

Imperial Chemical Industries Limited

Directors' Report and Financial Statements

Registered number 218019

31 December 2011

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Directors' Report

The directors present the Directors' Report and the audited financial statements for the year ended 31 December 2011

Principal activities

The principal activities of the Company are research, manufacture and sale of paints. The Company is also an investment holding company and manages legacy matters relating to former businesses and assets currently owned or previously owned by the ICI Group.

Business review

Since the acquisition of the Company by Akzo Nobel N V ("AkzoNobel") on 2 January 2008, discussion of future group strategy and achievement by way of key performance indicators has not been included in this document but are available in the AkzoNobel Group accounts which also contain appropriate forward-looking statements concerning group activities. The Company's paints business is part of the AkzoNobel Decorative Paints European Business Unit. Copies of the Akzo Nobel N V Annual Report and Accounts are available as indicated in Note 25 of the financial statements.

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 brands such as Dulux®, Dulux Trade®, Cuprinol®, Polycell®, Hammente®, Glidden®, Sikkens® and International®. The Company prides itself on product innovation and continues to invest and bring new products to market.

Operational performance

2011 was a challenging year for our Decorative Paints business, with both turnover and volumes at similar levels to 2010.

However there were several factors that affected our overall profitability. The most significant being raw material costs, specifically in relation to Titanium Dioxide. On a like for like basis, our cost of sales for the year increased by 7%. Other external factors which had a negative impact on turnover and volume growth included the continued general downturn in the UK economy and the loss of one of the Company's major customers, which went into administration during the year.

To compensate for difficulties caused by these external factors, the Company has targeted both overheads and operational expenses. Both have been kept under good control and helped to reduce the effect of the decreasing gross profit. The continuation of a stock optimization project which started in 2010 was a huge success resulting in an optimized range, lower inventory levels and less waste costs.

The Company continues to benefit as part of the AkzoNobel Group, further details of which can be found in the AkzoNobel Group accounts.

Slough Manufacturing

In July 2011 the Company announced plans to build a world class, hi-tech manufacturing facility in the north-east of England, reinforcing its strategic commitment to accelerated and sustainable growth. Around £100 million is earmarked for the custom-built Decorative Paints site, designed to enable the Company to deliver the most efficient supply chain operations, reduce operating working capital and accelerate its response to changing market and customer demands. The planned new facility will be in Ashington, Northumberland and is anticipated to be operational by the end of 2014.

Directors' Report (continued)

Slough Manufacturing (continued)

The proposal includes the closure of the Company's manufacturing operation in Slough and the closure of an indirectly held subsidiary's operations in Prudhoe. Production at the two sites will be maintained at the required levels prior to the operations being transferred. It is intended that Slough will remain the headquarters of the UK decorative paints business and for the wider global AkzoNobel Decorative paints research and development laboratories.

Following employee consultation an employee related restructuring provision has been recorded during the year for £12m.

Accelerated depreciation of £1.5m has been provided during the year to write off the cost of the Slough manufacturing plant, over the period from 1 September 2011 to 31 December 2014, to its estimated residual value at the closure of the manufacturing plant.

Product innovation

The Company continued to invest in product innovation. This included the re-launch of Dulux Once® with a new formulation upgrade and the launch of premium paint ranges Authentic Origins® and Timeless Classics® and Dulux® Trade Flat Durable Matt.

The growth of digital products and services continued throughout 2011 aiding colour specification to the domestic homeowner and the commercial trade market. Launches include Dulux® Colour Quest (an email colour consultant service), new Dulux Trade® and trade specification websites, new colour collateral for the healthcare sector and an updated Dulux® retail Colour Guide.

2011 was also the 50th year of the Dulux® dog, first used in press advertising in 1961, the Dulux® dog has become the iconic 'mascot' of the Dulux® brand. The celebrations included bespoke television and press advertising, in-store promotions, PR events & experiential activity.

Sustainability

The Company's leadership position in environment and sustainability was enhanced with the move towards 25% recycled content across all 2.5L and 5L paint cans and the introduction in the retail market of low VOC emulsion across all standard Pure Brilliant White and Colour ranges. In the trade market we continued to deliver bulk containers to key customers and sites including the Olympic village and the Ministry of Defence. These actively help manage and reduce on-site waste and deliver a lower environmental impact and a reduction in the Company's carbon footprint.

All of the Company's manufacturing sites are certified to International Standard ISO 14001. The Company continues to hold the Carbon Trust Standard and as part of the UK Government's mandatory Carbon Reduction Commitment scheme was placed 100th out of the 2,103 participating companies in the UK.

Further information on the Company's decorative paints business can be found at www.dulux.co.uk

Other Company Activities

Results and dividends

The results for the year ended 31 December 2011 are set out on page 9 of the financial statements. The directors did not pay an interim dividend during the year (2010: £nil). The directors do not recommend the payment of a final dividend (2010: £nil).

Other Operating Income

Other operating income for the year increased to £13m and relates to royalties received from within the AkzoNobel group.

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 2011 were equivalent to 67 days (2010 43 days) purchases, based on the average daily amount invoiced by suppliers to the Company during the year.

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.

Group Holdings

On 14 October 2011, the Company acquired 49% of the share capital of I C Insurance Holdings Limited from the Company's 100% wholly owned subsidiary ICHEM Insurance Company Limited for a consideration of £12m.

Directors

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

Graeme Armstrong	Appointed 17 June 2011
O H Director Limited	
Bart Kaster	
Piotr Peczak	
Julie Shannon	
Michael Smalley	Appointed 5 May 2011
Richard Stuckes	Resigned 17 June 2011
Michael Tjldink	Resigned 1 May 2011
Derek Welch	
Guy Williams	Appointed 17 June 2011

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 24).

Political and charitable contributions

The Company made charitable donations of £93,000 in 2011 (2010 £98,000).

The Company made no donations for political purposes in 2011 (2010 £nil).

Directors' Report (*continued*)

Post balance sheet events

India

In January 2012 the Company invested £13m in order to acquire an additional 3.2% of the listed equity shares of Akzo Nobel India Limited. This acquisition increased the Company's ownership to 59.6%.

On 18 June 2012, Akzo Nobel Car Refinishes India Private Limited, Akzo Nobel Chemicals (India) Limited and Akzo Nobel Coatings India Private Limited, all wholly owned subsidiaries of Akzo Nobel NV, the Company's ultimate parent company, merged with Akzo Nobel India Limited. Following the merger of the four entities, the Company's ownership in Akzo Nobel India Limited was reduced to 45.8% due to the increase in share capital. The merger did not lead to any impairment charge in the Company.

In July 2012 the Company invested £11m in order to acquire an additional 2.1% of the listed equity shares of Akzo Nobel India Limited. This acquisition increased the Company's ownership to 47.9%.

Pensions

In January 2012 the Company concluded the tri-annual valuation of the ICI Pension Fund ("ICIPF") as at 31 March 2011 (see note 24). At this valuation date the market value of the scheme assets on a funding basis was sufficient to cover 88% (31 March 2008: 85%) of the benefits that had accrued to members at that date.

The employer contribution rate increased from 34.1% of pensionable pay (set following the 2008 full actuarial valuation) to 38.5% of pensionable pay.

Top up contributions to the ICIPF totalling £1,184m were agreed for the years 2012 to 2017 replacing top up contributions valued at £1,170m that were due following the 2008 full actuarial valuation. The total top up contribution paid in 2012 totalled £335m and £295m was charged to the Company. The amount of the remaining top up due to 2017 that will be charged to the Company is as yet unknown.

As part of the conclusion of the tri-annual valuation a wholly owned subsidiary, ICI Receivables Funding Limited, a special purpose vehicle ("the SPV") was released from a guarantee to the ICIPF valued at £250m. The SPV repaid £225m to the Company of outstanding group loan receivables in cash (see note 16).

Since 2 January 2008 the ICIPF has had the benefit of a guarantee from the ultimate parent company of the Company, Akzo Nobel NV, in respect of the Company's obligation to make all contractual payments to the ICIPF.

In June 2012 the Company concluded the tri-annual valuation of the ICI Specialty Chemical Pension Fund ("ISCPF") as at 31 March 2011 (see note 24). At this valuation date the market value of the scheme assets was sufficient to cover 97% (31 March 2008: 89%) of the benefits that had accrued to members at that date.

The employer contribution rate increased from 27.3%, 27.4% or 31.4% of pensionable pay (set following the 2008 full actuarial valuation) to either 30.9% or 32.2% of pensionable pay.

Top up contributions to the ISCPF totalling £4m were agreed for 2013 replacing top up contributions valued at £20m that were due from 2013 to 2017 and set following the 2008 full actuarial valuation. The total top up contribution paid in 2012 totalled £5m.

Auditors

Pursuant to Section 487(2) of the Companies Act 2006, the Company's auditor is deemed to be reappointed and therefore, KPMG Audit Plc will continue in office.

Directors' Report (*continued*)

Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, 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

On behalf of O.H. Director Limited



O.H. Director Limited
Director

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

31 October 2012

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 Audit Plc

15 Canada Square
London
E14 5GL
United Kingdom

Independent auditor's 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 2011 set out on pages 9 to 27. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (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/private.cfm.

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 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditor's 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

31 October 2012

Profit and loss account
for the year ended 31 December 2011

	<i>Note</i>	2011 £m	2010 £m
Turnover			
Continuing operations	2	435	431
Cost of sales	4	(262)	(234)
		<hr/>	<hr/>
Gross profit	4	173	197
Distribution costs		(79)	(83)
Research & development costs		(16)	(15)
Administrative expenses		(196)	(205)
Amounts written off investments		(10)	-
Other operating income		13	12
Other operating expense		(15)	-
		<hr/>	<hr/>
Operating loss		(117)	(96)
Continuing operations	3,4,10,11	(13)	2
Discontinued operations	4		
		<hr/>	<hr/>
		(130)	(94)
Profit on sale or closure of operations	5	-	7
Loss on disposal of investments	6	-	(1)
Income from shares in group undertakings	7	6	5
Other interest receivable and similar income	8	148	131
Interest payable and similar charges	9	(60)	(58)
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(36)	(10)
Tax on loss on ordinary activities	12	(5)	(122)
		<hr/>	<hr/>
Loss after taxation and for the financial year		(41)	(132)
		<hr/>	<hr/>

The notes on pages 12 to 27 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 2011

	<i>Note</i>	2011 £m	£m	2010 £m	£m
Fixed assets					
Tangible assets	<i>13</i>	57		53	
Investments	<i>14</i>	6,795		6,793	
			6,852		6,846
Current assets					
Stocks	<i>15</i>	36		40	
Debtors	<i>16 19</i>	5,197		5,644	
Cash at bank and in hand		2		9	
		5,235		5,693	
Creditors amounts falling due within one year	<i>17</i>	(8,388)		(8,818)	
Net current liabilities			(3,153)		(3,125)
Total assets less current liabilities			3,699		3,721
Provisions for liabilities	<i>18</i>		(165)		(146)
Net assets			3,534		3,575
Capital and reserves					
Called up share capital	<i>20</i>		1,209		1,209
Share premium account	<i>21</i>		940		940
Profit and loss account	<i>21</i>		1,385		1,426
Shareholders' funds			3,534		3,575

The notes on pages 12 to 27 form part of these financial statements

These financial statements were approved by the board of directors on 31 October 2012 and were signed on its behalf by

On behalf of O H Director Limited

D.T.

O H. Director Limited
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2011

	2011 £m	2010 £m
Loss for the financial year	(41)	(132)
Net reduction in shareholders' funds	(41)	(132)
Opening shareholders' funds	3,575	3,707
Closing shareholders' funds	3,534	3,575

The notes on pages 12 to 27 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 disclosures 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.

Accelerated depreciation has been provided to write off the cost of the Slough Manufacturing plant, over the period from 1 September 2011 to 31 December 2014, to its estimated residual value at the end of its current useful economic life or closure of the factory, whichever is earlier.

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 24).

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 24).

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

	2011 £m	2010 £m
Profit/(loss) on ordinary activities before taxation is stated after charging		
Auditors' remuneration – audit of these financial statements (see below)	-	-
Operating lease rentals – office rental	-	-
	<hr/>	<hr/>

The auditors' fee for audit of these financial statements was £70,000 (2010 £70,000)

Notes (continued)

4 Analysis of continuing and discontinued operations

	Continuing £m	2011 Discontinued £m	Total £m	Continuing £m	2010 Discontinued £m	Total £m
Turnover	435	-	435	431	-	431
Cost of sales	(262)	-	(262)	(234)	-	(234)
Gross profit	173	-	173	197	-	197
Distribution costs	(79)	-	(79)	(83)	-	(83)
Research & development costs	(16)	-	(16)	(15)	-	(15)
Administrative expenses	(196)	-	(196)	(205)	-	(205)
Amounts written off investments	(10)	-	(10)	-	-	-
Other operating income	11	2	13	10	2	12
Other operating expense	-	(15)	(15)	-	-	-
Operating loss	(117)	(13)	(130)	(96)	2	(94)

During the year restructuring related severance costs of £12m (2010 £2m) were recorded in cost of sales (2010 administrative expenses)

5 Profit on sale or closure of operations

	2011 £m	2010 £m
Profit on sale or closure of operations	-	7

In 2008, the Company decided to divest its digital imaging business ICI Imagedata as it was not part of the core AkzoNobel business. The business and assets of the division were sold to two separate parties in January 2010 for combined proceeds of £7m.

6 Loss on disposal of investments

	2011 £m	2010 £m
Loss on disposal of group undertakings	-	(1)

During the prior year the Company liquidated several directly owned subsidiaries with a net book value of £1m. The Company received proceeds of £1m with a nil profit or loss made on liquidation. The Company also in the prior year disposed of participating interests which had a net book value of £1m. The Company received nil proceeds and recorded a £1m loss on disposal of investment.

Notes *(continued)*

7 Income from shares in group undertakings

	2011 £m	2010 £m
Income from shares in group undertakings	6	5

8 Other interest receivable and similar income

	2011 £m	2010 £m
Interest receivable from group undertakings	146	131
Other interest income	2	-
	<u>148</u>	<u>131</u>

9 Interest payable and similar charges

	2011 £m	2010 £m
Bank and other loans	(3)	(4)
Interest payable to group undertakings	(55)	(50)
Net exchange losses	(2)	(4)
	<u>(60)</u>	<u>(58)</u>

Notes (continued)

10 Remuneration of directors

	2011 £000	2010 £000 Restated
Directors' emoluments in respect of qualifying services	830	751
Amounts receivable under long term incentive schemes	-	130
Company contributions to money purchase pension schemes	63	37

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director in respect to qualifying services was £280,000 (2010 £681,000). Company pension contributions of £13,000 (2010 £25,000) were made to a money purchase scheme on behalf of the highest paid director in respect of qualifying services.

	Number of directors 2011	2010
Retirement benefits are accruing to the following number of directors under Money purchase schemes	3	3
The number of directors who exercised share options in the ultimate parent company	-	2
The number of directors in respect of whose services, shares in the ultimate parent company were received or receivable under long term incentive schemes	3	3

11 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year was 873 (2010 827). The aggregate payroll costs of these persons were as follows:

	2011 £m	2010 £m
Wages and salaries	49	45
Social security costs	5	4
Pension costs (see note 24)	148	151
Restructuring costs	12	2
	214	202

During the year restructuring related severance costs of £12m (2010 £2m) were recorded in Cost of Sales (2010 administrative expenses).

Notes (continued)

12 Taxation

Analysis of charge in period

	2011 £m	2011 £m	2010 £m	2010 £m
<i>UK corporation tax</i>				
Current tax (charge)/credit for the period		-		2
<i>Other</i>				
Prior year adjustment	(4)		(32)	
Non-UK tax	(1)		(1)	
	<hr/>	(5)	<hr/>	(33)
Total current tax charge		(5)		(31)
<i>Deferred tax (see note 19)</i>				
Origination/reversal of timing differences	6		(9)	
Effect of change in tax rate	-		(7)	
De recognition of deferred tax asset	(6)		(75)	
Total deferred tax charge		-		(91)
Total tax charge		(5)		(122)

Notes (continued)

12 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 26.5% (2010 28.0%). The differences are explained below

	2011 £m	2010 £m
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(36)	(10)
Current tax at 26.5% (2010 28.0%)	10	3
<i>Effects of</i>		
Income not taxable – dividend income	2	1
Net provision movements	(7)	3
Prior year adjustment	(4)	(32)
Pension spreading	-	11
Expenses not deductible for tax purposes – amounts written off investments	(3)	-
Expenses not deductible for tax purposes – other disallowables	(2)	(4)
Non UK tax	(1)	(1)
Tax losses not recognised	-	(12)
Total current tax charge (see above)	(5)	(31)

Deferred tax assets are only recognised on losses to the extent that future probable taxable profits will be available against which the deferred tax asset can be utilised. Based upon future profit forecasts of UK tax resident subsidiaries of the ultimate parent undertaking, the Company de-recognised a current year deferred tax asset of £6m (2010 £91m).

In 2009 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 1973 to 2003 and the Company has been involved in the litigation since 2003. The case concerns the treatment for UK corporation tax purposes of profits earned overseas and distributed to the UK. The credit recorded is the Company's best estimate of the amount to be recovered based upon the current decisions of the Courts. At the date of signing of these accounts, any further tax income arising from related cases is subject to ongoing litigation and is not capable of being recognised or reliably quantified. The litigation has been referred to both the UK Supreme court and the European Courts of Justice. The next ruling is expected at the end of 2012 but further hearings and rulings are not expected until at least 2015.

Factors that may affect future current and total tax charges

On 29 March 2011 a change in the rate of corporation tax was substantively enacted, with corporation tax reduced from 28% to 26% with effect from 1 April 2011. On 19 July 2011 another reduction in the rate from 26% to 25% was substantively enacted with effect from 1 April 2012.

The Budget of 21 March 2012 announced a further reduction of the rate to 24% with effect from 1 April 2012 and on 3 July 2012 another reduction in the rate from 24% to 23% was substantively enacted with effect from 1 April 2012. Neither of these rate changes had been substantively enacted at the Company's balance sheet date. These will reduce the Company's future current tax charge accordingly.

Notes (continued)

13 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	18	205	6	229
Additions	-	9	5	14
Disposals & other movements	-	-	-	-
Transfer of assets into use	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	18	214	11	243
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At beginning of year	(12)	(164)	-	(176)
Charge for year	-	(10)	-	(10)
Disposals & other movements	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	(12)	(174)	-	(186)
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2011	6	40	11	57
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2010	6	41	6	53
	<hr/>	<hr/>	<hr/>	<hr/>

Accelerated depreciation of £1.5m has been provided during the year to write off the cost of the Slough manufacturing plant, over the period from 1 September 2011 to 31 December 2014, to its estimated residual value at the closure of the manufacturing plant.

The net book value of land and buildings comprises

	2011 £m	2010 £m
Freehold	6	6
	<hr/>	<hr/>

Notes (continued)

14 Fixed asset investments

	Shares	Participating Interests	Loans	Total
	£m	£m	£m	£m
Cost				
At beginning of year	3,929	-	2,953	6,882
Additions	-	12	-	12
At end of year	3,929	12	2,953	6,894
Provisions				
At beginning of year	(89)	-	-	(89)
Provided in year	(10)	-	-	(10)
Disposals	-	-	-	-
At end of year	(99)	-	-	(99)
Net book value				
At 31 December 2010	3,830	12	2,953	6,795
At 31 December 2010	3,840	-	2,953	6,793

On 14 October 2011 the Company acquired 49% of the share capital of I C Insurance Holdings Limited from the Company's 100% wholly owned subsidiary ICHEM Insurance Company Limited for a consideration £12m

The directors have reviewed the carrying amount of the Company's investments and have recorded an impairment of £10m in ICHEM Reinsurance Company Limited to ensure that the net book value of investments at the balance sheet date does not exceed the estimated recoverable amount of the shares in group undertakings

Shares in directly held subsidiary undertakings which are listed investments have a balance sheet value of £4m (2010 £4m) and a market value at 31 December 2011 of £199m (2010 £239m)

The Company's investment in its subsidiary undertakings consist of either equity or loans where repayment is not currently intended. Other balances are included in either debtors or creditors and are classed as current or noncurrent depending on the date of repayment

The principal companies, in which the Company's interest at 31 December 2011 is more than 20%, are as follows

Subsidiary companies	Country of incorporation	Principal Activity	Percentage and class of shares held
Akzo Nobel India Limited	India	Paints	56.4% 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*
Ergon Investments International Limited	England	Holding Company	100% Ordinary *

* Held by subsidiaries

** Listed investments

In January 2012 the Company invested £13m in order to acquire an additional 3.2% of the listed equity shares of Akzo Nobel India Limited. This acquisition increased the Company's ownership to 59.6%

On 18 June 2012, Akzo Nobel Car Refinishes India Private Limited, Akzo Nobel Chemicals (India) Limited and Akzo Nobel Coatings India Private Limited, all wholly owned subsidiaries of Akzo Nobel NV the Company's ultimate parent company, merged with Akzo Nobel India Limited. Following the merger of the four entities, the Company's ownership in Akzo Nobel India Limited was reduced to 45.8% due to the increase in share capital. The merger did not lead to any impairment charge in the Company.

Notes (continued)

14 Fixed asset investments (continued)

In July 2012 the Company invested £11m in order to acquire an additional 2.1% of the listed equity shares of Akzo Nobel India Limited. This acquisition increased the Company's ownership to 47.9%.

15 Stocks

	2011 £m	2010 £m
Raw materials and consumables	6	6
Work in progress	3	1
Finished goods and goods for resale	27	33
	<u>36</u>	<u>40</u>

16 Debtors

	2011 £m	2010 £m
Amounts owed by group undertakings	5,182	5,614
Other debtors	12	7
Deferred tax assets (see note 19)	-	-
Prepayments and accrued income	3	23
	<u>5,197</u>	<u>5,644</u>

Debtors include deferred tax assets of £nil (2010 £nil) and amounts owed by group undertakings of £nil (2010 £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, a special purpose vehicle ("the SPV") specifically incorporated to provide the guarantee, for £250m to support its commitments for the ICI Pension Fund (see note 24). The asset-backed guarantee was until 2010 secured by way of fixed and floating charges over the trade debtors of certain group companies, which were assigned to the SPV. During 2010, all of these group companies withdrew from the SPV operation and as such the SPV was funded by both cash and Letters of Credit. At 31 December 2011 cash was valued at £225m and Letters of Credit were in place for £25m. As part of the tri-annual valuation of the ICI Pension Fund, which was completed in January 2012, the SPV was fully released from its obligation to the scheme.

17 Creditors: amounts falling due within one year

	2011 £m	2010 £m
Trade creditors	54	22
Amounts owed to group undertakings	8,301	8,725
Bank overdrafts	-	6
Other creditors	33	65
	<u>8,388</u>	<u>8,818</u>

Notes (continued)

18 Provisions for liabilities

	Disposal and legacy provisions £m	Restructuring provisions £m	Other provisions £m	Total £m
At beginning of year	46	5	95	146
Profit and loss account	15	12	4	31
Utilised during year	(6)	(4)	(2)	(12)
At end of year	55	13	97	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 2011 to at least 2030. During the year and based upon the completion of the tri annual valuation of the ICI Pension Fund (see note 24) an additional £13m of pension administration costs were provided for.

Restructuring provisions

During the year the Company provided £12m in relation to employee costs associated with the closure of the Slough manufacturing site and are recorded in Cost of Sales (see note 11).

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. The fine was repaid in full in August 2012.

19 Deferred tax

Deferred tax assets are recognised to the extent that future probable taxable profits will be available against which the deferred tax asset can be utilised and based upon future taxable profit forecasts the Company has not recognised a deferred tax asset.

As at 31 December 2011, based upon a deferred tax rate of 25%, £154m of deferred tax assets have not been recognised on the basis that there are insufficient forecast taxable profits in the Company against which they can be used. A reduction in deferred tax rate to 23% would reduce the un-recognised deferred tax asset to £142m. The deferred tax asset is in respect of,

	25% £m	23% £m
Losses carried forward	107	98
Fixed assets	31	29
Restructuring provisions/business provisions/other	16	15
	154	142

Notes (continued)

20 Called up share capital

	2011 £m	2010 £m
<i>Allotted, called up and fully paid</i>		
1,209,327,168 (2010 1,209,327,168) ordinary shares of £1 each	1,209	1,209

All share capital is classified as equity shareholders' funds

21 Share premium and reserves

	Share capital	Share premium account	Profit and loss account	Total
	£m	£m	£m	£m
At beginning of year	1,209	940	1,426	3,575
Loss for the year	-	-	(41)	(41)
At end of year	1,209	940	1,385	3,534

22 Contingent liabilities

Contingent liabilities existed at 31 December 2011 in connection with banking facilities and guarantees relating to pension funds, including the solvency of pension funds (see note 24). 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 2011 the credit position of this group cash pool was £2m (2010 £1m credit).

Included within amounts owed to group undertakings is £10m (2010 £59m) in respect of the Company's share of the account.

Notes (continued)

23 Commitments

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

	2011 £m	2010 £m
Contracted	3	4
Expenditure authorised but not yet contracted	103	5

24 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 2011 by a qualified independent actuary. At this valuation the market value of the scheme assets on a funding basis was sufficient to cover 88% (31 March 2008 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. For 2011 the contribution rate was 34.1% of pensionable pay and was based on the 2008 full actuarial valuation. Following the 2011 valuation and with effect from 1 April 2012, the regular contribution increased to 38.5% of pensionable pay.

The total contribution made by the Company excluding annual top ups was £6m (2010 £7m).

The AkzoNobel group also made additional top up contributions of £175m during the year (2010 £175m). The portion of the additional contribution charged to the Company for 2011 was £125m (2010 £125m).

Following the 31 March 2011 valuation the AkzoNobel group has agreed to make top up contributions to the ICIPF totalling £1,184m for the years 2012 to 2017. The total top up contribution paid in 2012 totalled £335m and £295m was charged to the Company. The amount of the remaining top up due to 2017 that will be charged to the Company is as yet unknown.

The ICIPF is included within the group accounts of the ultimate parent company, Akzo Nobel N.V. and valued under International Accounting Standard 19 "Employee Benefits". The value of the funded status valuation at 31 December 2011 was a surplus of £755m (2010 £478m surplus). This valuation is not used to determine the funding requirements under UK pension regulations and therefore has no impact upon the Company. The contribution rate and top up contributions affecting the Company are as disclosed above and were set at the 2008 full actuarial valuation for 2011 and at the 2011 full actuarial valuation for 2012 and onwards.

Since 2 January 2008 the ICIPF has had the benefit of a guarantee from the ultimate parent company of the Company, Akzo Nobel N.V., in respect of the Company's obligation to make all contractual payments to the ICIPF.

Notes (continued)

24 Pension schemes (continued)

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 2011 by a qualified independent actuary. At this valuation the market value of the scheme assets was sufficient to cover 97% (31 March 2008: 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. For 2011 the regular contribution for the Main Section of the Fund was 27.4%, SERA members of the Fund 31.4% and Section A of the Fund 27.3% of pensionable pay and was based upon the 2008 full actuarial valuation.

Following the 2011 valuation and with effect from 1 July 2012, the regular contribution for the Main Section ("non-Williams members") increased to 30.9% of pensionable pay and Section A of the Fund ("Williams members") increased to 32.2% of pensionable pay. There are no SERA members of the Fund remaining.

The total contribution made by the Company excluding annual top ups was £1m (2010: £1m).

The Company also made additional top up contributions of £11m during the year (2010: £11m).

The Company based upon the 2008 funding recovery plan made a top up contribution to the ISCPF in 2012 of £5m.

Following the 2011 full actuarial valuation the Company has agreed to make an additional top up contribution to the ISCPF of £5m in 2013 replacing the previous commitment of top up contributions of £25m for the years 2013 to 2017 set following the 2008 full actuarial valuation.

In January 2008 the Company, the principal employer of the ISCPF, 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 two separate banks and in March 2012 the value of the Letters of Credit were increased to £144m divided between three separate banks.

The ISCPF is included within the group accounts of the ultimate parent company, Akzo Nobel NV and valued under International Accounting Standard 19 "Employee Benefits". At 31 December 2011 the funded status valuation was a surplus of £72m (2010: £43m surplus). This valuation is not used to determine the funding requirements under UK pension regulations and therefore has no impact upon the Company. The contribution rate and top up contributions affecting the Company are as disclosed above and were set at the 2008 and 2011 full actuarial valuations.

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 2011 were £4m (2010: £3m).

Unfunded Pension Schemes

The Company pays for a number of unfunded pension schemes. At the end of 2011, 79 (2010: 94) former employees were beneficiaries of these schemes.

The total unfunded pension cost for the Company during 2011 was £0.8m (2010: £0.8m).

Notes *(continued)*

24 Pension schemes *(continued)*

Post Retirement benefits other than pensions

The Company provides unfunded healthcare benefits for eligible, retired employees from retirement date until the age of sixty five through a scheme operated by a healthcare insurer for the Company's employees in the UK. During 2011, 500 retired employees were beneficiaries of the scheme (2010 626)

The total post retirement healthcare cost for the Company during 2011 was £0.2m (2010 £0.2m)

25 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