Imperial Chemical Industries Limited

Directors' Report and Financial Statements

Registered number 218019

31 December 2009

Contents

Directors' Report

The directors present the Directors' report and the audited financial statements for the year ended 31 December 2009

Principal activities

The principal activities of the Company are research, manufacture and sale of paints and until January 2010, digital imaging technology The Company is also an investment holding company

Business review

The Company was acquired by Akzo Nobel N V ("AkzoNobel") on 2 January 2008 by way of court-sanctioned scheme of arrangement under section 425 of the Companies Act 1985 On that date, the entire share capital of the Company was acquired by Akzo Nobel N V for consideration of £8,092m and the Company de-listed from the London Stock Exchange On 7 January 2008 the Company re-registered as Imperial Chemical Industries Limited

Following the acquisition, discussion of future group strategy and achievement by way of key performance indicators is not included in this document Reference should be made to the AkzoNobel Group accounts for appropriate forward-looking statements concerning group activities 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

UK Paints Business

Overview

The ICI Paints business manufactures, distributes and sells directly a full range of interior and exterior decoration and protection products for both the professional and do-it-yourself ("DIY") markets within the UK The business operates under the brands Dulux®, Dulux Trade®, Cuprinol®, Polycell®, Hammerite®, Glidden®, Sikkens® and International® The Company prides itself on product innovation and continues to invest and bring new products to market

Operational performance

2009 continued to be a challenging year with overall market volume declining by around 6% In the retail market volumes held up relatively well, helped by increased marketing investment, product innovation and promotions However the trade market was hit hard by the difficult economic environment and saw double digit decline 2009 was a period in which paint manufacturers were affected by high variability in raw material costs and significant currency fluctuation

Despite this difficult context, the Company was able to hold turnover flat and increase its market share This performance was driven by a continuing investment in innovation, brand development and differentiated service offer The Company saw increases in its cost of sales due to currency movement and raw material inflation, although total costs were offset by savings from internal cost reduction programmes The Company also continued to realize synergy benefits from its integration with AkzoNobel

The outlook for 2010 remains suppressed and, although not as marked as in 2009, a further modest single digit decline in market volumes is expected In parallel with weak demand, manufacturers are also experiencing significant year-on-year increases in the price of key raw materials However, through its investment in marketing and sales, the company is continuing to grow share within target categories

Product innovation

The Company continued to invest in the development of its decorative business through innovation The earlier highly successful introduction of the Dulux PaintPod® roller system was followed by Dulux PaintPod Compact®, a smaller unit designed to further expand the PaintPod® franchise The Company also introduced Dulux® colour samplers – an online service which enables consumers to have real paint samples delivered to their front door Other DIY product introductions included Cuprinol PowerPad® applicator, Dulux® Feature Wall wallpaper and a premium range of painting accessories In the trade market, the Company successfully launched Dulux Trade Pyroshield® Durable Matt, a fire retardant coating for commercial application and continued to see strong growth from Ecosure®, the lowest carbon paint range from Dulux Trade®

Directors' Report *(continued)*

Other developments

Continued focus on the environment and sustainability saw a number of community "makeovers" as part of the Dulux® Paint for Change campaign Other social initiatives included the "Big School Makeover" and "Social Housing Transformation" programmes as well as continuing sponsorship of Community RePaint®, a charity which recycles leftover paint In addition, the distribution of the Dulux Trade® Environmental Wash System was increased and Dulux Trade® Paint Solidifier was promoted to help tradesmen dispose of waste paint The Company has also been very successful at reducing its overall environmental impact – with ongoing initiatives targeted at reducing carbon footprint, reducing waste, improving energy and transportation efficiency

The Company's products also featured in a number of high profile construction projects, examples being the refurbishment of Earls Court and Kensington Olympia venues as well as the Westfield shopping centre in London, the largest retail construction project in Europe Following this success, the Dulux Decorator Centre business has also won a contract to supply paints to the new Westfield Stratford City development, which is intended to be the main gateway to the 2012 Olympic Village

Other Company Activities

ICI Imagedata

The Company operated until January 2010, a digital imaging business, ICI Imagedata, which was deemed to be non-core to the AkzoNobel group and for which a divestment programme commenced in 2008 The business and assets of the division were sold to two separate parties in January 2010 with the Company receiving combined proceeds of £7m As the sale completed within the first 3 months of 2010 the operations of ICI Imagedata have been classified as discontinued operations for 2008 and 2009

Group Holdings

During the year the Company disposed of its directly owned subsidiaries, ICI North America Inc and ICI Wilmington Inc disposing of assets with a net book value of £1m and receiving proceeds of £3m

The ICI group during the year, also continued to realign its group structure within the AkzoNobel group In the opinion of the directors, the value of investments in subsidiary undertakings at 31 December 2009 is not less than the amount at which they are stated in the balance sheet

Research and development

The Company carries out research and development in support of existing activities, specific new product development and the improvement of production processes

Results and dividends

The results for the year ended 31 December 2009 are set out on page 8 of the financial statements The directors did not pay an interim dividend during the year (*2008 £950m*) The directors do not recommend the payment of a final dividend (*2008 £nil*)

Policy and practice on payment of creditors

The Company agrees terms and conditions for its business transactions with its suppliers Payment is then made in accordance with these terms, subject to the terms and conditions being met by the supplier Payments can differ in the markets in which the Company trades Trade creditors of the Company at 31 December 2009 were equivalent to 40 days (*2008 47 days*) purchases, based on the average daily amount invoiced by suppliers to the Company during the year

Directors' Report *(continued)*

Directors

The directors who held office during the year were as follows

Julie Shannon	
Derek Welch	
William McPherson	resigned 7 April 2010
Michael Tijdink	
O H Director Limited	
Rutger Helbing	resigned 6 July 2010
Richard Stuckes	
Ben Schoordijk	resigned 6 March 2009
Bart Kaster	appointed 6 March 2009
Piotr Peczak	appointed 6 July 2010

Employees

The Company's policy is to consider all job applications by disabled persons sympathetically in relation to the duties, responsibilities and physical requirements of the vacancies, the aptitudes of the applicants, including the nature of the disability, the working environment and the facilities required for the effective performance of the job by the applicant

If any existing employee becomes disabled, the Company will examine any effects of the disability on current job performance and take all practicable steps to maintain the employees' continued employment through the provision of appropriate retraining, changes in working facilities or, with mutual agreement, the provision of alternative employment more closely related to the employees' capabilities

The Company will continue to identify and monitor the employment of Registered Disabled persons to determine its position in relation to the current statutory requirements

Pension schemes

The Company operates both defined contribution and multi-employer defined benefit schemes for its employees (see note 27)

UK Share Save Scheme

The Company operated a Share Save scheme for the benefit of its employees These were deemed to be exercised at 2 January 2008, however the shares were issued to the Company's employees and then immediately purchased by the Company's immediate parent Akzo Nobel ICI Holdings at various dates throughout 2008 and 2009 This scheme has no financial liability for the Company and therefore no additional liability is recorded in the Company's accounting records At 31 December 2008 there were 665,000 share options outstanding with the corresponding £1 ordinary shares issued by July 2009 for £1 58 per share At 31 December 2009 all share options had been paid out

Political and charitable contributions

The Company made charitable donations of £46,000 in 2009 (2008 *£53,000*)

The Company made no donations for political purposes in 2009 (2008 *£nil*)

Directors' Report *(continued)*

Post balance sheet events

In June 2010 Akzo Nobel N V , the ultimate parent company, announced the sale of Akzo Nobel's National Starch business to a 3rd party Corn Products International for $1 3billion As part of the sale, the Company's indirectly held subsidiary, National Starch and Chemical Limited, will sell business assets to the Corn Products International group The sale completed on 1 October 2010 and is not expected to lead to any impairment charge in the books of the Company

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

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, 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 auditors are aware of that information

By order of the Board

O.H. DIRECTOR LIMITED
AUTHORISED SIGNATORY

O.H. Director Limited
Director

26th Floor, Portland House
Bressenden Place
London
SW1E 5BG

7 October 2010

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 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

KPMG Audit Plc

15 Canada Square
London
E14 5GL
United Kingdom

Independent auditors' report to the members of Imperial Chemical Industries Limited

We have audited the financial statements of Imperial Chemical Industries Limited for the year ended 31 December 2009 set out on pages 8 to 24 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 auditors' 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 5 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 web-site at www frc org uk/apb/scope/UKNP

Opinion

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 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 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 Imperial Chemical Industries 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

Paul Sawdon (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

7 October 2010

Profit and loss account

for the year ended 31 December 2009

	Note	2009 £m	2008 £m
Turnover			
Continuing operations	*2*	**418**	418
Discontinued operations	*2*	**12**	17
Cost of sales	*4*	**(244)**	(246)
Gross profit	*4*	**186**	189
Distribution costs		**(78)**	(81)
Research & Development costs		**(18)**	(21)
Administrative expenses	*12*	**(211)**	(279)
Other operating income		**7**	12
Operating loss			
Continuing operations	*3,4,11,12*	**(118)**	(142)
Discontinued operations	*4*	**4**	(38)
		(114)	(180)
Profit on disposal of investments	*5*	**2**	62
Loss on disposal of investments	*6*	**(3)**	-
Loss on disposal of fixed assets	*7*	**-**	(23)
Income from shares in group undertakings	*8*	**35**	7
Other interest receivable and similar income	*9*	**286**	613
Interest payable and similar charges	*10*	**(138)**	(673)
Profit/(loss) on ordinary activities before taxation		**68**	(194)
Tax on profit/(loss) on ordinary activities	*13*	**66**	83
Profit/(loss) after taxation and for the financial year		**134**	(111)

The notes on pages 11 to 24 form part of these financial statements

There were no recognised gains or losses in either year other than those dealt with in the profit and loss account

Balance sheet
at 31 December 2009

	Note	2009 £m	£m	2008 £m	£m
Fixed assets					
Tangible assets	*15*	49		50	
Investments	*16*	6,832		7,030	
			6,881		7,080
Current assets					
Stocks	*17*	38		38	
Debtors	*18, 22*	5,821		6 690	
Cash at bank and in hand		8		4	
		5,867		6,732	
Creditors: amounts falling due within one year	*19*	(8,876)		(10,015)	
Net current liabilities			(3,009)		(3,283)
Total assets less current liabilities			3,872		3,797
Loans	*20*		-		(28)
Provisions for liabilities	*21*		(165)		(196)
Net assets			3,707		3,573
Capital and reserves					
Called up share capital	*23*		1,209		1,209
Share premium account	*24*		940		940
Profit and loss account	*14,24*		1,558		1,424
Shareholders' funds			3,707		3,573

The notes on pages 11 to 24 form part of these financial statements

These financial statements were approved by the board of directors on 7 October 2010 and were signed on its behalf by

O.H. DIRECTOR LIMITED

AUTHORISED SIGNATORY

O. H. Director Limited
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2009

	2009 £m	2008 £m
Profit/(loss) for the financial year	**134**	(111)
Equity dividends paid	-	(950)
Retained profit/(loss)	**134**	(1,061)
New share capital subscribed (net of issue costs)	-	2
Net addition to/(reduction in) shareholders' funds	**134**	(1,059)
Opening shareholders' funds	**3,573**	4,632
Closing shareholders' funds	**3,707**	3 573

The notes on pages 11 to 24 form part of these financial statements

Notes
(forming part of the financial statements)

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

Change in accounting standards

The Company has adopted the amendment to Financial Reporting Standard 8 "Related Parties Disclosures" (mandatory for periods beginning on or after 6 April 2008) The amendment has the effect that only wholly-owned subsidiaries are exempt from disclosure of intra-group transactions and there is no longer a disclosure exemption available in a parent company's own financial statements As 100% of the Company's voting rights are controlled within the group headed by Akzo Nobel N V , the Company is not affected by this change

Basis of preparation

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

The Company is exempt by virtue of Section 400 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

Under Financial Reporting Standard 1 "Cash Flow Statements" the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

As 100% of the Company's voting rights are controlled within the group headed by Akzo Nobel N V , the Company has taken advantage of the exemption contained in Financial Reporting Standard 8 "Related Party Disclosures" and has therefore not disclosed transactions or balances with entities which form part of the group

Full disclosure of the financial risks facing the Company are included in the consolidated financial statements of Akzo Nobel N V

Certain prior period numbers have been reclassified to be consistent with current year classification

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

Investments

Investments in subsidiary undertakings, associates and joint ventures are stated at their cost to the Company less provisions to reflect any diminution in value, which the directors consider to be of a permanent nature

Depreciation

The Company's policy is to write off the book value of each tangible fixed asset excluding land to its residual value evenly over its estimated remaining life Reviews are made annually of the estimated remaining lives of individual productive assets, taking account of commercial and technological obsolescence as well as normal wear and tear Under this policy, the lives approximate to 30 years for buildings, 13 years for plant and equipment and 4 to 5 years for computer software Depreciation of assets qualifying for grants is calculated on their full cost No depreciation has been provided on freehold land Impairment reviews are performed where there is an indication of potential impairment If the carrying value of an asset exceeds the higher of the discounted estimated future cash flows and net realisable value of the assets, the resulting impairment is charged to the profit and loss account

Notes *(continued)*

1 Accounting policies *(continued)*

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Operating Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Research and development expenditure

Expenditure on research and development is charged to profit in the year in which it is incurred

Intra-group financial instruments

Where the Company enters into financial guarantee contracts, for example to guarantee the indebtedness of other companies within the group, the Company considers these to be insurance arrangements and accounts for them as such In this respect the Company treats the guarantee contract as a contingent liability until such time as it becomes possible that the Company will be required to make a payment under the contract

Post-retirement benefits

The Company participates in group wide pension schemes providing benefits based on final pensionable pay The assets of the scheme are held separately from those of the Company The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Financial Reporting Standard 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period (see note 27)

The Company also participates in a defined contribution pension scheme The assets of the scheme are held separately from those of the Company in an independently administered scheme (see note 27)

Stocks

Finished goods, raw materials and other stocks are stated at the lower of cost and net realisable value The first in, first out or an average cost method of valuation is used In determining cost for stock valuation purposes, depreciation is included but selling expenses and certain overhead expenses are excluded

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 Tax"

Deferred tax assets are recognised on losses to the extent that future probable taxable profits will be available against which the deferred tax asset can be utilised

Turnover

Turnover represents the fair value of consideration received and receivable for goods and services supplied to customers after deducting sales allowances, rebates and value added taxes Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer, the revenue can be measured reliably and collectability is reasonably assured

Notes *(continued)*

1 Accounting policies *(continued)*

Disposal provisions

The Company is exposed to certain liabilities when businesses are divested and disposal provisions are created as part of the gain or loss on disposal calculation Typical costs include pension liabilities, environmental costs transaction costs and separation costs Provisions are only established when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation The Company reviews its disposal provisions regularly to determine whether they accurately reflect the present obligations of the Company based on the latest available facts

Contingent liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Company's control or are present obligations arising from past events that are not recognised as it is not probable a transfer of economic benefits will occur or the amount cannot be measured with sufficient certainty The Company reviews its obligations regularly

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

2 Analysis of turnover

The majority of the Company's business operations are within one business segment, Decorative Paints and one geographic segment, the UK Therefore, the profit and loss account reports the segmental information of the Company

3 Notes to the profit and loss account

	2009	2008
Profit/(loss) on ordinary activities before taxation is stated after charging:	**£m**	£m
Auditors' remuneration audit of these financial statements (see below)	-	-
Operating lease rentals – office rental	-	2

The auditors' fee for audit of these financial statements was £70,000 (*2008 £90,000*)

Notes *(continued)*

4 Analysis of continuing and discontinued operations

	2009 Continuing £m	2009 Discontinued £m	2009 Total £m	2008 Continuing £m	2008 Discontinued £m	2008 Total £m
Turnover	**418**	**12**	**430**	418	17	435
Cost of sales	**(233)**	**(11)**	**(244)**	(230)	(16)	(246)
Gross profit	**185**	**1**	**186**	188	1	189
Distribution costs	**(78)**	**-**	**(78)**	(80)	(1)	(81)
Research & development costs	**(18)**	**-**	**(18)**	(21)	-	(21)
Administrative expenses (see note *12*)	**(214)**	**3**	**(211)**	(241)	(38)	(279)
Other operating income	**7**	**-**	**7**	12	-	12
Operating loss	**(118)**	**4**	**(114)**	(142)	(38)	(180)

During the year restructuring related severance costs of £15m (2008 *£54m*) were recorded in administrative expenses

5 Profit on disposal of investments

	2009 £m	2008 £m
Profit on disposal of group undertakings	**2**	62

During 2009 the Company disposed of its directly owned subsidiaries, ICI North America Inc and ICI Wilmington Inc divesting assets with a net book value of £1m and receiving proceeds of £3m

6 Loss on disposal of investments

	2009 £m	2008 £m
Loss on disposal of group undertakings	**(3)**	-

The Company incurred an additional £3m of expenditure in relation to the overall divestment in 2008 of its Adhesives and Electronic Materials business to a third party, Henkel GmbH

7 Loss on disposal of fixed assets

	2009 £m	2008 £m
Loss on disposal of fixed assets	**-**	(23)

During 2008, the Company sold the lease of its former Group headquarters in Manchester Square, London Following the sale, £8m of assets were written off and additionally an IT SAP implementation project was aborted, resulting in a charge of £15m

Notes *(continued)*

8 Income from shares in group undertakings

	2009 £m	2008 £m
Income from shares in group undertakings	**35**	7

9 Other interest receivable and similar income

	2009 £m	2008 £m
Interest receivable from group undertakings	**271**	613
Net exchange gain	**15**	-
	286	613

10 Interest payable and similar charges

	2009 £m	2008 £m
Bank and other loans	**(3)**	(7)
Interest payable to group undertakings	**(102)**	(272)
Other finance charges	**(33)**	-
Net exchange losses	**-**	(394)
	(138)	(673)

Other finance charges in the year relate to the early disposal of a fixed term intercompany payable loan which was novated to the ultimate parent company

Notes *(continued)*

11 Remuneration of directors

The total emoluments of the directors who received remuneration in respect of qualifying services to the Company for the year were £591,000 (*2008 £6,199,000*) There were no payments in respect of loss of office during the year (*2008 £3,816,000*) Contributions made to defined contribution plans during the year were £42,000 (*2008 £29,000)* Two directors exercised share options in the ultimate parent company during the year (*2008 none*) No directors were accruing retirement benefits under a defined benefit scheme (*2008 none*)

The aggregate emoluments of the highest paid director during the year were £446,000 (*2008 £2,661,000*) and contributions towards a defined contribution plan during the year were £24,000 (*2008 £nil*) During 2009 the highest paid director exercised share options in the ultimate parent company (*2008 none*)

12 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year was 905 (*2008 1,125*) The aggregate payroll costs of these persons were as follows

	2009	2008
	£m	£m
Wages and salaries	**46**	69
Social security costs	**6**	9
Pension costs (see note 27)	**143**	128
Restructuring costs	**15**	54
	210	260

During the year restructuring related severance costs of £15m (2008 *£54m*) were recorded in administrative expenses

13 Taxation

Analysis of charge in period

	2009	**2009**	2008	2008
	£m	**£m**	£m	£m
UK corporation tax				
Current tax (charge)/loss for the period		**-**		47
Other				
Prior year adjustment	**59**		-	
Double taxation relief	**-**		1	
Non-UK tax	**(1)**		(1)	
		58		-
Total current tax credit		**58**		47
Deferred tax (see note 22)				
Origination/reversal of timing differences	**(13)**		36	
Prior year adjustment	**21**		-	
Total deferred tax credit		**8**		36
Total tax credit		**66**		83

Notes *(continued)*

13 Taxation *(continued)*

Factors affecting the tax credit for the current period

The current tax credit for the period is different than the standard rate of corporation tax in the UK 28% (*2008 28 5%*) The differences are explained below

	2009 £m	2008 £m
Current tax reconciliation		
Profit/(loss) on ordinary activities before tax	**68**	(194)
Current tax at 28 0 % *(2008 28 5 %)*	**(19)**	55
Effects of		
Income not taxable – profit on disposal of group undertakings	**-**	18
Income not taxable – dividend income	**8**	1
Income not taxable – net provision movements	**6**	-
Prior year adjustment	**53**	21
Pension spreading	**11**	11
Expenses not deductible for tax purposes – other disallowables	**(9)**	(6)
Expenses not deductible for tax purposes - capital in nature	**-**	(3)
Non UK tax	**(1)**	(1)
Tax losses utilised/(carried forward)	**9**	(49)
Total current tax credit (see above)	**58**	47

During the year the Company recorded income of £59m, relating to tax and interest, arising from ongoing tax litigation in relation to prior periods The case relates to the incompatibility of UK tax legislation with EU law in the years 1997 to 2003 The credit recorded is the Company's best estimate of the amount to be recovered based upon the current decisions of the Courts Any further tax income arising from related cases is subject to ongoing litigation and is not capable of being recognised or reliably quantified at this time The resulting tax credit of £53m is net of tax upon the interest and is recorded on the tax line

14 Dividends

The aggregate amount of dividends comprises

	2009 £m	2008 £m
Interim dividends paid in respect of year	**-**	950

Notes *(continued)*

15 Tangible fixed assets

	Land and buildings £m	Plant and machinery £m	Payments on account and assets in course of construction £m	Total £m
Cost				
At beginning of year	15	188	14	217
Additions	1	9	-	10
Disposals & other movements	-	(4)	-	(4)
Transfer of assets into use	-	4	(4)	-
At end of year	16	197	10	223
Depreciation				
At beginning of year	12	155	-	167
Charge for year	-	7	-	7
At end of year	12	162	-	174
Net book value				
At 31 December 2009	**4**	**35**	**10**	**49**
At 31 December 2008	3	33	14	50

The net book value of land and buildings comprises

	2009 £m	2008 £m
Freehold	**4**	3

Notes *(continued)*

16 Fixed asset investments

	Shares	Participating Interests	Loans	Total
	£m	£m	£m	£m
Cost				
At beginning of year	3,955	2	3,187	7,144
Disposals	(1)	-	(1)	(2)
Exchange adjustments	-	-	-	-
Transfers	-	-	(197)	(197)
At end of year	3,954	2	2,989	6,945
Provisions				
At beginning of year	(112)	(1)	(1)	(114)
Provided in year	-	-	-	-
Disposals	-	-	1	1
At end of year	(112)	(1)	-	(113)
Net book value				
At 31 December 2009	**3,842**	**1**	**2,989**	**6,832**
At 31 December 2008	3,843	1	3,186	7,030

In the opinion of the directors, the value of investments in subsidiary undertakings is not less than the amount at which they are stated in the balance sheet

Shares in directly held subsidiary undertakings which are listed investments have a balance sheet value of £4m (*2008 £4m*) and a market value at 31 December 2009 of £181m (*2008 £112m*)

The Company's investments in its subsidiary undertakings consist of either equity or loans where repayment is not currently intended, or both Other balances are included in either debtors or creditors as current or non current depending on expiry date During the year loans valued at £197m (*2008 £154m*) have been transferred to amounts owed by subsidiary undertakings due to a change in the underlying nature of the loan

The principal companies, in which the Company's interest at 31 December 2009 is more than 20%, are as follows

Subsidiary companies	Country of incorporation	Principal Activity	Percentage and class of shares held
ICI India Limited	India	Paints	54% Equity**
Ergon Investments UK Limited	England	Holding Company	100% Ordinary
Akzo Nobel Packaging Coatings Limited	England	Performance Coatings	100% Ordinary*
ICI Finance Limited	England	Financial Services	100% Ordinary*
J P McDougall & Co Limited	England	Paints	100% Ordinary*
National Starch & Chemical Limited	England	Specialty Starch	100% Ordinary *
Ergon Investments International Limited	England	Holding Company	100% Ordinary *
Dulux Paints Ireland Unlimited	Ireland	Paints	100% Ordinary*

* Held by subsidiaries
** Listed investments

During 2009 the Company disposed of its directly owned subsidiaries, ICI North America Inc and ICI Wilmington Inc divesting assets with a net book value of £1m and receiving proceeds of £3m

In June 2010 Akzo Nobel N V, the ultimate parent company, announced the sale of Akzo Nobel's National Starch business to a 3rd party Corn Products International for $1 3billion As part of the sale, the Company's indirectly held subsidiary, National Starch and Chemical Limited, will sell business assets to the Corn Products International group The sale completed on 1 October 2010 and is not expected to lead to any impairment charge in the books of the Company

Notes *(continued)*

17 Stocks

	2009 £m	2008 £m
Raw materials and consumables	6	5
Work in progress	1	1
Finished goods and goods for resale	31	32
	38	38

18 Debtors

	2009 £m	2008 £m
Amounts owed by group undertakings	5,710	6,587
Other debtors	6	5
Deferred tax assets (see note 22)	91	83
Prepayments and accrued income	14	15
	5,821	6,690

Debtors include deferred tax assets of £69m *(2008 £55m)* and amounts owed by group undertakings of £nil (*2008 £71m)* due after more than one year

The Company has also provided an asset-backed guarantee, via a wholly owned subsidiary, ICI Receivables Funding Limited (the "SPV") specifically incorporated to provide the guarantee, for £250m to support its commitments for the ICI Pension Fund (see note 27) The asset backed guarantee is secured by way of fixed and floating charges over the trade debtors of certain group companies, which have been assigned to the SPV At 31 December 2009 £35m (2008 *£53m)* of the Company's gross trade debtors were assigned to the SPV

19 Creditors: amounts falling due within one year

	2009 £m	2008 £m
Trade creditors	60	55
Amounts owed to group undertakings	8,747	9,918
Bank overdrafts	3	-
Loans (see note 20)	25	-
Other creditors	41	42
	8,876	10,015

20 Loans

Unsecured loans at the end of the period consist of US Dollar variable rate medium-term notes with a repayment date of 2010, of £25m (2008 *£28m)* which have been classed as current liabilities in 2009

Notes *(continued)*

21 Provisions for liabilities

	Disposal and legacy provisions	Restructuring provisions	Other provisions	Total
	£m	£m	£m	£m
At beginning of year	60	29	107	196
Profit and loss account	3	15	(10)	8
Utilised during year	(10)	(28)	(1)	(39)
At end of year	**53**	**16**	**96**	**165**

Disposal and legacy provisions

Provisions relate to disposals, long term residual activities and pension administration costs The nature of these provisions is such that the related expenditure is expected to occur over the period from 2010 to at least 2030

Restructuring provisions

During the year the Company provided for a number of synergy and rationalization cost savings projects in relation to a wider AkzoNobel restructuring focus and are included within administrative costs (see note 4)

Other Provisions

Other provisions include a fine of €91m plus accrued interest, imposed by the European Commission in 2006 relating to the Company's ownership of the ICI Acrylics business, which has been provided for in full In the year £10m of provision was reversed as a consequence of favourable exchange movements less additional accrued interest

22 Deferred tax

	2009	2008
	£m	£m
Deferred tax liabilities		
UK fixed assets	-	(3)
Deferred tax assets		
UK fixed assets	**28**	-
Restructuring provisions/business provisions/other	**12**	15
Post-retirement benefits	**11**	22
Losses	**40**	49
	91	83
Deferred tax assets accounted for at the balance sheet date		
Analysed as		
Current	**22**	28
Non-current	**69**	55
	91	83

Deferred tax assets are recognised on losses to the extent that future probable taxable profits will be available against which the deferred tax asset can be utilised and based upon future profit forecasts the Company has recognised a deferred tax asset

Notes *(continued)*

23 Called up share capital

	2009 £m	2008 £m
Allotted, called up and fully paid		
1,209,327,168 (*2008 1,208,662,447*) ordinary shares of £1 each	**1,209**	1,209

All share capital is classified as equity shareholders' funds

During the year the Company issued 664,721 ordinary shares of £1 for a consideration of £1m, settled in cash, in respect of the final exercises under the UK Share Save scheme which terminated in 2007

24 Share premium and reserves

	Share premium account £m	Share capital £m	Profit and loss account £m	Total £m
At beginning of year	940	1,209	1,424	3,573
Profit for the year	-	-	134	134
Shares issued	-	-	-	-
At end of year	**940**	**1,209**	**1,558**	**3,707**

25 Contingent liabilities

Contingent liabilities existed at 31 December 2009 in connection with banking facilities and guarantees relating to pension funds, including the solvency of pension funds (see note 27) Following the acquisition by Akzo Nobel N V most guarantees have had an additional parent company guarantee from Akzo Nobel N V

In particular the Company has fully and unconditionally guaranteed the debt securities of a subsidiary undertaking of the ultimate parent company ICI Wilmington Inc and is deemed as the primary guarantor ICI Wilmington Inc also has an additional parent company guarantee from Akzo Nobel N V

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 companies 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 credit position of this group cashpool was £6m *(2008 £3m overdraft)*

Included within amounts owed to group undertakings is £25m *(2008 £1m)* in respect of the Company's share of the account

Notes *(continued)*

26 Commitments

Capital commitments at the end of the financial year for which no provision has been made, are as follows

	2009 £m	2008 £m
Contracted	3	3
Expenditure authorised but not yet contracted	5	9

27 Pension Schemes

The Company operates both defined contribution and multi-employer defined benefit schemes for its employees

ICI Pension Fund

The Company participates in the ICI Pension Fund ("the ICIPF") providing benefits based on final pensionable pay

The ICIPF is a multi-employer scheme in which the Company is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis and, as permitted by Financial Reporting Standard 17 "Retirement benefits", the scheme has been accounted for in these financial statements as if the scheme was a defined contribution scheme The pension cost charge for the period represents contributions payable by the Company to the scheme

The latest full actuarial valuation was carried out as at 31 March 2008 by a qualified independent actuary At this valuation the market value of the scheme assets was sufficient to cover 85% of the benefits that had accrued to members at that date

The contribution rate is generally reviewed every three years following each full actuarial valuation of the scheme The employer contribution rates which applied in the first 4 months of 2009 were set following the 2005 valuation and were 22 8% Following the 2008 valuation, the regular employer contribution rate increased to 34 1% and was effective from May 2009

The total contribution made by the Company excluding annual top ups was £8m *(2008 £7m)*

The Company also made additional top up contributions of £175m during the year (*2008 £172m*) The portion of the additional contribution charged to the Company for 2009 was £122m (*2008 £117m)*

Following the 31 March 2008 valuation the Company has agreed to make top up contributions to the ICIPF totalling £1,520m for the years 2010 to 2017

Following the acquisition by Akzo Nobel N V the pension fund obligations of the Company to ICIPF are guaranteed by Akzo Nobel N V

ICI Specialty Chemicals Pension Fund

The Company participates in the ICI Specialty Chemicals Pension Fund ("the ISCPF") providing benefits based on final pensionable pay

The ISCPF is a multi-employer scheme in which the Company is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis and, as permitted by Financial Reporting Standard 17 "Retirement benefits", the scheme has been accounted for in these financial statements as if the scheme was a defined contribution scheme The pension cost charge for the period represents contributions payable by the Company to the scheme

The latest full actuarial valuation was carried out as at 31 March 2008 by a qualified independent actuary At this valuation the market value of the scheme assets was sufficient to cover 89% of the benefits that had accrued to members at that date

Notes *(continued)*

27 Pension schemes *(continued)*

The contribution rate is generally reviewed every three years following each full actuarial valuation of the scheme The employer contribution rates which applied for the first 6 months of 2009 were set following the 2005 valuation and were for the Main Section of the Fund 17 6%, SERA members of the Fund 21 8% and Section A of the Fund 19 0% Following the 2008 valuation, the regular contribution increased for the Main Section of the Fund to 27 4%, SERA members of the Fund 31 4% and Section A of the Fund 27 3% with effect from 1 July 2009, of pensionable pay, plus variable deficit contributions

The total contribution made by the Company excluding annual top ups was £1m *(2008 £1m)*

In January 2008 the Company, signed an agreement providing ISCPF with a Letter of Credit for £95 2m In February 2010 the Company increased the value of the Letter of Credit to £114 5m and divided the sum between 2 separate banks

The Company also made additional top up contributions of £9m during the year (*2008 £nil*)

In June 2009 the Company signed a funding recovery plan and has agreed to make top up contributions to the ISCPF totalling £51m for the years 2010 to 2017

ICI UK Retirement Plan

The Company is a member of the ICI UK Retirement Plan ("benefit builder") defined contribution scheme providing benefits based on contributions made There were no outstanding or prepaid contributions at the beginning or end of the financial year Payments to benefit builder during 2009 were £2m (2008 *£2m*)

Unfunded Pension Schemes

The Company pays for a number of unfunded pension schemes At the end of 2009, 98 (2008 *45*) former employees were beneficiaries of these schemes

The total unfunded pension cost for the Company during 2009 was £0 8m (2008 *£0 7m*)

Post Retirement benefits other than pensions.

The Company provides, through a scheme operated by a healthcare insurer for the Company's employees in the UK, unfunded healthcare benefits for eligible, retired employees from retirement date until age 65 During 2009, 348 (2008 *436*) retired employees were beneficiaries of the scheme The liabilities in respect of these benefits are accrued over the expected working lifetime of existing members

The total post retirement healthcare cost for the Company during 2009 was £0 5m (2008 *£0 6m*)

28 Ultimate parent company and parent undertaking of larger group of which the company is a member

The Company is a wholly owned subsidiary company of Akzo Nobel ICI Holdings, a company incorporated in England and Wales

The only group in which the results of the Company are consolidated is that headed by the ultimate parent company, Akzo Nobel N V , 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