

# **Ergon Investments International Limited**

Directors' Report and Financial Statements

31 December 2008

Registered number 2074788

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## **Directors' Report**

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

### **Principal activities and business review**

The Company acts as an investment holding company

In March 2008, the Company sold its investment in ICI American Holdings Limited to Akzo Nobel Inc and received proceeds of £530 million, disposed of investment of £1,161 million, resulting in a loss on disposal of £631 million in the 2008 financial year

In April 2008, the Akzo Nobel Group sold its National Starch Adhesive and Electronic Materials businesses to the Henkel Group. The Company received proceeds of £928 million, disposed of investments of £330 million, incurred transaction costs of £5 million resulting in a gain on disposal of £593 million in the 2008 financial year

In July 2008, the Company sold 68% of its investment in ICI Canada Inc to ICI Omicron B V. The Company received proceeds of £151 million, disposed of investment of £28 million resulting in a gain on disposal of £123 million in the 2008 financial year

In October 2008, the Company sold its investment in OOO "ICI" to Panter B V. The Company received proceeds of £3 million, disposed of investment of £2 million, resulting in a gain on disposal of £1 million in the 2008 financial year

In December 2008, the Company sold 75% of its investment in ICI Espana S A, to Akzo Nobel Coatings S A. The Company received proceeds of £292 million, disposed of investment of £148 million, resulting in a gain on disposal of £144 million in the 2008 financial year

In December 2008, the Company sold its investment in ICI Paints Deco N V, to Akzo Nobel Coatings International B V. The Company received proceeds of £31 million, disposed of investment of £20 million, resulting in a gain on investment of £11 million in the 2008 financial year

### **Change of Registered Office**

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

### **Results and dividends**

The results for the year ended 31 December 2008 are set out on page 6 of the financial statements. The directors do not recommend the payment of a dividend

### **Directors**

The directors who held office during the year were as follows

C Bolland	Appointed 30 July 2008, resigned 15 January 2009
N R E Cribb	Resigned 30 July 2008
O H Director	Appointed 30 April 2008
P J Gillett	Resigned 30 April 2008
I R Ladd	Resigned 30 April 2008
B Singh	Appointed 15 January 2009
R L G K Ross	Resigned 18 December 2009
M Smalley	Appointed 18 December 2009

### **Political and charitable contributions**

The Company made no political or charitable contributions during the current or previous financial year

### **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

## Directors' Report (*continued*)

### Disclosure of information to auditors

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

### Post balance sheet events

The following material transactions occurred post balance sheet date

In February 2009, the Company sold its investment in ICI Paints Deco France S A , to Akzo Nobel Coatings International B V and Akzo Nobel S A S and received proceeds of £148 million, disposed of investment of £107 million, resulting in a gain on disposal of £41million in the 2009 financial year

In March 2009, the Company agreed to reduce its share capital investment in S A Alba Fabrica de Pinturas Esmaltes Barnices by £9 million. In August 2009, the Company sold the remaining investment to Akzo Nobel Coatings International B V and received proceeds of £34 million, disposed of investment of £20 million, resulting in a gain on disposal of £14 million in the 2009 financial year

In June 2009, the Company sold its investment in ICI Espana S A to Akzo Nobel Coatings International B V and received proceeds of £84 million, disposed of investment of £49 million, resulting in a gain on disposal of £35 million in the 2009 financial year

In August 2009, the Company sold its investment in National Organik Kimyasal Urun Ve Teknolojileri Sanayi Ve Ticaret A S to the Henkel Group and received proceeds of £2.6 million, disposed of investment of £0.3 million, resulting in a gain on disposal of £2.2 million in the 2009 financial year

In November 2009, the Company sold its investment in ICI Canada Inc to Akzo Nobel Coatings International B V and received proceeds of £85 million, disposed of investment of £13 million, resulting in a gain on disposal of £72 million in the 2009 financial year


In March 2010, the Company received a £4.7 billion dividend from its wholly owned subsidiary ICI Theta B V

By order of the Board

**O.H. SECRETARIAT LIMITED**  
  
**AUTHORISED SIGNATORY**

O H Secretariat Limited

Company Secretary

 March 2010  
26th Floor  
Portland House  
Bressenden Place  
London  
SW1E 5BG

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



## KPMG Audit Plc

8 Salisbury Square  
London  
EC4Y 8BB  
United Kingdom

### **Independent auditors' report to the members of Ergon Investments International Limited**

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

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

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

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

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

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

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

#### **Basis of audit opinion**

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

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

## **Independent auditors' report to the members of Ergon Investments International Limited** *(continued)*

### **Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its 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*

11 March 2010

**Profit and loss account**  
*for the year ended 31 December 2008*

	<i>Note</i>	<b>2008</b> <b>£000</b>	<b>2007</b> <b>£000</b>
Administrative expenses		(6)	(61)
Other operating income		11,356	16 756
Profit on disposal of fixed assets		240,520	1 996
<b>Operating profit</b>	<b>2, 3</b>	<b>251,870</b>	<b>18,691</b>
Income from shares in group undertakings	4	19,219	43,209
Interest payable and similar charges	5	(218,858)	(263,080)
Amounts written off on investments	7	(10,000)	(133,000)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>42,231</b>	<b>(334,180)</b>
Tax on profit on ordinary activities	6	(1,756)	63 353
<b>Profit/(loss) on ordinary activities after taxation and for the financial year</b>		<b>40,475</b>	<b>(270 827)</b>

The results for both the current and preceding years relate to continuing operations

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 2008

	Note	2008 £000	2007 £000
<b>Fixed assets</b>			
Investments	7	5,349,468	7 033 532
<b>Current assets</b>			
Debtors	8	432,121	68,210
<b>Creditors: amounts falling due within one year</b>	9	(467,673)	(1 413,502)
<b>Net current liabilities</b>		(35,552)	(1,345 292)
<b>Total assets less current liabilities</b>		5,313,916	5 688 240
<b>Creditors: amounts due after more than one year</b>	10	(2,953,674)	(3,368 473)
<b>Net assets</b>		2,360,242	2,319 767
<b>Capital and reserves</b>			
Called up share capital	11	2,829,205	2,829 205
Profit and loss account	12	(468,963)	(509 438)
<b>Shareholders' funds – equity</b>		2,360,242	2 319 767

These financial statements were approved by the board of directors on 11 March 2010 and were signed on its behalf by

**O.H. DIRECTOR LIMITED**



**AUTHORISED SIGNATORY**

O H Director Limited  
 Director

## Reconciliation of movements in shareholders' funds

*for the year ended 31 December 2008*

	2008 £000	2007 £000
Profit/(loss) for the financial year	40,475	(270 827)
Exchange difference on fixed asset investments	19,426	(722)
Exchange difference on amounts owed to group undertakings	(19,426)	722
	<hr/>	<hr/>
Net addition to/(reduction in) shareholders' funds	40,475	(270,827)
Opening shareholders' funds – equity	2,319,767	2 590 594
	<hr/>	<hr/>
Closing shareholders' funds – equity	2,360,242	2 319 767
	<hr/>	<hr/>

## 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 under the historical cost accounting rules and in accordance with applicable accounting standards

The Company is exempt by virtue of Section 228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements, therefore, 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 company 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.

#### ***Foreign currencies***

Assets and liabilities in foreign currencies are converted to Sterling at the spot rates of exchange ruling at the Balance Sheet date. Exchange differences on these and other transactions, except net investments, are taken to the Profit and Loss Account. Differences on relevant foreign currency net investments are taken to reserves.

#### ***Fixed asset investments***

Investments in group undertakings are stated at cost, less provision for impairment.

#### ***Taxation***

The charge for taxation is based on the profit 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".

#### ***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.

#### ***Interest Income***

Interest receivable/payable is recognised on an accruals basis.

## Notes (continued)

### 2 Directors and employees

No individuals were employed by the Company during either year. The directors received no remuneration for their services to the Company in the year (2007: £nil). The present directors are employed by, and receive remuneration for services from, a wholly owned subsidiary of the ultimate parent company.

### 3 Operating profit

	2008 £000	2007 £000
Auditors remuneration	(5)	(5)
Gain as a result of foreign exchange movements	11,356	16,756
Other	(1)	(56)
Profit on disposal of fixed assets	240,520	1,996
	<u>251,870</u>	<u>18,691</u>

The profit on disposal of fixed assets disclosed above included the following material transactions,

In March 2008, the Company sold its investment in ICI American Holdings Limited to Akzo Nobel Inc and received proceeds of £530 million, disposed of investment of £1,161 million, resulting in a loss on disposal of £631 million in the 2008 financial year.

In April 2008, the Akzo Nobel Group sold its National Starch Adhesive and Electronic Materials businesses to the Henkel Group. The Company received proceeds of £928 million, disposed of investments of £330 million, incurred transaction costs of £5 million resulting in a gain on disposal of £593 million in the 2008 financial year.

In July 2008, the Company sold 68% of its investment in ICI Canada Inc to ICI Omicron B.V. The Company received proceeds of £151 million, disposed of investment of £28 million resulting in a gain on disposal of £123 million in the 2008 financial year.

In October 2008, the Company sold its investment in OOO "ICI" to Panter B.V. The Company received proceeds of £3 million, disposed of investment of £2 million, resulting in a gain on disposal of £1 million in the 2008 financial year.

In December 2008, the Company sold 75% of its investment in ICI Espana S.A. to Akzo Nobel Coatings S.A. The Company received proceeds of £292 million, disposed of investment of £148 million, resulting in a gain on disposal of £144 million in the 2008 financial year.

In December 2008, the Company sold its investment in ICI Paints Deco N.V. to Akzo Nobel Coatings International B.V. The Company received proceeds of £31 million, disposed of investment of £20 million, resulting in a gain on investment of £11 million in the 2008 financial year.

## Notes (continued)

### 4 Income from shares in group undertakings

	2008 £000	2007 £000
Dividends	19,219	43,209

### 5 Interest payable and similar charges

	2008 £000	2007 £000
Interest payable to Group undertakings	(218,807)	(263,080)
External Interest Payable	(51)	-
	<u>(218,858)</u>	<u>(263,080)</u>

### 6 Taxation

	2008 £000	2007 £000
<i>UK corporation tax</i>		
Current tax credit for the period	(1,756)	63,353

The current tax credit for the period is different from the standard rate of corporation tax in the UK of 28.5% (2007: 30%). The differences are explained below:

	2008 £000	2007 £000
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	42,231	(334,180)
Current tax credit/(charge) at 28.5% (2007: 30%)	<u>(12,036)</u>	<u>100,254</u>
<i>Effects of:</i>		
Income not taxable: disposal of fixed assets	68,548	598
Income not taxable: dividend income	5,372	5,228
Expenses not deductible for tax purposes: impairment loss	(2,850)	(39,900)
Foreign tax: withholding tax	(49)	(1,335)
Foreign tax: stamp duty	(1,600)	-
Foreign tax: shareholder tax	(107)	(94)
Prior year adjustment	-	(1,398)
Unutilised tax losses arising in the year	<u>(59,034)</u>	<u>-</u>
Total current tax credit (see above)	<u>(1,756)</u>	<u>63,353</u>

**Notes (continued)**

**7 Fixed asset investments**

	<b>Shares £000</b>	<b>Loans £000</b>	<b>Total £000</b>
<i><b>Cost</b></i>			
At beginning of year	7 305,725	7,975	7 313 700
Additions	744	-	744
Disposals / Repayments	(1 822,427)	(8 140)	(1 830 567)
Foreign exchange adjustments	19 426	165	19 591
	<hr/>	<hr/>	<hr/>
At end of year	5,503,468	-	5 503 468
	<hr/>	<hr/>	<hr/>
<i><b>Provisions</b></i>			
At beginning of year	(280,168)		(280 168)
Impairment losses	(10 000)	-	(10 000)
Disposals	136,168	-	136 168
	<hr/>	<hr/>	<hr/>
At end of year	(154,000)	-	(154,000)
	<hr/>	<hr/>	<hr/>
<i><b>Net book value</b></i>			
<b>At 31 December 2008</b>	<b>5,349,468</b>	<b>-</b>	<b>5,349,468</b>
	<hr/>	<hr/>	<hr/>
At 31 December 2007	7,025 557	7 975	7,033 532
	<hr/>	<hr/>	<hr/>

In March 2008, the Company sold its investment in ICI American Holdings Limited to Akzo Nobel Inc and received proceeds of £530 million, disposed of investment of £1,161 million, resulting in a loss on disposal of £631 million in the 2008 financial year

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In December 2008, the Company sold 75% of its investment in ICI Espana S A to Akzo Nobel Coatings S A. The Company received proceeds of £292 million, disposed of investment of £148 million, resulting in a gain on disposal of £144 million in the 2008 financial year

In December 2008, the Company sold its investment in ICI Paints Deco N V to Akzo Nobel Coatings International B V. The Company received proceeds of £31 million, disposed of investment of £20 million, resulting in a gain on investment of £11 million in the 2008 financial year

## Notes (continued)

### 7 Fixed asset investments (continued)

The directors have reviewed the carrying amount of the Company's investments and have recorded impairment charges of £10,000,000 such that the net book value at the balance sheet date does not exceed the estimated recoverable amount of the subsidiary group undertakings

The company's principal investments which, except where stated otherwise are incorporated in England and Wales in which the company's interest at the balance sheet date is more than 20% are as follows

Subsidiary companies	Country of registration and principal operations	Nature of business	Percentage and class of shares held
ICI Theta B V	The Netherlands	Investment holding company	100% Ordinary
ICI CZ S R O	Czech Republic	National Starch	100% Ordinary
ICI Hellas SA	Greece	Paints	100% Ordinary
ICI Paints Deco France S A	France	Investment holding company	100% Ordinary
ICI Ireland Ltd	Ireland	Investment holding company	100% Ordinary
ICI Investments Netherlands B V	The Netherlands	Investment holding company	100% Ordinary
ICI Vietnam Ltd	Vietnam	Paints	100% Ordinary
ICI Paints (Malaysia) Sdn Bhd	Malaysia	Paints	60% Ordinary
SA Alba Fabrica de Pinturas Esmaltes Barnices	Argentina	Paints	55% Redeemable Preference
National Organik Kimyasal Urun Ve Teknolojileri Sanayi Ve Ticaret AS	Turkey	National Starch	50% Ordinary
ICI Canada Inc	Canada	Regional	32% Ordinary
ICI Espana S A	Spain	Paints	25% Ordinary

### 8 Debtors

	2008 £000	2007 £000
Dividend Receivable	1,998	1 440
Amounts owed by group undertakings	430,123	66 770
	<u>432,121</u>	<u>68 210</u>

### 9 Creditors' amounts falling due within one year

	2008 £000	2007 £000
Amounts owed to group undertakings	(466,068)	(1 413,269)
Disposal Provision - Quest	-	(228)
External stamp duty tax payable	(1,600)	-
Accruals and deferred income	(5)	(5)
	<u>(467,673)</u>	<u>(1 413,502)</u>

## Notes (continued)

### 10 Creditors: amounts falling due after more than one year

	2008 £000	2007 £000
Amounts owed to group undertakings	(2,953,674)	(3 368 473)

### 11 Called up share capital

	2008 £000	2007 £000
<i>Authorised</i>		
5 000 000,000 ordinary shares of £1 each – equity	5,000,000	5 000 000
<i>Allotted, called up and fully paid</i>		
2,829,204,675 ordinary shares of £1 each – equity	2,829,205	2,829,205

All share capital is classified as equity shareholders' funds

### 12 Reserves

	2008 £000 Profit and loss account	2007 £000 Profit and loss account
At beginning of year	(509,438)	(238 611)
Exchange differences on fixed asset investments	19 426	(722)
Exchange differences on loans	(19,426)	722
Profit/(loss) for the financial year	40 475	(270 827)
At end of year	(468 963)	(509 438)

### 13 Ultimate parent company and parent undertaking of large group of which the company is a member

The Company is a wholly owned subsidiary company of Ergon Investments UK Limited, 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