ICI Investments (Netherlands) B.V.

Annual Report 2006

Contents

Financial report

Report of the Executive Directors

The Managing Directors of ICI Investments (Netherlands) BV have pleasure in presenting their Annual Report and Accounts for the year ended 31 December 2006.

Objective of the Company

The objective of the Company is to engage in financial transactions of any kind; to obtain funds through public or private borrowings of any nature; to act as agent, broker, trustee for and to conduct the management of any business, company or enterprise of any nature; to take any steps to further the objectives of the Company.

Principal activities

The principal activities of the Company are to act as shareholder of most of the Dutch companies as well as some foreign companies in the ICI group and to finance these companies when needed. Furthermore, the Company issued two loan notes (Eurobonds) in connection with the acquisition of the Dutch specialty chemical companies from Unilever in 1997. The first loan note was redeemed in 2002 and the second one will be redeemed in 2007.

Legal structure

All shares of the Company are held by Ergon Investments International Limited, in turn part of Imperial Chemical Industries PLC in England.

Annual results

In 2005, the disposal of the global Uniqema business was announced by ICI PLC with a completion date of 1 September 2006. As a result of this announcement and with the knowledge that the proceeds allocated to the Dutch Uniqema operations would result in a substantial loss on disposal, it was decided to already recognize a substantial valuation allowance for the investment in and the loan to Unichema Chemie BV in the 2005 accounts. The loss on disposal in 2006 is the final part of the Uniqema loss that was not yet recognised in 2005.

In 2006, ICI PLC also announced the disposal of the global Quest business with a completion date of 3 March 2007. As it is expected that the sale of the Dutch Quest companies will actually result in a profit on disposal there was no need to take a valuation allowance for the investment in and loan to Quest International Nederland BV and Quest International Services BV in the 2006 accounts.

The net interest charge is mainly caused by the interest charged on the still outstanding Eurobond.

Future outlook

The proceeds of the Uniqema and Quest disposals have been used to redeem the remaining Eurobond in 2007 and should generate increased net interest income.

In 2007, the ultimate parent company Imperial Chemical Industries PLC was acquired by Akzo Nobel N.V. Subsequent to this acquisition, an announcement has been made of the intention for the sale of some ICI companies, including certain ICI Investment subsidiaries (including National Starch & Chemical B.V., Acheson Holland B.V., Acheson Production B.V. and Purbond AG) to Henkel in the first half of 2008. The terms of this divestment have not yet been finalised and consequently neither has the financial impact of this divestment on the equity of the Company.

It is expected that the Company will continue with its current activities albeit with a lot less investments than in previous years.

Naarden, 14 March 2008

Executive Directors

P.J. Gillett H.H. Danklof R. Koning

Balance sheet as at 31 December 2006

(before proposed appropriation of result)

	Note	31 December 2006		31 December 2005	
		EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Financial fixed assets					
Investments in group companies	*1*	1,011,811		1,011,815	
Loans to group companies		–		439,430	
			1,011,811		1,451,245
Current assets					
Amounts receivable from group companies		555,498		173,611	
Deferred tax receivable		3,481		–	
Other receivables		383		73	
Cash at bank and in hand		41		206	
			559,403		173,890
			1,571,214		1,625,135
Capital and reserves	*3*				
Paid-up and called capital		18		18	
Share premium account		1,947,209		1,947,209	
Accumulated losses		-833,258		-343,128	
Result for the year		-35,528		-490,130	
			1,078,441		1,113,969
Provisions	*4*		1,878		2,277
Long-term liabilities					
Bonds			–		459,024
Current liabilities					
Bonds	*5*	459,024		–	
Amounts payable to group companies		107		37,827	
Other liabilities	*6*	31,764		12,038	
			490,895		49,865
			1,571,214		1,625,135

Profit and loss account for the year ended 31 December 2006

	Note	2006		2005	
		EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Other operating income			-		2,127
Total operating income			-		2,127
General expenses			-218		-261
Total operating expenses			-218		-261
Operating result			-218		1,866
Gain (losses) on sale of investments	*1*	-36,072		-7,355	
Revaluation of financial fixed assets		–		-518,470	
Income from investments		356		34,977	
Interest receivable and similar income	*9*	32,497		38,747	
Interest payable and similar charges	*9*	-35,572		-34,553	
			-38,791		-486,654
Loss before taxation			-39,009		-484,788
Taxation	*10*		3,481		-5,342
Loss after taxation			-35,528		-490,130

Notes to the financial statements

General

The Company, with its statutory seat in Rotterdam and principal place of business in Naarden, was incorporated on 17 June 1997. The Company's parent company is Ergon Investments International Limited, London. Its ultimate parent company is Imperial Chemical Industries PLC, London, United Kingdom (hereafter "ICI PLC").

The principal activities of the Company as an intermediate holding company for the ICI PLC group are to hold investments in group companies and to finance such companies as necessary.

Significant accounting policies

The financial statements have been prepared under the historical cost convention and on an accrual basis of accounting.

The financial statements are prepared on the basis of the legal requirements as set out in part 9 of Book 2 of the Netherlands Civil Code.

During the preparation of the financial statements in accordance with generally accepted accounting principles requires the management to make certain judgements, estimates and assumptions that impact the carrying value of the assets and liabilities and the reported values of revenue and expenses. The estimates and underlying assumptions are based on experience and other factors which are considered reasonable. The estimates form the basis for calculating the book value of the asset and liabilities, which cannot be easily derived from other sources. The actual results may deviate from estimates.

The primary estimates made by management in the preparation of the financial statements concern the future cash flows to be generated from the participating interests and the future earnings of the Company and the other members of the fiscal unit.

Consolidated accounts

The Company has elected to invoke Article 408, Title 9 of Book 2 of the Dutch Civil Code whereby the Company is exempt from preparing consolidated financial statements since the financial and other data of the Company and its subsidiaries is consolidated with that of ICI PLC. The Annual Report of ICI PLC will be deposited together with the Company's statements with the Trade Register.

Foreign currencies

Profit and loss items in foreign currencies are translated into Euro's at rates prevailing at the time of the underlying transactions. Assets and liabilities in foreign currencies are translated at exchange rates ruling at balance sheet date. Foreign currency exchange gains or losses arising from translation are processed in the profit and loss account.

Financial derivatives

The Company uses currency swaps to reduce exposure to foreign exchange risks and interest rate swaps to adjust interest rate exposure. Principal amounts of currency swaps are revalued at exchange rates ruling at balance sheet date and included in the Euro value of long-term liabilities. Interest income and expenses from interest rate swaps are classified under "Interest receivable and similar income" and "Interest payable and similar charges".

Financial fixed assets

In recognition of its status as a Dutch intermediate holding company of ICI PLC, the investments in group companies are stated at cost, applying historical exchange rates.
Dividends received from pre-acquisition reserves of participating interests are applied to reduce the historical acquisition costs of the relevant investment.

In the event of a permanent diminution in value of an investment, this impairment is reflected by an adjustment to the carrying value of the relevant investment ("revaluation of financial fixed assets").

Other assets and liabilities

Unless otherwise stated in the financial statements, all other assets and liabilities are shown at face value.

Provisions

Provisions are formed to account for present legal or actual obligations that are the result of a past event and it is probable that settlement will require an outflow of economic benefits. The provisions are stated at the estimated amount of the future outflow of economic benefit.

Recognition of income from participating interests

Dividends from participating interests in respect of the financial year or previous years are recorded as income for the year in so far as such dividends are received or declared before preparation of the company's accounts and are classified under income from investments.

Taxation

The Company is the parent company of a fiscal unit with its subsidiaries. Due to this unity, the Company is jointly and severally liable for the liabilities of the fiscal unit. Income tax charge /credit for the fiscal unit for the year is allocated to the separate companies in proportion to their fiscal results.

The income tax charge/credit for the year for the financial year includes the current and deferred tax. The current income tax charge/credit is calculated on the taxable income for the year using the tax rates enacted or substantively enacted on the reporting date and any adjustments to income tax payable or receivable from prior years.

Deferred tax is determined using the balance sheet liability method and is calculated on the temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts for taxation purposes. The amount for deferred tax is based on the expected timing of the reversal of the timing differences and the income tax rates enacted or substantively enacted on the reporting date.

Deferred tax assets resulting from losses carried forward are recognised only to the extent that it is probable that future taxable profits will be available and can be utilized.

Balance sheet as at 31 December 2006

1 Financial fixed assets

The investments in group companies relate to the interest in the following subsidiaries (all 100% unless otherwise stated):

- Alabastine Holland B.V., Ammerzoden;
- Naarden International N.V., Rotterdam;
- National Starch and Chemical B.V., Zutphen;
- Quest International Nederland B.V., Naarden;
- ICI Finance (Netherlands) N.V., Rotterdam;
- ICI Paint (China) Holdings B.V., Rotterdam;
- Quest International Services B.V., Naarden;
- Homeguarantee B.V., Naarden;
- ICI Colombia SA., Bogota, Colombia (1%);
- Acheson Holland B.V., Scheemda;
- Acheson Produktie B.V., Scheemda;
- Purbond AG, Sempach Station, Switzerland (25%);
- ICI Finance Plc., London (15%).

A decision to sell the shareholding in Quest International Nederland B.V., Quest International Services B.V. and Homeguarantee B.V. was taken in the course of the year under review. In 2007, a decision was taken to inject additional capital into Quest International Nederland B.V. by means of a partial loan conversion of EUR 100 million prior to the sale of the company. The sale of Quest International Nederland B.V. and Quest International Services B.V. was concluded in March 2007. The consideration received has formed the basis for the determination of the carrying value of shares in and receivables from these companies as at 31 December 2006 such that the commensurate part of the consideration received has been treated as fully covering the additional cash injection made in 2007.

The movements during the financial period were as follows:

	Participating interests	Receivable from participating interests	Total
	EUR 1,000	EUR 1,000	EUR 1,000
Cost as at 31 December 2005	1,295,663	674,052	1,969,715
Impairments recognised	-283,848	-234,622	-518,470
Balance as at 31 December 2005	1,011,815	439,430	1,451,245
Additional capital injected	470,180	–	470,180
Additional loans granted	–	116,068	116,068
Divestment	-470,184	–	-470,184
Reclassification as current receivable	–	-555,498	-555,498
Balance as at 31 December 2006	1,011,811	–	1,011,811

The accounts receivables from participating interests have a term of less than one year and are presented as current asset as per 31 December 2006.

2 Deferred tax asset

The fiscal unit of which the Company is the parent has significant fiscal losses (in excess of EUR 200 million) available for compensation against future profits. The deferred tax asset recognized by the Company reflects only the current estimate of the future fiscal profits of the Company itself that will be available for set off. The full allowance as of 2005 has been adjusted in the year under review to reflect the divestment of the significant loss generating companies.

3 Capital and reserves

The paid-up and called capital as at 31 December 2006 consists of 18,242 (2005: 18,242) ordinary shares of EUR 1 each and 1 (2005: 1) class A share with a nominal value of EUR 1. According to the Articles of Association of the Company, in the event of liquidation of the Company the holders of class A shares have preferential rights to ordinary shareholders to being paid back the nominal amount and share premium reserve relating to their shares.

	Share capital EUR 1,000	Share premium EUR 1,000	Other reserves EUR 1,000	Result for the year EUR 1,000
Balance as at 31 December 2004	18	1,947,209	-302,680	-40,448
Result appropriation	–	–	-40,448	40,448
Loss for the year 2005	–	–	–	-490,130
Balance as at 31 December 2005	18	1,947,209	-343,128	-490,130
Result appropriation	–	–	-490,130	490,130
Loss for the year 2006	–	–	–	-35,528
Balance as at 31 December 2006	18	1,947,209	-833,258	-35,528

4 Provisions

The movements during the year were as follows:

	Severence provision EUR 1,000	Divestment costs EUR 1,000	Total EUR 1,000
Balance as at 31 December 2005	-821	1,456	2,277
Amounts paid	-821	-1,456	-2,277
Costs relating to Uniqema divestment	–	1,878	1,878
Balance as at 31 December 2006	-	1,878	1,878

The provision is expected to be applied within one year.

Liabilities

5 Bonds

The following analysis reflects the effects of financial derivatives on the Company's borrowings.

		Before financial derivatives		After financial derivatives
Original currency	Fixed interest rate	Original Amount GBP 000	Amount at current rate EUR 1,000	Amount at historic rate EUR 1,000
British pound	7.625	300,000	446,463	459,024

The average interest rate payable in 2006, including the effects of financial derivatives, was approximately 7.4% (2005: 7.5%).

The loan is carried at the historical rate in view of the related forward exchange rate contract with a group company to mitigate the exchange risk exposure for the Company.

The redemption of the bonds is due in August 2007. Under a Euro Medium Term Note Programme, ICI PLC, ICI Finance PLC and the Company (together the Issuers) may issue notes up to a principal amount of USD 5,000 million. The Company is the issuer of a tranche of GBP 300 million. The notes and interest thereon are unconditionally and irrevocably guaranteed by ICI PLC.

The notes (and interest thereon) shall at all time rank pari passu amongst themselves and at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Company (and the other Issuers). Furthermore cross default and negative pledge clauses apply.

6 Other liabilities

Other liabilities have a term of less than one year and can be specified as follows:

	2006 EUR 1,000	2005 EUR 1,000
Other liabilities	19,461	–
Accrued interest expenses	12,303	12,038
	31,764	12,038

Other liabilities relate to the sale of the shareholding in Unichema Chemie B.V. and reflect the Company's obligation to make contributions regarding pensions and other benefits of former Unichema Chemie B.V. employees.

8 Financial instruments

As an intermediate holding company, the transactions are substantially with the ICI PLC group companies with the exception of those associated with the Bonds for which the Company is, together with other ICI companies, an issuer (see note 6).

Profit and loss account for the year ended 31 December 2006

9 Interest

Interest payable and similar charges mainly represents the balance of interest payable on the basis of original lending agreements and the expenses from interest rate swaps with respect to bonds and notes. The swap contracts have been entered into with other ICI group companies.

Interest receivable and similar income mainly represents interest received on current accounts with group companies.

10 Taxation

The taxation charge for the year has been influenced by the re-statement of the valuation allowance against the deferred tax assets of the fiscal unity. The effective tax rate for the year amounted to 8.9%.

The reconciliation with the nominal tax rate is as follows:

	2006 EUR 1,000	2006 EUR 1,000	2005 EUR 1,000	2005 EUR 1,000
Loss for the year before taxation		39,009		484,788
Adjust:				
Gains/Losses on sale of investments	-36,072		-7,355	
Deductible divestment costs	10,181		–	
Revaluation of financial fixed assets	–		-518,470	
		-25,891		-525,825
Income from investments		356		34,977
Other adjustments		176		–
Fiscal loss for the year		13,650		6,060

	2006 EUR 1,000	2005 EUR 1,000
Tax credit at standard rate: 29.6% (2005: 30.5%)	4,040	1,848
Adjustments to enacted rate: 25.5% (2006: 29.6%)	-559	-18
Allowance for deferred tax assets	–	-7,172
Taxation in the profit and loss account	3,481	-5,342

11 Related parties

The related parties of the Company can be grouped as the companies belonging to the ICI PLC group and the members of the Board of Managing Directors of the Company. Consequently the "income from investments" and the "interest receivable and similar income" processed on the profit and loss account reflect the significant transactions with these related parties.

12 Managing director's remuneration

Managing directors did not receive any remuneration.

13 Employees

There are no employees in the service of the Company.

Naarden, 14 March 2008

Executive Directors

P.J. Gillett H.H. Danklof R. Koning

Supplementary information

Articles of association re profit appropriation

Article 18

1. Distribution of profits pursuant to this article shall be made following the adoption of the financial statements, which show that such distribution is allowed.

2. The profits shall be at the free disposal of the general meeting.

3. The Company may only make distributions to shareholders and other persons entitled to distributable profits to the extent that its equity exceeds the total amount of its issued share capital and the reserves to be maintained pursuant to the law.

4. A loss may only be applied against reserves maintained pursuant to the law to the extent permitted by law.

5. When determining the division of the amount to be distributed among shareholders, shares, which are held by the Company, shall not be counted.

Article 19

1. Dividends shall be due and payable four weeks after they have been declared, unless the general meeting determines another date on the proposal of the managing board.

2. The general meeting may resolve that dividends shall be distributed in whole or in part in a form other than cash.

3. Without prejudice to article 18, paragraph 3, the general meeting may resolve to distribute all or any part of the reserves.

4. Without prejudice to article 18, paragraph 3, an interim dividend shall be distributed out of the profits made in the current financial year, if the general meeting so determines on the proposal of the managing board.

Proposed appropriation of result

The directors propose that the loss for the year is transferred to accumulated losses.

Auditor's report

To: the shareholders of ICI Investments (Netherlands) B.V.

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements for the year ended 31 December 2006 of ICI Investments (Netherlands) B.V. which comprise the balance sheet as at 31 December 2006, the profit and loss account for the year then ended and the notes.

Management's responsibility

Management of the company is responsible for the preparation and fair presentation of the financial statements and for the preparation of the Report of the Managing Directors, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of ICI Investments (Netherlands) B.V. as at 31 December 2006, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the Report of the Managing Directors is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 14 March 2008

KPMG ACCOUNTANTS N.V.

D. Luthra RA