assets when production ceases will be transferred at net book value where they will continue to be used.