Imperial Chemical Industries Limited (formerly Imperial Chemical Industries plc)

Directors' report and financial statements

Registered number 218019

31 December 2008

Contents

Directors' report

The directors present their directors' report and audited financial statements for the year ended 31 December 2008

Principal activities

The principal activities of the Company are research, manufacture and sale of paints and 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

On 25 March 2008, the entire share capital of the Company was acquired by Akzo Nobel ICI Holdings as part of an internal group re-organisation

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

ICI Paints 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

2008 was a challenging year with declines in the overall market in both trade and retail The retail market was in steady decline across the year, whilst the trade market really started to significantly decline in the second half of the year on the back of the worsening economic environment Overall, the total UK market in the year is estimated to have declined by greater than 6% and sales have further been adversely impacted by de-stocking activities of customers reflecting the focus on cash in the current economic environment

Part of this has been offset by some very successful innovations in both trade and retail, leaving overall sales down by 2% Margins in the year have been under pressure due to high variable cost inflation, partly impacted by the weakening of sterling In order to offset the downside in the top-line, margin costs in the year were well controlled but could not prevent a reduction in profits in the year

Product innovation

It was a very successful year in terms of introducing exciting new products to the market, with innovation and sustainability being hallmarks of the latest products The biggest success was with the award-winning Dulux® PaintPod® easy roller system which enjoyed one of the most successful launches in the history of DIY in the UK It surpassed forecasted sales targets within six months

The launch of the Dulux Ecosure® product for the trade sector also proved to be particularly successful Ecosure reduces environmental impact without compromising performance and was used to coat the UK's first carbon-neutral house

Other major launches included Hammerite® Metalmaster® – the first ever product which can paint both sides of railings and intricate metal surfaces at once and Dulux® Trade Light & Space®, which uses Lumitec®, the latest in paint technology to reflect substantially more light back into a room by reducing the amount of light the painted surfaces absorb

Directors' report *(continued)*

'Other developments

The Dulux Trade Environmental Wash System® product was successfully introduced in the UK It helps decorators and contractors to achieve best practice in their waste management by converting paint into inert solid waste and the clear water can then be recycled The Company has also started using so-called "teardrop" trailers for deliveries Their aerodynamic design helps to save fuel and reduce CO2 emissions on long haul runs In addition, the Company had further awards success in this region, with the Polycell Polyfilla Stick® product – designed to provide a simple, mess-free way to fill hairline cracks and nail holes – winning the Gold Award for Best New Product in the DIY category at the UK's 2008 DIY Industry Awards

Other Company Activities

Restructuring

Following the acquisition by AkzoNobel, the Company entered into a rationalisation and synergy programme across all areas of the Company These specifically related to reviews of the Company's former headquarters at Manchester Square, London, associated corporate functions and both ICI Paints and Imagedata A provision of £54m was recorded in relation to the Company's restructuring activities (see note 23)

In June 2008 the Company completed the sale of its leasehold interest in Manchester Square

ICI Imagedata

The Company operates a digital imaging business, ICI Imagedata, which was deemed to be non-core to the AkzoNobel group and a divestment programme commenced in 2008 The business and assets of the division were divested to two separate parties in January 2010 with the Company receiving combined proceeds of £7m A restructuring provision relating to staff costs of £5m was provided in 2008

Group Holdings

Following the acquisition by AkzoNobel N V the Company divested its Adhesives and Electronic Materials investments to a third party, Henkel GmbH, for consideration of €3 6 billion

As part of the group divestment the Company sold its directly owned subsidiaries, ICI South Pacific Holdings Limited and ICI Venezolana S A , divesting assets with a net book value of £25m and receiving proceeds of £95m All other divestment activities were carried out by indirectly owned subsidiaries

In addition to the Henkel divestment, the ICI group throughout both 2008 and 2009 undertook the realigning of the group structure into the AkzoNobel structure (see note 17) In the opinion of the directors, the value of investments in subsidiary undertakings at 31 December 2008 is not less than the amount at which they are stated in the balance sheet

Change of Registered Office

On 30 June 2008 the Company changed its registered office address to 26th Floor, Portland House, Bressenden Place, London, SW1E 5BG.

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 2008 are set out on page 8 of the financial statements During the year the Company paid a first interim dividend of £950m (*2007 £59m*) and a second interim dividend of £nil (*2007 £60m*) The directors do not recommend the payment of a final dividend (*2007 £nil*)

Directors' report *(continued)*

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 2008 were equivalent to 47 days (2007 *55 days*) purchases, based on the average daily amount invoiced by suppliers to the Company during the year

Directors and directors' interests

The directors who held office during the year were as follows

Rt Hon Lord Butler of Brockwell	Resigned 2 January 2008
Joseph Gorman	Resigned 2 January 2008
Richard Haythornthwaite	Resigned 2 January 2008
Adri Baan	Resigned 2 January 2008
Baroness Noakes	Resigned 2 January 2008
Julie Shannon	Appointed 2 January 2008
Derek Welch	Appointed 2 January 2008
Ben Schoordijk	Appointed 2 January 2008, resigned 6 March 2009
John McAdam	Resigned 25 March 2008
Alan Brown	Resigned 25 March 2008
William McPherson	Appointed 25 March 2008
Christopher Bolland	Appointed 25 March 2008, resigned 31 December 2008
Michael Tijdink	Appointed 25 March 2008
O H Director Limited	Appointed 30 April 2008
David Hamill	Resigned 31 December 2008
Rutger Helbing	Appointed 31 December 2008
Richard Stuckes	Appointed 31 December 2008
Bart Kaster	Appointed 6 March 2009

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 29)

Share based payments

In relation to the Company's share options schemes, those under the senior staff scheme had an exercise price higher than the amount receivable on exercise and therefore lapsed All outstanding options under the UK share option scheme were exercised on 2 January 2008

Directors' report *(continued)*

UK Sharesave Scheme

The Company operated a sharesave 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 results in 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

Political and charitable contributions

The Company made charitable donations of £53,000 in 2008 (2007 *£88,000*)

The Company made no donations for political purposes in 2008 (2007 *£nil*)

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

Post balance sheet events

The following material transactions occurred post balance sheet date

In accordance with terms of the agreement with the trustees of the ICI Specialty Chemicals Pension Fund, in February 2010 the Company increased the value of the Letter of Credit issued previously in January 2008 from £95 2m to £114 5m and divided the sum between 2 separate banks

By order of the Board

O.H. SECRETARIAT LIMITED
AUTHORISED SIGNATORY

O.H. Secretariat Limited

Secretary

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

30 March 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)

The financial statements are required by law to 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 judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985 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 Audit Plc

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent auditors' report to the members of Imperial Chemical Industries Limited (formerly Imperial Chemical Industries plc)

We have audited the financial statements of Imperial Chemical Industries Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Independent auditors' report to the members of Imperial Chemical Industries Limited (formerly Imperial Chemical Industries plc) *(continued)*

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

30 March 2010

Profit and Loss Account
for the year ended 31 December 2008

	Note	2008 £m	2007 £m
Turnover			
Continuing operations	*2*	**435**	445
Cost of sales	*4*	**(246)**	(231)
Gross profit	*4*	**189**	214
Distribution costs		**(81)**	(80)
Research & Development costs		**(21)**	(22)
Administrative expenses	*13,23*	**(243)**	(397)
Other operating income		**12**	9
Operating loss	*4,12,13*	**(144)**	(276)
Discontinued operations	*4*	**(36)**	(7)
Operating loss		**(180)**	(283)
Profit on sale or closure of operations	*5*	**-**	57
Profit on disposal of investments	*6*	**62**	11
Other income	*7*	**-**	61
Loss on disposal of fixed assets	*8*	**(23)**	-
Income from shares in group undertakings	*9*	**7**	59
Other interest receivable and similar income	*10*	**613**	715
Interest payable and similar charges	*11*	**(673)**	(411)
Takeover related costs		**-**	(32)
(Loss)/profit on ordinary activities before taxation		**(194)**	177
Tax on (loss)/profit on ordinary activities	*14*	**83**	28
(Loss)/profit for the financial year		**(111)**	205

The Company had no recognised gains or losses other than the loss or profit for the year in either the current or preceding accounting period

Balance Sheet
at 31 December 2008

	Note	**2008 £m**	**£m**	2007 £m	£m
Fixed assets					
Tangible assets	*16*	**50**		72	
Investments	*17*	**7,030**		9,142	
			7,080		9,214
Current assets					
Stocks	*18*	**38**		38	
Debtors	*19,24*	**6,690**		7,388	
Cash at bank and in hand		**4**		10	
		6,732		7,436	
Creditors. amounts falling due within one year	*20*	**(10,015)**		(8,573)	
Net current liabilities			**(3,283)**		(1,137)
Total assets less current liabilities			**3,797**		8,077
Loans	*21*		**(28)**		(20)
Creditors amounts falling due after more than one year	*22*		**-**		(3,289)
Provisions for liabilities	*23*		**(196)**		(136)
Net assets			**3,573**		4,632
Capital and reserves					
Called up share capital	*25*		**1,209**		1,208
Share premium account	*26*		**940**		939
Profit and loss account	*15, 26*		**1,424**		2,485
Shareholders' funds			**3,573**		4,632

These financial statements were approved by the board of directors on 30 March 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 2008

	2008 £m	2007 £m
(Loss)/profit for the financial year	**(111)**	205
Equity dividends paid	**(950)**	(175)
Retained (loss)/profit	**(1,061)**	30
New share capital subscribed (net of issue costs)	**2**	24
Net (reduction in)/addition to shareholders' funds	**(1,059)**	54
Opening shareholders' funds	**4,632**	4,578
Closing shareholders' funds	**3,573**	4,632

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, except as noted below

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 228 of the Companies Act 1985 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 the Company is a wholly owned subsidiary of AkzoNobel 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 (or investees of the group qualifying as related parties) The consolidated financial statements of AkzoNobel N V , within which this Company is included, can be obtained from the address given in note 30

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

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

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 29)

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 29)

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

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

	2008	2007
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	4

The auditors' fee for audit of these financial statements was £90,000 (*2007 £74,000*)

4 Analysis of continuing and discontinued operations

	2008 Continuing £m	**2008** Discontinued £m	**2008** Total £m	2007 Continuing £m	2007 Discontinued £m	2007 Total £m
Turnover	**435**	-	**435**	445	-	445
Cost of sales	**(246)**	-	**(246)**	(231)	-	(231)
Gross profit	**189**	-	**189**	214	-	214
Distribution costs	**(81)**	-	**(81)**	(80)	-	(80)
Research & development costs	**(21)**	-	**(21)**	(22)	-	(22)
Administrative expenses (see note *13, 23*)	**(243)**	**(36)**	**(279)**	(397)	(7)	(404)
Other operating income	**12**	-	**12**	9	-	9
Operating loss	**(144)**	**(36)**	**(180)**	(276)	(7)	(283)

Notes *(continued)*

5 Profit on sale or closure of operations

	2008 £m	2007 £m
Quest disposal proceeds	-	61
Disposal provision increase	-	(4)
	-	57

6 Profit on disposal of investments

	2008 £m	2007 £m
Profit on disposal of group undertakings	62	11

During 2008 the Company disposed of its directly owned subsidiaries, ICI South Pacific Holdings Limited and ICI Venezolana S A , divesting assets with a net book value of £25m and receiving proceeds of £95m The Company also incurred £8m of expenditure in relation to the overall divestment of its Adhesives and Electronic Materials business to a third party, Henkel GmbH

7 Other income

	2008 £m	2007 £m
Loan impairment reversal	-	61

8 Loss on disposal of fixed assets

	2008 £m	2007 £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 Following the acquisition by AkzoNobel, an IT SAP implementation project was aborted, resulting in a charge of £15m

9 Income from shares in group undertakings

	2008 £m	2007 £m
Income from shares in group undertakings	7	59

Notes *(continued)*

10 Other interest receivable and similar income

	2008 £m	2007 £m
Interest receivable from group undertakings	613	696
Other	-	3
Net exchange gains	-	16
	613	715

11 Interest payable and similar charges

	2008 £m	2007 £m
Bank and other loans	(7)	(4)
Unwinding of discount	-	(2)
Interest payable to group undertakings	(272)	(405)
Net exchange losses	(394)	-
	(673)	(411)

12 Remuneration of directors

The total emoluments of the directors who received remuneration in respect of service to the Company for the year were £6,199,000 (*2007 £4,991,000*) including £3,816,000 of payments in respect of loss of office (*2007 £nil*) Contributions made to defined contribution plans during the year were £29,000 (*2007 £28,000)* Following the acquisition by Akzo Nobel N V subsequent to the scheme of arrangement all stock options were deemed to have been exercised in 2007 In 2007, 4 directors exercised options No directors exercised options in 2008

The aggregate emoluments of the highest paid director during the year were £2,661,000 (*2007 £2,104,000*) The additional annual pension accrued during the year of the highest paid director was £27,000 (*2007 £97,000)* with an accrued pension of £715,000 *(2007 £688,000)* During 2007 the highest paid director exercised share options

At year end there were no directors accruing retirement benefits under a defined benefit scheme (*2007 1*)

13 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year was 1,125 (2007 *1,188*)

The aggregate payroll costs of these persons were as follows

	2008 £m	2007 £m
Wages and salaries	69	76
Share based payments	-	6
Social security costs	9	8
Pension costs (see note 29)	128	288
	206	378

Additionally, during the year restructuring related severance costs of £54m (2007 *£35m*) were recorded in administrative expenses

Notes *(continued)*

14 Taxation

Analysis of charge in period

	2008	**2008**	2007	2007
	£m	**£m**	£m	£m
UK corporation tax				
Current tax on income for the period		**47**		(8)
Other				
Double taxation relief	**1**		5	
Non-UK tax	**(1)**		(1)	
		-		4
Total current tax credit/(charge)		**47**		(4)
Deferred tax (see note 24)				
Origination/reversal of timing differences	**36**		32	
Total deferred tax credit		**36**		32
Total tax credit		**83**		28

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 5% (*2007 30%*) The differences are explained below

	2008	2007
	£m	£m
Current tax reconciliation		
(Loss)/profit on ordinary activities before tax	**(194)**	177
Current tax at 28 5 % *(2007 30 %)*	**55**	(53)
Effects of		
Income not taxable – profit on disposal of group undertakings	**18**	3
Income not taxable – dividend income	**1**	12
Income not taxable – profit on closure of operations	**-**	18
Income not taxable – loan impairment reversal	**-**	18
Prior year adjustment	**21**	68
Pension spreading	**11**	(32)
Expenses not deductible for tax purposes – pension	**-**	(10)
Expenses not deductible for tax purposes – take over related costs	**-**	(10)
Expenses not deductible for tax purposes – mainly net provision movements	**(6)**	(17)
Expenses not deductible for tax purposes - capital in nature	**(3)**	-
Non UK Tax	**(1)**	(1)
Tax loss carried forward	**(49)**	-
Total current tax credit/(charge) (see above)	**47**	(4)

The UK tax rate was reduced from 30% to 28%, effective from 1 April 2008 In accordance with Financial Reporting Standard 19 "deferred tax", the deferred tax asset has been calculated using a tax rate of 28%, the rate at which the provision is expected to reverse

Notes *(continued)*

15 Dividends

The aggregate amount of dividends comprises

	2008 £m	2007 £m
Final dividends paid in respect of prior year but not recognised as liabilities in that year	-	56
Interim dividends paid in respect of year	950	59
Second interim dividends paid in respect of year	-	60
	950	175

16 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	30	214	7	251
Additions	-	-	11	11
Disposals & other movements	(15)	(30)	-	(45)
Transfer of assets into use	-	4	(4)	-
At end of year	15	188	14	217
Depreciation				
At beginning of year	17	162	-	179
Charge for year	2	8	-	10
Disposals & other movements	(7)	(15)	-	(22)
At end of year	12	155	-	167
Net book value				
At 31 December 2008	**3**	**33**	**14**	**50**
At 31 December 2007	13	52	7	72

The net book value of land and buildings comprises

	2008 £m	2007 £m
Freehold	3	4
Short leasehold	-	9
	3	13

Notes *(continued)*

17 Fixed asset investments

	Shares	Participating Interests	Loans	Total
	£m	£m	£m	£m
Cost				
At beginning of year	4,211	2	5,073	9,286
Additions	-	-	22	22
Disposals	(256)	-	(1,798)	(2,054)
Exchange adjustments	-	-	44	44
Transfers	-	-	(154)	(154)
At end of year	3,955	2	3,187	7,144
Provisions				
At beginning of year	(142)	(1)	(1)	(144)
Provided in year	-	-	-	-
Disposals	30	-	-	30
At end of year	(112)	(1)	(1)	(114)
Net book value				
At 31 December 2008	**3,843**	**1**	**3,186**	**7,030**
At 31 December 2007	4,069	1	5,072	9,142

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 (*2007 £4m*) and a market value at 31 December 2008 of £112m (*2007 £147m*)

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 years loans valued at £154m have been transferred to amounts owed by subsidiary undertakings due to changes in terms of loan agreements

The principal companies, in which the Company's interest at 31 December 2008 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
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 *
Mortar Investments International Limited	England	Holding Company	100% Ordinary *
National Starch and Chemical (Thailand) Limited	Thailand	Specialty Starch	100% Ordinary*
Ergon Investments International Limited	England	Holding Company	100% Ordinary *
Elotex A G	Switzerland	Powder Polymers	25% Ordinary*
ICI Canada Inc	Canada	Paints	32% Common*
ICI Omicron B V	Netherlands	Holding Company	100% Ordinary *
Tintas Coral Ltda	Brazil	Paints	100% Ordinary*
ICI Pakistan Limited	Pakistan	Specialty Chemicals	76% Ordinary*
Pakistan PTA Limited	Pakistan	Specialty Chemicals	75% Ordinary* **

* Held by subsidiaries
** Listed investments

Notes *(continued)*

17 Fixed asset investments *(continued)*

Following the acquisition by AkzoNobel N V the Company divested its Adhesives and Electronic Materials business to a third party, Henkel GmbH, for consideration of €3 6 billion

The Company sold its directly owned subsidiaries, ICI South Pacific Holdings Limited and ICI Venezolana S A , divesting assets with a net book value of £25m and receiving proceeds of £95m

All other divestment activities were carried out by indirectly owned subsidiaries

The Company transferred its 50% holding in ICI Funding Limited to its 100% owned subsidiary Ergon Investments UK Limited for £200m consideration

During 2009 the Company continued to reorganise its group undertakings within the AkzoNobel group

18 Stocks

	2008 £m	2007 £m
Raw materials and consumables	5	5
Work in progress	1	1
Finished goods and goods for resale	32	32
	38	38

19 Debtors

	2008 £m	2007 £m
Amounts owed by group undertakings	6,587	7,324
Other debtors	5	7
Deferred tax assets (see note 24)	83	47
Prepayments and accrued income	15	10
	6,690	7,388

Debtors include deferred tax assets of £55m *(2007 £34m)* and amounts owed by group undertakings of £71m *(2007 £nil)* 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 29) 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 2008 £53m (2007 *£41m*) of the Company's gross trade debtors were assigned to the SPV

Notes *(continued)*

20 Creditors: amounts falling due within one year

	2008 £m	2007 £m
Trade creditors	55	75
Amounts owed to group undertakings	9,918	8,352
Taxation and social security	-	11
Other creditors	42	135
	10,015	8,573

21 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 £28m (2007 *£20m*)

22 Creditors: amounts falling due after more than one year

	2008 £m	2007 £m
Amounts owed to group undertakings	-	3,287
Other creditors	-	2
	-	3,289

The change in amounts owed to group undertakings is due to the underlying loan repayment date becoming current

23 Provisions for liabilities

	Disposal and legacy provisions £m	Restructuring provisions £m	Other provisions £m	Total £m
At beginning of year	54	11	71	136
Profit and loss account	16	54	37	107
Utilised during year	(10)	(36)	(1)	(47)
At end of year	**60**	**29**	**107**	**196**

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 2009 to at least 2030

Restructuring provisions

In 2008, following the acquisition of the Company by AkzoNobel N V the Company provided for a number of synergy and rationalization cost savings projects within the Company, including the closure of the former ICI Group Headquarters in London and is included in administrative expenses (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 an additional £34m of expense was recorded relating to exchange movements and additional accrued interest

Notes *(continued)*

24 Deferred tax

	2008 £m	2007 £m
Deferred tax liabilities		
UK fixed assets	**(3)**	(5)
Deferred tax assets		
Restructuring provisions/business provisions/other	**15**	19
Post-retirement benefits	**22**	33
Losses	**49**	-
	83	47
Deferred tax assets accounted for at the balance sheet date		
Analysed as		
Current	**28**	13
Non-current	**55**	34
	83	47

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 During 2008 the Company incurred large restructuring costs of £54m and recorded a foreign exchange loss of £394m Similar items were not recorded in 2009 nor are expected to recur in future years Therefore, based upon future profit forecasts the Company has recognised a deferred tax asset

25 Called up share capital

	2008 £m	2007 £m
Authorised		
1,400,000,000 (*2007 1,400,000,000*) ordinary shares of £1 each	**1,400**	1,400
Allotted, called up and fully paid		
1,208,662,447 (*2007 1,207,735,385*) ordinary shares of £1 each	**1,209**	1,208

All share capital is classified as equity shareholders' funds

During the year the Company issued 1m ordinary shares of £1 for a consideration of £2m, settled in cash, in respect of exercises under the UK Sharesave scheme

Notes *(continued)*

26 Share premium and reserves

	Share premium account £m	Share capital £m	Profit and loss account £m	Total £m
At beginning of year	939	1,208	2,485	4,632
Loss for the year	-	-	(111)	(111)
Dividends	-	-	(950)	(950)
Shares issued	1	1	-	2
At end of year	**940**	**1,209**	**1,424**	**3,573**

27 Contingent liabilities

Contingent liabilities existed at 31 December 2008 in connection with banking facilities and guarantees relating to pension funds, including the solvency of pension funds (see note 29) 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 2008 the overdraft was £3m *(2007 £1m)*

Included within amounts owed by group undertakings is £1m *(2007 £nil)* in respect of the Company's share of the account

28 Commitments

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

	2008 £m	*2007 £m*
Contracted	**3**	4
Expenditure authorised but not yet contracted	**9**	31

Notes *(continued)*

29 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 FRS 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 2008 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 £7m *(2007 £9m)*

The Company also made additional top up contributions of £172m during the year (2007 £274m) The portion of the additional contribution charged to the Company for 2008 was £117m *(2007 £222m)*

Following the 31 March 2008 valuation the Company has agreed to make top up contributions to the ICIPF totalling £1,695m for the years 2009 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 FRS 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

The contribution rate is generally reviewed every three years following each full actuarial valuation of the scheme The employer contribution rates which applied in 2008 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 *(2007 £1m)*

In January 2008 the Company, signed an agreement providing ISCPF with a Letter of Credit for £95 2m This replaced the previous requirement for the Company to make annual top up payments to ISPCF of £12 3m

In June 2009 the Company signed a funding recovery plan and has agreed to make top up contributions to the ISCPF totalling £60m for the years 2009 to 2017

In accordance with terms of the agreement with the trustees of the ISCPF, in February 2010 the Company increased the value of the Letter of Credit to £114 5m and divided the sum between 2 separate banks

Notes *(continued)*

29 Pension schemes *(continued)*

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 2008 were £2m (2007 *£2m*)

Unfunded Pension Schemes

The Company pays for a number of unfunded pension schemes At the end of 2008, 45 (2007 *45*) former employees were beneficiaries of these schemes

The total unfunded pension cost for the Company during 2008 was £0 7m (2007 *£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 2008, 436 (2007 *521*) 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 2008 was £0 6m (2007 *£0 6m*)

30 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