

ICI INVESTMENT MANAGEMENT LIMITED
DIRECTORS REPORT AND FINANCIAL STATEMENTS
REG NO 2038362
FOR THE YEAR ENDED 31 DECEMBER 2006

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ICI INVESTMENT MANAGEMENT LIMITED

REPORT OF THE DIRECTORS

The Directors present their annual report and the audited financial statements for the year ended 31 December 2006

Directors at 31 December 2006

Chairman	D C Blackwood
Managing Director	G K Allen C A Amos
Secretary	E L Winchester (nee Platts)

BUSINESS REVIEW

Introduction

Following the passing of the Companies Act 1985 (Small Companies' Accounts and Audit) Regulations 2006 (SI 2006 No 2782), the Company is no longer exempt from the requirement to prepare a Business Review, since it is in FSA-regulated company

Nature of the Company's Business

The Company has only two customers, both of which are UK defined benefit pension schemes for which the ultimate holding company (Imperial Chemical Industries PLC – "ICI") is the Principal Employer – namely, ICI Pension Fund and ICI Specialty Chemicals Pension Fund

In relation to ICI Specialty Chemicals Pension Fund, the Company's role has always been confined to the coordination of investment advice and investment management services provided by external organisations and the provision of investment training. In relation to ICI Pension Fund, the Company has additionally provided occasional generic investment advice, occasional coordinating services to support investment transitions delivered by external transition managers and exit-management for a residual portfolio of unlisted securities "Exit management" – in other words, the collection of residual distributions and the exercise of rights to encourage liquidation of existing investments but without any discretionary authority to make new investment – was completed during 2005 and so the Company now no longer manages any assets

In late 2006, the Directors sought legal advice on whether or not it is necessary for the Company to remain FSA-regulated, given the evident preference of its two customers to obtain all investment management and advisory services from much larger companies unconnected with the principal employer. No final decision has yet been taken, but the Directors expect that the role of the Company is likely to continue to focus more narrowly on the coordination and administrative support of investment services bought in directly by its customers from external FSA-regulated suppliers, which may open the way to deregistration from FSA regulation before end-2007

Nature of the Company's Income and Expenditure

The Company's expenditure consists largely of a proportionate recharge of the employment costs of four individuals employed by ICI, whose services are made available to the Company on a part-time basis. The proportion recharged varies from one individual to another, depending upon the estimated proportion of their time spent on investment services provided by the Company to its customers. For all four individuals, the proportions of their time recharged have tended to decline over recent years, as the focus of Company operations has narrowed

The Company's fee income comes from agreements with ICI (who pays all administrative costs of the customer funds), whereby ICI pays fees equal to costs recharged. The Company's remaining income – which, in 2006, accounted for 18% of total income (£30,196 out of £166,196) – comes from interest on short-term cash deposits

Key Performance Indicators

Since the company's business consists of only two contracts, on which it makes neither profit nor loss, the Directors consider that the most important indicators are those indicative of financial stability in the event of loss of these contracts, as follows

Net profit (= interest income) % total income	18% (2005 12%)
Net assets -- years cover for annual expenditure	4.8yrs (2005 3.6yrs)
Current Assets : Current Liabilities	73.1 (71.1)

Developments during the year

During the year, the Company has continued to narrow the focus of its operations and so has needed to purchase less staff time from ICI. This is reflected in the 23% fall in turnover and in administrative expenses (from £176,000 to £136,000 per annum)

Principal Risks

The principal risk to the Company's income is that it may lose its remaining role with its two customers. However, in those circumstances, it would also no longer need to incur expenditure on staff time to service those customer requirements and so no significant loss is expected to arise from this.

The other significant risk facing the Company is that 78% of its assets (£505,364 out of £650,949) is represented by an intra-group loan due from ICI Finance PLC and so it is significantly exposed to the financial health of that Company. However, the Directors regard this risk as highly unlikely to give rise to any loss during the coming year.

Finally, the Company relies on ICI for the provision of numerous non-operational and ancillary services (including premises costs, IT support, HR administration and Health and Safety Compliance) which are not recharged to the Company and which it would not be cost-effective for the Company to attempt to provide on a stand-alone basis. If ICI were to change its policies in relation to the recharging of these non-operational costs, the Company's business model could be adversely affected. However, the Directors are not aware of any intention on the part of ICI to change these arrangements in the foreseeable future and are confident that the financial resources of the Company – which, at £650,949, represents over four years cover for administrative expenses of £136,000 per annum – are more than sufficient to cover any such uncertainties during the next 12 months.

PRINCIPAL ACTIVITY

The principal activities of the Company are the provision of investment advice, the co-ordination of investment transition activity of other investment managers and the management of the remaining unlisted investments for the ICI Pension Fund.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Company made no political contributions or charitable donations during the year.

DIRECTORS' INTERESTS

The interests of the Directors in the stock, shares and debentures of Imperial Chemical Industries PLC were as follows -

Director	Holdings of ICI Ordinary Shares		Holdings of ICI Ordinary Share Options			
	1 Jan 06 or date of appointment	31 Dec 06	1 Jan 06 or date of appointment	Granted	Lapsed/ Exercised	31 Dec 06
D C Blackwood	nil	nil	235,506			235,506
G K Allen	2,896	2,896	104,614			104,614
C A Amos	565	nil	6,600			6,600

The Company's directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report

DIVIDENDS

During the year, the Company did not pay an interim dividend. The Directors do not recommend the payment of any final dividend for the year.

TRANSFER TO RESERVES

The profit for the year ended 31 December 2006 after taxation was £21,137 (2005 £20,400). As there was no interim dividend (2005 Nil), the retained profit for the year was £21,137 (2005 £20,400). This amount has accordingly been transferred to reserves, which now stand at £625,949 (2005 £604,812).

AUDITORS

On 8 June 1999, the Company passed an elective resolution to dispense with the need to appoint auditors annually pursuant to Section 386 of the Companies Act 1985. Accordingly, KPMG Audit Plc will continue in office as auditors of the Company.

DIRECTORS' CONFIRMATION

The Directors (who held office at the date of the 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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board



E L Winchester
Secretary

20 Manchester Square
London
W1U 3AN

12 April 2007

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.

The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its Financial Statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ICI INVESTMENT MANAGEMENT LIMITED

We have audited the financial statements of ICI Investment Management Limited for the year ended 31 December 2006 which comprise of the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting standards are set out in the Statement of Directors' Responsibilities on page 2.

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

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc
KPMG Audit Plc
Chartered Accountants
Registered Auditor

19 April 2007
8 Salisbury Square
London
EC4Y 8BB

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

		2006	2005
		£	£
	Notes		
Turnover	2	136,000	176,000
Administrative Expenses		(136,000)	(176,000)
Operating Profit		<u>0</u>	<u>0</u>
Other Interest Receivable and Similar Income		30,196	29,143
Profit on ordinary activities before taxation	5	<u>30,196</u>	<u>29,143</u>
Taxation on Profit on Ordinary Activities	6	(9,059)	(8,743)
Profit on ordinary activities after taxation		<u>21,137</u>	<u>20,400</u>
Retained Profit for the Financial Year	10	<u>21,137</u>	<u>20,400</u>

All the results for the year arise from Continuing Operations

The Company had no recognised gains or losses other than the loss for the period

A statement of the movement on reserves for the year is shown in Note 10

The notes on pages 6 to 8 form part of these accounts

BALANCE SHEET AS AT 31ST DECEMBER 2006

	Notes	2006		2005	
		£	£	£	£
CURRENT ASSETS					
Cash at bank and in hand		154,644		147,670	
Debtors amounts falling due within one year	7	<u>505,364</u>		<u>490,885</u>	
		660,008		638,555	
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	8	<u>(9,059)</u>		<u>(8,743)</u>	
NET CURRENT ASSETS			650,949		629,812
NET ASSETS			<u>650,949</u>		<u>629,812</u>
CAPITAL AND RESERVES					
Called up Share Capital	9		25,000		25,000
Profit and Loss Account	10		625,949		604,812
SHAREHOLDERS' FUNDS	11		<u>650,949</u>		<u>629,812</u>

These financial statements were approved by the Board of the Directors on

12th April

2007 and were signed on its behalf by

G K Allen
Director



C A Amos
Director



The notes on pages 6 to 8 form part of these accounts

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the assumption that the Company will carry on its business as a going concern. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements -

(a) Accounting Convention

The Accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards. The consolidated financial statements of the Company's parent undertaking include a consolidated statement of cash flows of the Group. The Company is consequently exempted from preparing a cashflow statement in these accounts.

(b) Taxation

The charge for taxation is based on the profit for the year and is provided at the prevailing tax rate. It takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise, or that a deferred tax asset is expected to be recovered.

(c) Related Party Transactions

As the company is a wholly-owned subsidiary of Imperial Chemicals Industries PLC, it has taken advantage of the exemption in FRS8 and has not disclosed separately transactions or balances with other group companies.

2 TURNOVER

Turnover represents investment management fee income arising in the UK during the period. Under its management agreement with its principal customer, fees since 1 January 1996 are equal to net costs incurred.

3 EMOLUMENTS OF DIRECTORS OF THE COMPANY

The Company paid £77,178 (2005: £74,482) during the year to the ultimate holding company in respect of directors' services. There were no other Directors' emoluments.

4 STAFF AND PENSION COSTS

All staff are employed by Imperial Chemical Industries PLC and are remunerated by that company. Their emoluments and details of the Company pension scheme are similarly dealt with in the group accounts.

NOTES TO THE ACCOUNTS CONTINUED

5	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2006	2005
		£	£
	Profit on ordinary activities before taxation is stated after charging		
	Auditors' remuneration	(4,000)	(4,040)
	- Audit work		
	- Non audit work	(3,500)	(3,500)
6	TAXATION ON PROFIT ON ORDINARY ACTIVITIES	2006	2005
		£	£
	Corporation tax at 30% and payable within one year (2005 30%)	<u>(9,059)</u>	<u>(8,743)</u>
7	DEBTORS AMOUNTS FALLING DUE WITHIN ONE YEAR	2006	2005
		£	£
	Intra group loans due from ICI Finance Plc	505,247	490,768
	Funds due from ICI Plc	<u>117</u>	<u>117</u>
		505,364	490,885
8	CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	2006	2005
		£	£
	Group relief payable	<u>(9,059)</u>	<u>(8,743)</u>
9	SHARE CAPITAL	2006	2005
		£	£
	Authorised, allotted, called up and fully paid Ordinary Shares of £1 each	<u>25,000</u>	<u>25,000</u>

NOTES TO THE ACCOUNTS CONTINUED

10 PROFIT AND LOSS ACCOUNT

	2006	2005
	£	£
Balance at 1 January	604,812	584,412
Retained Profit for the Financial Year	21,137	20,400
Balance at 31 December	<u>625,949</u>	<u>604,812</u>

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2,006	2,005
	£	£
Opening Shareholders' Funds	629,812	609,412
Retained Profit for the Financial Year	21,137	20,400
Closing Shareholders' Funds	<u>650,949</u>	<u>629,812</u>

12 ULTIMATE HOLDING COMPANY

The ultimate holding company is Imperial Chemical Industries PLC, a company incorporated in Great Britain and registered in England. Copies of its accounts are available from 20 Manchester Square, London, W1U 3AN.