Imperial Chemical Industries Limited

Directors' Report and Financial Statements

Registered number 218019

31 December 2013

Contents

Strategic Report

The directors present their Strategic Report, Directors' Report and the audited financial statements for the year ended 31 December 2013.

Principal activities

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

The Company's paints business is part of the AkzoNobel Decorative Paints European Business Unit. Full information on the strategy of the Business Unit can be found in the Annual Report and Accounts of the ultimate parent company, Akzo Nobel N.V., copies are available as indicated in Note 24 of the financial statements.

In 2013 the overall AkzoNobel group announced an updated global strategy of which the Company is a key part.

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®, Hammerite®, Glidden®, Sikkens® and International®. The Company prides itself on product innovation and continues to invest and bring new products to market.

Operational performance

During 2013 our Decorative Paints business recorded an increased level of both turnover and gross profit level compared to 2012. The UK economy remained subdued and the volume of paint sold remained at a similar level to the prior year however this was offset by an improved product mix. On a like for like basis the gross profit margin was slightly up.

Both operational and overhead costs continued to be kept under control leading to an increase in operating profit within the Decorative Paints business.

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. The custom-built Decorative Paints site is 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 during 2015.

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.

Accelerated depreciation of £3m 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.

Sustainability

Sustainability remains a key driver to the Company and also a key pillar in the overall strategy of the AkzoNobel Group. The AkzoNobel group in 2013 was ranked number one on Chemical super sector of the Dow Jones Sustainability index. All of the Company's manufacturing sites are certified to International Standard ISO 14001 and the Company continues to hold the Carbon Trust Standard.

Strategic Report *(continued)*

Sustainability *(continued)*

The Company continued to comply with the UK Government's mandatory Carbon Reduction Commitment scheme, reporting lower CO2 emissions in the year 2012/13 compared to 2011/12.

Key Performance Indicators

The Company assesses business performance over many indicators; both stand alone and also as a key part of the Decorative Paints European Business Unit. Full analysis of this business unit is provided in the annual report of Akzo Nobel N.V. as indicated above.

Indicator	2013	2012	Delta
Turnover	£470m	£437m	+£33m
Gross Margin	47.6%	45.5%	+2.1%

Turnover includes both third parties and intercompany sales.

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 continuing operations during the year of £12m relates mainly to royalties received from within the AkzoNobel group.

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 22 March 2013, the Company placed its 100% wholly owned subsidiary, Hatchpoint Limited into Members' Voluntary Liquidation. Hatchpoint Limited was dissolved on 12 October 2013.

On 25 October 2013, the Company applied for its 100% wholly owned subsidiary, ICI Receivables Funding Limited to be voluntarily struck off the Companies Register in Jersey. ICI Receivables Funding Limited was dissolved in Jersey on 6 November 2013.

Key risks and uncertainties

The main risks and uncertainties relating to the business are a downturn in the UK economy, specifically in relation to both home decoration and commercial construction. The Company is also affected by any changes in the future valuation of the two defined benefit pension schemes of which the Company is the principal employer.

For both of these risks and uncertainties the Company benefits by being part of the wider AkzoNobel group and 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.

Future Developments

UK Paints Business

As announced in 2013 and disclosed in the AkzoNobel 2013 annual report a new strategy has been adopted. As part of the Decorative Paints European Business Unit the strategy is called "Fix Europe". This consists of a complete business process redesign across the business – driving standardisation and focusing the countries to concentrate on sales and marketing. The outcome should be increased sales and a reduction of costs through the standardisation.

The UK is a key pillar in the Business Unit and is part of the redesign. Following the implementation of new strategy the Company will become both a limited risk distributor, selling products on behalf of a central AkzoNobel decorative paints company in the Netherlands and also a fixed return toll manufacturer of finished products also on behalf of the group company.

Strategic Report *(continued)*

UK Paints Business *(continued)*

By entering into the redesign the Company is removing future risk by guaranteeing a fixed return on sales for its sales and marketing activities and a fixed mark up on both its toll manufacturing and research and development activities.

As part of the transaction the Company will also sell the legal and beneficial rights to its Decorative Paints brands including Dulux®. The agreed sales price is £585m and as the brands are not recorded on the Company's balance sheet the transfer will result in a one off gain of £585m in 2014.

It is expected that the Company will enter into the new business process arrangements and the sale of the intellectual property in October 2014. By entering into the arrangements the Company will benefit through future de-risking the Company from any economic downturn and guaranteeing a fixed return through the sales and distribution and the toll manufacturing arrangements and interest income.

ICI Pension Fund

The Company is the principal employer of the ICI Pension Fund ("ICIPF"), a multi-employer defined benefit schemes (see note 23). In March 2014 the trustees of the scheme entered into two annuity buy-in agreements in line with their strategy of de-risking the fund which is supported by the Company and the AkzNobel group. The two agreements are with Legal and General plc and Prudential Retirement Income Limited and cover in aggregate £3.6 billion of pensioner liabilities, which is broadly equivalent to one third of the ICIPF liabilities. The effect of the activity on the Company will not be known until the conclusion of the 2014 tri annual valuation which is expected to be concluded in Q1 2015. The contribution rate and top up contributions affecting the Company are as in note 23 and were set at the 2011 full actuarial valuation.

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.

O.H. DIRECTOR LIMITED

AUTHORISED SIGNATORY

O.H. Director Limited
Director

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

September 2014

Directors' Report

Results and dividends

The results for the year ended 31 December 2013 are set out on page 7 of the financial statements. The directors did not pay an interim dividend during the year (*2012: £nil*). The directors do not recommend the payment of a final dividend (*2012: £nil*).

Directors

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

Graeme Armstrong	Resigned 29 March 2013
Diarmuid Conifrey	Appointed 31 January 2013
Bart Kaster	
O.H. Director Limited	
Piotr Peczak	Resigned 31 January 2013
Matthew Pullen	Appointed 30 January 2014
Julie Shannon	Resigned 28 March 2013
Michael Smalley	
Raymond Sparks	Appointed 28 March 2013
Derek Welch	Resigned 28 February 2013
Guy Williams	Resigned 30 January 2014

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.

Auditor

On 25th February 2014, KPMG Audit Plc resigned as auditor, pursuant to Section 516 of the Companies Act 2006. On the same date, the Members appointed KPMG LLP pursuant to Section 485(4)(C) of the Companies Act 2006 to fill the casual vacancy as auditor of the Company. KPMG LLP will remain in office until the next period for appointing auditors.

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

M. Smalley
Director

26th Floor, Portland House
Bressenden Place
London
SW1E 5BG
30 September 2014

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, 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.

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 2013 set out on pages 7 to 24. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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 auditor

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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

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 2013 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 Strategic report, the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

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

1 October 2014

Profit and loss account

for the year ended 31 December 2013

	Note	2013 £m	2012 £m
Turnover			
Continuing operations	*2*	**470**	437
Cost of sales	*4*	**(246)**	(238)
Gross profit	*4*	**224**	199
Distribution costs		**(90)**	(86)
Research & development costs		**(11)**	(17)
Administrative expenses		**(163)**	(388)
Amounts written off investments		**(2)**	(6)
Other operating income		**15**	11
Other operating expense		**-**	-
Operating loss			
Continuing operations	*3,4,9,10*	**(30)**	(287)
Discontinued operations	*4*	**3**	-
		(27)	(287)
Profit on disposal of investments	*5*	**8**	2
Income from shares in group undertakings	*6*	**32**	29
Other interest receivable and similar income	*7*	**56**	137
Interest payable and similar charges	*8*	**(8)**	(36)
Profit/(loss) on ordinary activities before taxation		**61**	(155)
Tax on profit/(loss) on ordinary activities	*11*	**(3)**	16
Profit/(loss) after taxation and for the financial year		**58**	(139)

The notes on pages 10 to 24 form part of these financial statements.

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

Balance sheet
at 31 December 2013

	Note	2013 £m	£m	2012 £m	£m
Fixed assets					
Tangible assets	12	**133**		89	
Investments	13	**3,834**		3,860	
			3,967		3,949
Current assets					
Stocks	14	**33**		30	
Debtors	15, 18	**3,466**		3,467	
Cash at bank and in hand		**5**		3	
		3,504		3,500	
Creditors: amounts falling due within one year	16	**(3,954)**		(3,982)	
Net current liabilities			**(450)**		(482)
Total assets less current liabilities			**3,517**		3,467
Provisions for liabilities	17		**(62)**		(70)
Net assets			**3,455**		3,397
Capital and reserves					
Called up share capital	19		**1,209**		1,209
Share premium account	20		**940**		940
Profit and loss account	20		**1,306**		1,248
Shareholders' funds			**3,455**		3,397

The notes on pages 10 to 24 form part of these financial statements.

These financial statements were approved by the board of directors on 30 September 2014 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 2013

	2013	2012
	£m	£m
Profit/(loss) for the financial year	**58**	**(139)**
Expired unclaimed dividends	**-**	**2**
Net increase/(reduction) in shareholders' funds	**58**	**(137)**
Opening shareholders' funds	3,397	3,534
Closing shareholders' funds	3,455	3,397

The notes on pages 10 to 24 form part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

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

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.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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.

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.

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 23).

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 23).

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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

	2013	2012
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 (*2012: £70,000*).

4 Analysis of continuing and discontinued operations

		2013			2012	
	Continuing	**Discontinued**	**Total**	Continuing	Discontinued	Total
	£m	**£m**	**£m**	£m	£m	£m
Turnover	**470**	-	**470**	437	-	437
Cost of sales	**(246)**	-	**(246)**	(238)	-	(238)
Gross profit	**224**	-	**224**	199	-	199
Distribution costs	**(90)**	-	**(90)**	(86)	-	(86)
Research & development costs	**(11)**	-	**(11)**	(17)	-	(17)
Administrative expenses	**(163)**	-	**(163)**	(388)	-	(388)
Amounts written off investments	**(2)**	-	**(2)**	(6)	-	(6)
Other operating income	**12**	3	**15**	11	-	11
Other operating expense	-	-	-	-	-	-
Operating loss	**(30)**	3	**(27)**	(287)	-	(287)

During the year restructuring related severance costs of £2m (2012: *£2m)* were recorded in administrative expenses (2012: *distribution costs*).

Notes *(continued)*

5 Profit on disposal of investments

	2013 £m	2012 £m
Profit on disposal of group undertakings	**8**	2

During the year the Company liquidated a directly owned subsidiary, Hatchpoint Limited, with a net book value of £24m. The Company received liquidation proceeds of £30m recording a £6m profit on liquidation.

The Company also during the year released a sundry provision of £2m in respect of the fine imposed by the European Commission in 2006 relating to the Company's ownership of the ICI Acrylics business. The fine was paid in full in August 2012.

In the prior year the Company liquidated a directly owned subsidiary, ICI International Finance Limited (Bermuda), with a net book value of £nil. The Company received proceeds of £2m recording a £2m profit on liquidation.

6 Income from shares in group undertakings

	2013 £m	2012 £m
Income from shares in group undertakings	**32**	29

7 Other interest receivable and similar income

	2013 £m	2012 £m
Interest receivable from group undertakings	**53**	136
Net exchange gains	**3**	1
	56	137

8 Interest payable and similar charges

	2013 £m	2012 £m
Bank and other loans	**-**	(2)
Interest payable to group undertakings	**(8)**	(34)
	(8)	(36)

Notes *(continued)*

9 Remuneration of directors

	2013	2012
	£000	£000
Directors' emoluments in respect of qualifying services	**984**	1,004
Amounts receivable under long term incentive schemes	**202**	67
Company contributions to money purchase pension schemes	**75**	103
Company contributions to final salary pension schemes	**57**	-

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director in respect to qualifying services was £419,000 *(2012: £542,000)*. Company pension contributions of £52,000 *(2012: £51,000)* were made to a money purchase scheme on behalf of the highest paid director in respect of qualifying services.

	Number of directors	
	2013	2012
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**	1
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

10 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year was 925 (*2012:* 945). The aggregate payroll costs of these persons were as follows:

	2013	2012
	£m	£m
Wages and salaries	**63**	62
Social security costs	**7**	6
Pension costs (see note 23)	**104**	320
Restructuring costs	**2**	2
	176	390

During the year restructuring related severance costs of £2m (2012: *£2m*) were recorded in administrative expenses (2012: *distribution costs*).

In January 2012 the Company concluded the tri-annual valuation of the ICI Pension Fund ("ICIPF") as at 31 March 2011. As per the agreed deficit recovery plan a top up contribution of £80m (2012: *£295m*) was charged to the Company (see note 23).

Notes *(continued)*

11 Taxation

Analysis of charge in period

	2013 £m	2013 £m	2012 £m	2012 £m
UK corporation tax				
Current tax (charge)/credit for the period		-		-
Other				
Prior year adjustment	(3)		16	
		(3)		16
Total current tax (charge)/credit		(3)		16
Deferred tax (see note 18)				
Origination/reversal of timing differences	(1)		10	
Losses carried forward	5		12	
De recognition of deferred tax asset	(4)		(22)	
Total deferred tax charge		-		-
Total tax (charge)/credit		(3)		16

Factors affecting the tax charge for the current period

The current tax charge for the period is different than the standard rate of corporation tax in the UK 23.25% *(2012: 24.5%)*. The differences are explained below.

	2013 £m	2012 £m
Current tax reconciliation		
Profit/(loss) on ordinary activities before tax	61	(155)
Current tax at 23.25 % *(2012: 24.5 %)*	(14)	38
Effects of:		
Income not taxable – dividend income	7	7
Income not taxable – other income	1	-
Net provision movements	1	-
Prior year adjustment	(3)	16
Pension spreading	9	(29)
Expenses not deductible for tax purposes – amounts written off investments	-	(1)
Expenses not deductible for tax purposes – other disallowables	-	(3)
Tax losses not recognised	(4)	(12)
Total current tax (charge)/credit (see above)	(3)	16

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 taxable profit forecasts of the Company, a current year deferred tax asset of £4m (2012: *£22m*) was de-recognised.

The Company also has significant unrecognised capital losses which can only be utilised for certain capital transactions. Any future taxable capital gain, should it fulfil the applicable tax criteria, will be covered by these losses. In 2014 and as disclosed in the strategic report, a capital gain will be generated upon the sale of the Company's brands and the respective capital gain will be covered by the utilisation of unrecognised capital losses.

Notes *(continued)*

11 Taxation *(continued)*

Franked Investment Income Litigation

The Company is a member of a group litigation in the UK, known as the Franked Investment Income GLO, against HMRC. The GLO collects claims made by 25 corporate groups in the UK High Court seeking the repayment of advance corporation tax ("ACT") and tax on dividend income on the basis that its levy by the UK was contrary to EU law. The Company's claim covers the period 1975 to 1997 and both the Company's claim and the GLO commenced in 2003. A test case was selected from the members of the GLO to proceed to trial on a representative basis; this test case was not the Company's claim.

Following issuance of guidance in December 2006 by the European Court of Justice ("ECJ"), the UK High Court in November 2008 found in favour of the claimants on certain key aspects of the claim. The judgement concluded, inter alia, that dividends received from EU subsidiaries should be, and should always have been, effectively exempt from UK taxation. It also concluded that certain dividends received from EU subsidiaries before 5 April 1999 and, in some limited circumstances, after 1993 from outside the EU, should have been treated as franked investment income, with the consequence that ACT need not have been paid. The judgement was appealed by HMRC. Following this UK High Court judgement, the Company, along with other members of the GLO, applied for and received in August 2009 an interim payment of approximately £64m, made up of interest and reclaimed ACT.

The appeal was heard by the Court of Appeal in October 2009 and the judgement was given in February 2010 mainly in favour of HMRC, following which HMRC appealed against the payments of interim payment awards. Those appeals by HMRC were dismissed by the Court of Appeal in January 2012. The judgement restricted claims retrospectively to tax paid within 6 years of the issue of the claim and not cover claims dating back to 1973. The Company's claim however included sufficient payments of tax within that period which would still have been regarded as unlawful under the High Court's judgment. Accordingly, the Company retained the interim payment on the grounds that its claim could be restructured such that a similar interim payment would be due to the Company.

The issue of the 6 year time limit was heard by the UK Supreme Court in February 2012 and, in May 2012, decided in favour of the principal test claimant that claims submitted before 8 September 2003, which includes the Company's, can go back to 1973.

The Court of Appeal February 2010 judgement also determined that various questions should be referred back to the ECJ for further clarification which took place in February 2012. An ECJ judgement was made in November 2012 which confirmed that the UK treatment of EU dividends was discriminatory. The judgement includes third country dividends from 1994 in certain circumstances; it also confirms that the claim can cover dividends from all indirect as well as direct EU subsidiaries and also ACT paid by a superior holding company.

The case has now reverted to the UK High Court to apply the November 2012 ECJ judgement with the trial scheduled for April 2014. The case could then be subject to appeal to the UK Supreme Court; it should be noted that the final ruling will be based upon the case of the test claimant. Following any ruling on the test case, the Company's claim would need to be reviewed and tested by HMRC. The specific facts of the Company's claim may be different from the test claimant.

Given the continuing complexity of the case and the uncertainty over the issues raised, it is not possible to predict the final outcome of the litigation with a reasonable degree of certainty or to reliably quantify its impact. As a result, no further tax income can currently be recognised.

Notes *(continued)*

11 Taxation *(continued)*

Factors that may affect future current and total tax charges

On 3 July 2012 a change in the rate of corporation tax was substantively enacted, reducing the rate from 24% to 23%, being effective from 1 April 2013. Therefore the standard rate of corporation tax for 2013 was 23.25% (2012: 24.5%).

In the Autumn 2012 Budget statement a further rate change was announced reducing the rate from 23% to 21% effective 1 April 2014 and in the budget of 20 March 2013 this 21% rate was further reduced to 20% effective from 1 April 2015. Both of these changes were substantively enacted on the 2 July 2013 and therefore any deferred tax asset at 31 Dec 2013 is recorded at 20%.

12 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	221	48	287
Additions	-	5	50	55
Disposals & other movements	-	-	-	-
Transfer of assets into use	-	-	-	-
At end of year	18	226	98	342
Depreciation				
At beginning of year	(12)	(186)	-	(198)
Charge for year	-	(11)	-	(11)
Disposals & other movements	-	-	-	-
At end of year	(12)	(197)	-	(209)
Net book value				
At 31 December 2013	**6**	**29**	**98**	**133**
At 31 December 2012	6	35	48	89

Accelerated depreciation of £3m 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:

	2013 £m	2012 £m
Freehold	**6**	6

Notes *(continued)*

13 Fixed asset investments

	Shares	Participating Interests	Loans	Total
Cost	£m	£m	£m	£m
At beginning of year	3,953	12	-	3,965
Additions	-	-	-	-
Disposals	(24)	-	-	(24)
At end of year	3,929	12	-	3,941
Provisions				
At beginning of year	(105)	-	-	(105)
Provided in year	(2)	-	-	(2)
At end of year	(107)	-	-	(107)
Net book value				
At 31 December 2013	**3,822**	**12**	**-**	**3,834**
At 31 December 2012	3,848	12	-	3,860

On 22 March 2013, the Company placed its 100% wholly owned subsidiary, Hatchpoint Limited into Members' Voluntary Liquidation. Hatchpoint Limited was dissolved on 12 October 2013, had a net book value of £24m, with the Company receiving liquidation proceeds of £30m and recorded a £6m profit on liquidation

On 25 October 2013, the Company applied for its 100% wholly owned subsidiary, ICI Receivables Funding Limited to be voluntarily struck off the Companies Register in Jersey. ICI Receivables Funding Limited was dissolved in Jersey on 6 November 2013.

The directors have reviewed the carrying amount of the Company's investments and have recorded an impairment of £2m (2012: *£6m*) in ICHEM Reinsurance Company Limited (Cayman Islands) 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 £28m (*2012: £28m*) and a market value at 31 December 2013 of £193m (*2012: £250m*).

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. No loans are currently recorded as investment in subsidiaries.

The principal companies, in which the Company's interest at 31 December 2013 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	49.24% Equity**
Ergon Investments UK Limited	England	Holding Company	100% Ordinary
Akzo Nobel Packaging Coatings Limited	England	Performance Coatings	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

Notes *(continued)*

14 Stocks

	2013 £m	2012 £m
Raw materials and consumables	**5**	5
Work in progress	**2**	2
Finished goods and goods for resale	**26**	23
	33	30

15 Debtors

	2013 £m	2012 £m
Amounts owed by group undertakings	**3,439**	3,445
Trade debtors	**9**	6
Other debtors	**16**	14
Deferred tax assets (see note 18)	**-**	-
Prepayments and accrued income	**2**	2
	3,466	3,467

16 Creditors: amounts falling due within one year

	2013 £m	2012 £m
Trade creditors	**75**	79
Amounts owed to group undertakings	**3,835**	3,862
Bank overdrafts	**-**	-
Other creditors	**44**	41
	3,954	3,982

Notes *(continued)*

17 Provisions for liabilities

	Disposal and legacy provisions £m	Restructuring provisions £m	Other provisions £m	Total £m
At beginning of year	51	14	5	70
Profit and loss account	(2)	2	1	1
Utilised during year	(5)	(2)	(2)	(9)
At end of year	**44**	**14**	**4**	**62**

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 2013 to at least 2030.

Restructuring provisions

During the year the Company provided £2m in relation to employee costs associated with restructuring activities within the Decorative paints business and are recorded in administrative expenses (see note 10).

Other Provisions

These include provisions for surplus real estate leases plus other operational liabilities.

18 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 2013, based upon a deferred tax rate of 20%, £130m 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. The deferred tax asset is in respect of;

	2013 £m	2012 £m
Losses carried forward	77	84
Fixed assets	26	32
Restructuring provisions/business provisions/other	27	42
	130	158

Notes *(continued)*

19 Called up share capital

	2013	2012
	£m	£m
Allotted, called up and fully paid		
1,209,327,168 *(2012: 1,209,327,168)* ordinary shares of £1 each	**1,209**	1,209

All share capital is classified as equity shareholders' funds.

20 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	1,248	3,397
Profit for the year	-	-	58	58
At end of year	**1,209**	**940**	**1,306**	**3,455**

21 Contingent liabilities

Contingent liabilities existed at 31 December 2013 in connection with banking facilities and guarantees relating to pension funds, including the solvency of pension funds (see note 23). 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 had up until the end of 2013, fully and unconditionally guaranteed USD 500m of 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. This guarantee expired at the end of 2013 when the debt securities were repaid and the Company was released from the guarantee.

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 2013 the credit position of this group cash pool was £0.3m *(2012: £2m credit).*

Included within amounts owed by group undertakings is £0.5m *(2012: owed by group undertakings £0.2m)* in respect of the Company's share of the account.

Notes *(continued)*

22 Commitments

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

	2013 £m	2012 £m
Authorised and contracted for	**27**	73

23 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 2013 the applicable regular contribution rate was 38.5% of pensionable pay.

The total contribution made by the Company excluding annual top ups was £8m *(2012: £6m)*.The Company also paid pension administration and investment management fees of £7m (2012: *£6m*) with a corresponding profit and loss charge of £3m (2012: *£3m)*.

The AkzoNobel group also made additional top up contributions of £135m during the year (*2012: £335m*). The portion of the additional contribution charged to the Company for 2013 was £80m (*2012: £295m)*.

Following the 31 March 2011 valuation the AkzoNobel group has agreed to make top up contributions to the ICIPF totalling £714m for the years 2014 to 2017. The amount of this additional top up contribution 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 2013 was a surplus of £359m (*2012: £561m 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 2011 full actuarial valuation.

In March 2014 the trustees of the scheme entered into two annuity buy-in agreements in line with their strategy of de-risking the fund which is supported by the Company and the AkzNobel group. The two agreements are with Legal and General plc and Prudential Retirement Income Limited and cover in aggregate £3.6 billion of pensioner liabilities, which is broadly equivalent to one third of the ICIPF liabilities. The effect of the activity on the Company will not be known until the conclusion of the 2014 tri annual valuation which is expected to be concluded in Q1 2015.

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)*

23 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. 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.

The total contribution made by the Company excluding annual top ups was £1m *(2012: £1m)*. The Company also paid pension administration and investment management fees of £2m (2012: *£3m*) in relation to the ISCPF.

The Company also made additional top up contributions of £4m during the year (*2012: £5m*).

In January 2008 ICI 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. In March 2013 the value of the Letters of Credit were increased to £145m again divided between three separate banks.

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 2013 the funded status valuation was a surplus of £39m (2012: *£39m 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 2011 full actuarial valuation.

Akzo Nobel Benefit Builder Scheme

The Company is a member of the Akzo Nobel Benefit Builder Scheme (formerly the "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 2013 were £5m (2012: *£6m*).

Unfunded Pension Schemes

The Company pays for a number of unfunded pension schemes. At the end of 2013, 72 (2012: *87*) former employees were beneficiaries of these schemes.

The total unfunded pension cost for the Company during 2013 was £0.7m (2012: *£0.7m*)

Notes *(continued)*

23 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 2013, 300 retired employees were beneficiaries of the scheme (2012: 386).

The total post retirement healthcare cost for the Company during 2013 was £0.1m (2012: *£0.2m*)

24 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.