Imperial Chemical Industries Limited

Directors' Report and Financial Statements

Registered number 218019

31 December 2010

Contents

Directors' Report

The directors present the Directors' Report and the audited financial statements for the year ended 31 December 2010

Principal activities

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

Business review

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. Copies of the Akzo Nobel N V Annual Report and Accounts are available to the public and may be obtained from Velperweg 76, PO Box 9300, 6800 SB Arnhem, The Netherlands

UK Paints Business

Overview

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

Operational performance

2010 was an improvement on the previous year following the market and economy downturns in 2008 and 2009 Overall revenue was up 5% year on year with volume gains in both the Trade and Retail sectors However, the Retail sector's revenue increase was dampened due to an unprecedented level of competitive white paint promotions in the market

The Company had an overall reduction in its cost of sales however raw material price inflation started to increase, rising sharply in Q3 and Q4, which continued into 2011 The Company has started a number of efficiency projects including stock optimization and overheads control to combat this

The outlook for 2011 is challenging This is driven by the general downturn in the UK economy further exacerbated by the UK Government's austerity measures announced in Q4 2010 The number of housing transactions remains low, as does the construction of new builds The average disposable income in UK households remains suppressed In addition, the acceleration in raw materials price inflation which started towards the end of 2010 continued into 2011

The Company will continue to look at efficiency and cost savings as part of the wider AkzoNobel group and will continue to invest in product innovation Given this focus and position within the wider AkzoNobel group the director's believe that the Company is well placed for the competitive and challenging environment in 2011

Product innovation

The Company continued to invest in innovation throughout 2010 with the launch of Dulux Let's Colour Studio®, a suite of digital tools and services to aid colour choice and selection in and out of store This included the new Dulux app which allows consumers to scan with their mobile device any colour whilst on the go and have it matched to a colour within the Dulux® palette

The Dulux Ecosense® product range was also launched into the Retail market with lower VOC solvent levels, a lower carbon footprint and 20% recycled packaging The Dulux Design Service® was also expanded with greater national coverage of the full interior design service that the brand offers to consumers in-home Other launches included the introduction of new Polycell®, Cuprinol® and Dulux Trade® product lines

Directors' Report *(continued)*

Other developments

The energy-saving Dulux Trade Ecosure Light and Space® was used on the prestigious Connaught Rooms in London as well as being specified through-out the Athlete's village for the 2012 Olympics To reduce waste, a paint can recycling scheme was rolled out nationwide and there was continued sponsorship of Community RePaint, a charity which recycles leftover paint for social good 2010 also saw the first AkzoNobel Let's Colour Project in the UK at a school in Tower Hamlets and the launch of a strategic partnership with the Forest Stewardship Council

The Company, in line with AkzoNobel values, continued to embed sustainability further into its operations, being British Standards ISO14001 Certified at all of the Company's manufacturing sites and achieved a zero-to-landfill operation at the Company's Stowmarket manufacturing site The Company continues to hold the Carbon Trust Standard

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

Other Company Activities

Other Operating Income

Other operating income for the year increased to £10m and relates to royalties received from within the AkzoNobel group

ICI Imagedata

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 As the sale completed within the first 3 months of 2010 the operations of ICI Imagedata have been classified as discontinued operations for 2010 and 2009

Group Holdings

In June 2010 Akzo Nobel N V , the ultimate parent of the Company, announced the sale of its National Starch business to Corn Products International ("CPI") for US $1 3billion As part of the sale, the Company's indirectly held subsidiary, National Starch and Chemical Limited, sold its business assets to the CPI group The sale completed on 1 October 2010 and did not lead to any impairment charge in the books of the Company

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 2010 are set out on page 8 of the financial statements The directors did not pay an interim dividend during the year *(2009 £nil)* The directors do not recommend the payment of a final dividend *(2009 £nil)*

Policy and practice on payment of creditors

The Company agrees terms and conditions for its business transactions with its suppliers Payment is then made in accordance with these terms, subject to the terms and conditions being met by the supplier Payments can differ in the markets in which the Company trades Trade creditors of the Company at 31 December 2010 were equivalent to 43 days *(2009 40 days)* purchases, based on the average daily amount invoiced by suppliers to the Company during the year

Directors' Report *(continued)*

Directors

The directors who held office during the year were as follows

Graeme Armstrong	Appointed 17 June 2011
O H Director Limited	
Rutger Helbing	Resigned 6 July 2010
Bart Kaster	
William McPherson	Resigned 7 April 2010
Piotr Peczak	Appointed 6 July 2010
Julie Shannon	
Michael Smalley	Appointed 5 May 2011
Richard Stuckes	Resigned 17 June 2011
Michael Tijdink	Resigned 1 May 2011
Guy Williams	Appointed 17 June 2011
Derek Welch	

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 25)

Political and charitable contributions

The Company made charitable donations of £98,000 in 2010 (2009 *£46,000*)

The Company made no donations for political purposes in 2010 (2009 *£nil*)

Directors' Report *(continued)*

Post balance sheet events

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 Northumberland and is anticipated to be operational by the end of 2014

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 The plans are subject to a full employee consultation and production at the two sites will be maintained at the required levels prior to the operations being transferred Slough will remain the headquarters of the UK decorative paints business and for the wider global AkzoNobel Decorative paints research and development laboratories

Auditors

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

Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

By order of the Board

O.H. DIRECTOR LIMITED
AUTHORISED SIGNATORY

O.H. Director Limited
Director

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

27 October 2011

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 2010 set out on pages 8 to 26 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 5 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit 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 2010 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

27 October 2011

Profit and loss account
for the year ended 31 December 2010

	Note	2010 £m	2009 £m
Turnover			
Continuing operations	*2*	**431**	418
Discontinued operations	*4*	**-**	12
Cost of sales	*4*	**(234)**	(244)
Gross profit	*4*	**197**	186
Distribution costs		**(83)**	(78)
Research & development costs		**(15)**	(18)
Administrative expenses	*12*	**(205)**	(211)
Other operating income		**12**	7
Operating loss			
Continuing operations	*3,4,11,12*	**(96)**	(118)
Discontinued operations	*4*	**2**	4
		(94)	(114)
Profit on sale or closure of operations	*5*	**7**	-
Profit on disposal of investments	*6*	**-**	2
Loss on disposal of investments	*7*	**(1)**	(3)
Income from shares in group undertakings	*8*	**5**	35
Other interest receivable and similar income	*9*	**131**	286
Interest payable and similar charges	*10*	**(58)**	(138)
(Loss)/profit on ordinary activities before taxation		**(10)**	68
Tax on (loss)/profit on ordinary activities	*13*	**(122)**	66
(Loss)/profit after taxation and for the financial year		**(132)**	134

The notes on pages 11 to 26 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 2010

	Note	2010 £m	£m	2009 £m	£m
Fixed assets					
Tangible assets	*14*	**53**		49	
Investments	*15*	**6,793**		6,832	
			6,846		6,881
Current assets					
Stocks	*16*	**40**		38	
Debtors	*17, 20*	**5,644**		5,821	
Cash at bank and in hand		**9**		8	
		5,693		5,867	
Creditors: amounts falling due within one year	*18*	**(8,818)**		(8,876)	
Net current liabilities			**(3,125)**		(3,009)
Total assets less current liabilities			**3,721**		3,872
Provisions for liabilities	*19*		**(146)**		(165)
Net assets			**3,575**		3,707
Capital and reserves					
Called up share capital	*21*		**1,209**		1,209
Share premium account	*22*		**940**		940
Profit and loss account	*22*		**1,426**		1,558
Shareholders' funds			**3,575**		3,707

The notes on pages 11 to 26 form part of these financial statements

These financial statements were approved by the board of directors on 27 October 2011 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 2010

	2010 £m	2009 £m
(Loss)/profit for the financial year	**(132)**	134
Net (reduction in)/addition to shareholders' funds	**(132)**	134
Opening shareholders' funds	**3,707**	3,573
Closing shareholders' funds	**3,575**	3,707

The notes on pages 11 to 25 form part of these financial statements

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Change in accounting standards

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

Basis of preparation

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

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements These financial statements present information about the Company as an individual undertaking and not about its group

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

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

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

Going Concern

Akzo Nobel N V , the Company's ultimate parent undertaking, has provided notification that it shall continue to provide financial and other support to the Company for a period of at least twelve months from the date of approval of these financial statements and thereafter for the foreseeable future to enable it to continue to trade On this basis the directors, having made appropriate enquiries, consider that the Company has adequate resources to continue in operational existence for the foreseeable future, and it is therefore appropriate to adopt the going concern basis in preparation of the financial statements

Investments

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

Depreciation

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

Notes *(continued)*

1 Accounting policies *(continued)*

Foreign currencies

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

Operating Leases

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

Research and development expenditure

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

Intra-group financial instruments

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

Post-retirement benefits

The Company participates in group wide pension schemes providing benefits based on final pensionable pay The assets of the scheme are held separately from those of the Company The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Financial Reporting Standard 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period (see note 25)

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 25)

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

	2010	2009
Profit/(loss) on ordinary activities before taxation is stated after charging	**£m**	£m
Auditors' remuneration audit of these financial statements (see below)	-	-
Operating lease rentals – office rental	-	-

The auditors' fee for audit of these financial statements was £70,000 (*2009 £70,000*)

Notes *(continued)*

4 Analysis of continuing and discontinued operations

	2010 Continuing £m	2010 Discontinued £m	2010 Total £m	2009 Continuing £m	2009 Discontinued £m	2009 Total £m
Turnover	**431**	-	**431**	418	12	430
Cost of sales	**(234)**	-	**(234)**	(233)	(11)	(244)
Gross profit	**197**	-	**197**	185	1	186
Distribution costs	**(83)**	-	**(83)**	(78)	-	(78)
Research & development costs	**(15)**	-	**(15)**	(18)	-	(18)
Administrative expenses (see note *12*)	**(205)**	-	**(205)**	(214)	3	(211)
Other operating income	**10**	**2**	**12**	7	-	7
Operating loss	**(96)**	**2**	**(94)**	(118)	4	(114)

During the year restructuring related severance costs of £2m (2009 *£15m)* were recorded in administrative expenses

5 Profit on sale or closure of operations

	2010 £m	2009 £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 Profit on disposal of investments

	2010 £m	2009 £m
Profit on disposal of group undertakings	-	2

7 Loss on disposal of investments

	2010 £m	2009 £m
Loss on disposal of group undertakings	**(1)**	(3)

During the 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 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)*

8 Income from shares in group undertakings

	2010 £m	2009 £m
Income from shares in group undertakings	**5**	35

9 Other interest receivable and similar income

	2010 £m	2009 £m
Interest receivable from group undertakings	**131**	271
Net exchange gain	**-**	15
	131	286

10 Interest payable and similar charges

	2010 £m	2009 £m
Bank and other loans	**(4)**	(3)
Interest payable to group undertakings	**(50)**	(102)
Other finance charges	**-**	(33)
Net exchange losses	**(4)**	-
	(58)	(138)

Other finance charges in 2009 relate to the early disposal of a fixed term intercompany payable loan which was novated to the ultimate parent company

Notes *(continued)*

11 Remuneration of directors

	2010 £000	2009 £000
Directors' emoluments in respect of qualifying services	**694**	542
Amounts receivable under long term incentive schemes	**130**	49
Company contributions to money purchase pension schemes	**37**	42

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director in respect to qualifying services was £595,000 *(2009 £446,000)* Company pension contributions of £25,000 *(2009 £24,000)* were made to a money purchase scheme on behalf of the highest paid director in respect of qualifying services

	Number of directors 2010	2009
Retirement benefits are accruing to the following number of directors under Money purchase schemes	**3**	2
The number of directors who exercised share options in the ultimate parent company	**2**	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**	2

12 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year was 827 (*2009* 905) The aggregate payroll costs of these persons were as follows

	2010 £m	2009 £m
Wages and salaries	**45**	46
Social security costs	**4**	6
Pension costs (see note 25)	**151**	143
Restructuring costs	**2**	15
	202	210

During the year restructuring related severance costs of £2m (2009 *£15m*) were recorded in administrative expenses

13 Taxation

Analysis of charge in period

	2010 £m	2010 £m	2009 £m	2009 £m
UK corporation tax				
Current tax credit for the period		2		-
Other				
Prior year adjustment	(32)		59	
Non-UK tax	(1)		(1)	
		(33)		58
Total current tax (charge)/credit		(31)		58
Deferred tax (see note 20)				
Origination/reversal of timing differences	(9)		(13)	
Prior year adjustment	-		21	
Effect of change in tax rate	(7)		-	
De recognition of deferred tax asset	(75)			
Total deferred tax (charge)/credit		(91)		8
Total tax (charge)/credit		(122)		66

Notes *(continued)*

13 Taxation *(continued)*

Factors affecting the tax credit for the current period

The current tax credit for the period is different than the standard rate of corporation tax in the UK 28 0% (*2009 28 0%*) The differences are explained below

	2010 £m	2009 £m
Current tax reconciliation		
(Loss)/profit on ordinary activities before tax	**(10)**	68
Current tax at 28 0 % *(2009 28 0 %)*	**3**	(19)
Effects of		
Income not taxable – dividend income	**1**	8
Income not taxable – net provision movements	**3**	6
Prior year adjustment	**(32)**	53
Pension spreading	**11**	11
Expenses not deductible for tax purposes – other disallowables	**(4)**	(9)
Non UK tax	**(1)**	(1)
Tax losses utilised	**-**	9
Tax losses not recognised	**(12)**	-
Total current tax (charge)/credit (see above)	**(31)**	58

Following the completion of the 2008 group tax return of UK tax resident subsidiaries of the ultimate parent undertaking, prior year tax losses of £25m which were previously assumed to have been surrendered for consideration were not surrendered and are not recognised as a deferred tax asset

The Company has also recorded a prior year tax charge of £7m relating to the 2008 tax year

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 has de-recognised the brought forward deferred tax asset of £91m and also not recognised £12m of current year tax losses and £25m of prior year losses

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 1997 to 2003 The credit recorded is the Company's best estimate of the amount to be recovered based upon the current decisions of the Courts Any further tax income arising from related cases is subject to ongoing litigation and is not capable of being recognised or reliably quantified at this time The resulting tax credit of £53m is net of tax upon the interest and is recorded on the tax line

Factors that may affect future current and total tax charges

On 28 July 2010 a change in the rate of corporation tax was substantively enacted, with corporation tax reduced from 28% to 27% with effect from 1 April 2011 On 29 March 2011 a further reduction to 26% was substantively enacted with effect from 1 April 2011 Any timing differences which reverse before 1 April 2011 will be charged/ credited at 28% and any timing differences which exist at 1 April 2011 will reverse at 26% The directors do not expect this change to have a material impact on the financial statements

Notes *(continued)*

14 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	16	197	10	223
Additions	2	11	-	13
Disposals & other movements	-	(7)	-	(7)
Transfer of assets into use	-	4	(4)	-
At end of year	18	205	6	229
Depreciation				
At beginning of year	12	162	-	174
Charge for year	-	9	-	9
Disposals & other movements	-	(7)	-	(7)
At end of year	12	164	-	176
Net book value				
At 31 December 2010	**6**	**41**	**6**	**53**
At 31 December 2009	4	35	10	49

The net book value of land and buildings comprises

	2010 £m	2009 £m
Freehold	6	4

Notes *(continued)*

15 Fixed asset investments

	Shares	Participating Interests	Loans	Total
	£m	£m	£m	£m
Cost				
At beginning of year	3,954	2	2,989	6,945
Disposals	(25)	(2)	(36)	(63)
At end of year	3,929	-	2,953	6,882
Provisions				
At beginning of year	(112)	(1)	-	(113)
Provided in year	-	-	-	-
Disposals	23	1	-	24
At end of year	(89)	-	-	(89)
Net book value				
At 31 December 2010	**3,840**	**-**	**2,953**	**6,793**
At 31 December 2009	3,842	1	2,989	6,832

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 (*2009 £4m*) and a market value at 31 December 2010 of £239m (*2009 £181m*)

The Company's investments in its subsidiary undertakings consist of either equity or loans where repayment is not currently intended, or both Other balances are included in either debtors or creditors as current or non current depending on expiry date During the year loans valued at £36m (*2009 £197m*) have transferred to amounts due from subsidiary undertakings due to a change in the underlying nature of the loan

The principal companies, in which the Company's interest at 31 December 2010 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*
National Starch & Chemical Limited	England	Non trading	100% Ordinary *
Ergon Investments International Limited	England	Holding Company	100% Ordinary *
Dulux Paints Ireland Unlimited	Ireland	Paints	100% Ordinary*

* Held by subsidiaries
** Listed investments

During the year the Company liquidated several directly owned subsidiaries with a net book value of £2m The Company received proceeds of £2m with a nil profit or loss made on liquidation The Company also 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

In June 2010 Akzo Nobel N V , the ultimate parent of the Company, announced the sale of its National Starch business to Corn Products International ("CPI") for US $1 3billion. As part of the sale, the Company's indirectly held subsidiary, National Starch and Chemical Limited, sold its business assets to the CPI group The sale completed on 1 October 2010 and did not lead to any impairment charge in the books of the Company

Notes *(continued)*

16 Stocks

	2010 £m	2009 £m
Raw materials and consumables	**6**	6
Work in progress	**1**	1
Finished goods and goods for resale	**33**	31
	40	38

17 Debtors

	2010 £m	2009 £m
Amounts owed by group undertakings	**5,614**	5,710
Other debtors	**7**	6
Deferred tax assets (see note 20)	**-**	91
Prepayments and accrued income	**23**	14
	5,644	5,821

Debtors include deferred tax assets of £nil *(2009 £69m)* and amounts owed by group undertakings of £nil *(2009 £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 25) The asset backed guarantee was secured by way of fixed and floating charges over the trade debtors of certain group companies, which have been assigned to the SPV During 2010, the Company retired from the scheme and as such at 31 December 2010 £nil (2009 *£35m*) of the Company's gross trade debtors were assigned to the SPV

18 Creditors: amounts falling due within one year

	2010 £m	2009 £m
Trade creditors	**22**	60
Amounts owed to group undertakings	**8,725**	8,747
Bank overdrafts	**6**	3
Loans	**-**	25
Other creditors	**65**	41
	8,818	8,876

Unsecured loans of value £25m at the end of the 2009, consisting of US Dollar variable rate medium-term notes, were repaid in full in 2010

Notes *(continued)*

19 Provisions for liabilities

	Disposal and legacy provisions £m	Restructuring provisions £m	Other provisions £m	Total £m
At beginning of year	53	16	96	165
Profit and loss account	1	2	1	4
Utilised during year	(8)	(13)	(2)	(23)
At end of year	**46**	**5**	**95**	**146**

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

Restructuring provisions

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

Other Provisions

Other provisions include a fine of €91m plus accrued interest, imposed by the European Commission in 2006 relating to the Company's ownership of the ICI Acrylics business, which has been provided for in full In the year £1m of the provision was reversed as a consequence of favourable exchange movements less additional accrued interest

20 Deferred tax

	2010 £m	2009 £m
Deferred tax assets		
UK fixed assets	-	28
Restructuring provisions/business provisions/other	-	12
Post-retirement benefits	-	11
Losses	-	40
	-	91
Deferred tax assets accounted for at the balance sheet date		
Analysed as		
Current	-	22
Non-current	-	69
	-	91

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

Notes *(continued)*

21 Called up share capital

	2010 £m	2009 £m
Allotted, called up and fully paid		
1,209,327,168 (*2009 1,209,327,168*) ordinary shares of £1 each	**1,209**	1,209

All share capital is classified as equity shareholders' funds

22 Share premium and reserves

	Share premium account £m	Share capital £m	Profit and loss account £m	Total £m
At beginning of year	940	1,209	1,558	3,707
Loss for the year	-	-	(132)	(132)
At end of year	**940**	**1,209**	**1,426**	**3,575**

23 Contingent liabilities

Contingent liabilities existed at 31 December 2010 in connection with banking facilities and guarantees relating to pension funds, including the solvency of pension funds (see note 25) 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 2010 the credit position of this group cashpool was £1m *(2009 £6m credit)*

Included within amounts owed to group undertakings is £59m *(2009 £25m)* in respect of the Company's share of the account

Notes *(continued)*

24 Commitments

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

	2010 £m	2009 £m
Contracted	4	3
Expenditure authorised but not yet contracted	5	5

25 Pension Schemes

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

ICI Pension Fund

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

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

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

The contribution rate is generally reviewed every three years following each full actuarial valuation of the scheme and 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 *(2009 £8m)*

The Company also made additional top up contributions of £175m during the year (*2009 £175m*) The portion of the additional contribution charged to the Company for 2009 was £125m (*2009 £122m)*

Following the 31 March 2008 valuation the Company has agreed to make top up contributions to the ICIPF totalling £1,345m for the years 2011 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

As part of an ongoing simplification project within the Akzo Nobel group a separate defined benefit scheme, the Holden scheme, ceased to exist and on all of the members of the Holden scheme were transferred to the ICIPF and all assets and liabilities (both current and future) of the Holden scheme were at the same time also transferred to the ICIPF and the Holden scheme ceased to exist The Holden scheme members are all employed by Akzo Nobel Packaging Coatings Limited, an indirect 100% owned subsidiary of the Company. As part of this transfer an additional top up of £3m was made by and charged to the Company

The next full actuarial valuation is being carried out as at 31 March 2011 but at the signing date of these financial statements has not been completed so any future impact to the Company via changes in either contribution rate or top up contributions cannot be determined

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 2010 was a surplus of £478m (2009 *£14m deficit*) 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

Notes *(continued)*

25 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 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 and 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 *(2009 £1m)*

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

The Company also made additional top up contributions of £11m during the year (*2009 £9m*).

In June 2009 the Company signed a funding recovery plan and has agreed to make top up contributions to the ISCPF totalling £40m for the years 2011 to 2017

The next full actuarial valuation is being carried out as at 31 March 2011but at the signing date of these financial statements has not been completed so any future impact to the Company via changes in either contribution rate or top up contributions cannot be determined

The ISCPF is included within the group accounts of the ultimate parent company, Akzo Nobel N V , and valued under International Accounting Standard 19 "Employee Benefits" At 31 December 2010 the funded status valuation was a surplus of £43m (2009 *£21m 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

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 2010 were £3m (2009 *£2m*)

Unfunded Pension Schemes

The Company pays for a number of unfunded pension schemes At the end of 2010, 94 (2009 *98*) former employees were beneficiaries of these schemes

The total unfunded pension cost for the Company during 2010 was £0 8m (2009 *£0 8m*)

Post Retirement benefits other than pensions.

The Company provides unfunded healthcare benefits for eligible, retired employees from retirement date until age 65 through a scheme operated by a healthcare insurer for the Company's employees in the UK. During 2010, 626 (2009 *348*) retired employees were beneficiaries of the scheme The liabilities in respect of these benefits are accrued over the expected working lifetime of existing members

Notes *(continued)*

25 Pension schemes *(continued)*

The total post retirement healthcare cost for the Company during 2010 was £0.2m (2009 *£0 5m*)

26 Post balance sheet events

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 Northumberland and is anticipated to be operational by the end of 2014

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 The plans are subject to a full employee consultation and production at the two sites will be maintained at the required levels prior to the operations being transferred Slough will remain the headquarters of the UK decorative paints business and for the wider global AkzoNobel Decorative paints research and development laboratories

27 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