

AKZO NOBEL (CPS) PENSION SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013
PENSION SCHEME REFERENCE NUMBER 10161703

AKZO NOBEL (CPS) PENSION SCHEME

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FOR THE YEAR ENDED 31 MARCH 2013

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AKZO NOBEL (CPS) PENSION SCHEME

TRUSTEE & ADVISERS

FOR THE YEAR ENDED 31 MARCH 2013

Principal Employer	Akzo Nobel UK Ltd 26th Floor, Portland House Bressenden Place London SW1E 5BG
Trustee	Akzo Nobel (CPS) Pension Trustee Ltd
Trustee Directors	Mr R Waterbury (Chairman) (pensioner member) * ^ Mr J Dixon (active member) + Mr R Deane (active member) ^ Ms T Osmond-Clarke (pensioner member) ^ Mr J Steen (pensioner member) (resigned 14 May 2013) * Mr K van Zuijlen (non-member) Mr P Brennan (active member) + Ms J Shannon (pensioner member) Mr J Penney (active member) * Mr J Bradley (pensioner member) (appointed 1 June 2013) * The Law Debenture Pension Trust Corporation plc * ^ + *Investment sub-committee member ^Valuation sub-committee member +Administration sub-committee member
Secretary to the Trustee	Mr M Trueblood 26th Floor, Portland House Bressenden Place London SW1E 5BG
Actuary	Mr J Trezise, F.I.A. (until 20 September 2013) Mr G Oxtoby F.I.A (from 20 September 2013) Towers Watson Limited Watson House London Road Reigate Surrey RH2 9PQ

AKZO NOBEL (CPS) PENSION SCHEME

TRUSTEE & ADVISERS

FOR THE YEAR ENDED 31 MARCH 2013

Administrators	Towers Watson Limited Westgate 120 - 130 Station Road Redhill, Surrey RH1 1WS
Independent auditors	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT
Legal advisers	Travers Smith LLP 10 Snow Hill London EC1A 2AL
Investment managers	BlackRock Investment Advisors (UK) Limited Capital International Henderson Global Investors Rogge Global Partners Plc Artemis Investment Management Ltd CB Richard Ellis Global Investors IronBridge Capital Legal & General Nephila Capital Limited (from May 2012)
Longevity insurer	Reassure (from 23 May 2012)
Investment consultants	Towers Watson Limited
Investment custodians	The Northern Trust Company
AVC providers	The Equitable Life Assurance Society The Standard Life Assurance Company The Prudential Assurance Company Limited MGM Assurance Friends Life Pensions Limited
Bankers	Barclays Bank Plc

AKZO NOBEL (CPS) PENSION SCHEME

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 MARCH 2013

Introduction

The Trustee Directors ("the Trustees") of the Akzo Nobel (CPS) Pension Scheme ("the Scheme") present their annual report together with the investment report, actuarial statement and audited financial statements for the year ended 31 March 2013.

Management of the Scheme

The Scheme is governed by the Trustees who are required to act in accordance with the Trust Deed and the Scheme Rules dated 5 April 1997 as amended by subsequent Deeds of Amendment, within the framework of pension and trust law.

Scheme financial statements and summary of contributions

The financial statements of the Scheme for the year ended 31 March 2013 are set out on pages 21 to 38 and the Trustees' summary of contributions and the auditors' statement about contributions are set out on pages 18 and 19 respectively.

Trustees

The Trustees are responsible for the administration and investment policy of the Scheme. The Trustees meet as necessary and during this scheme year met on six occasions. In addition, the investment sub-committee met on a further six occasions, the valuation working party on seven occasions and the administration sub-committee on four occasions.

The Scheme rules contain provisions for the appointment and removal of Trustees. The Trustee Board currently comprises the Chairman, three Trustees nominated by the contributing members of the Scheme, two Trustees nominated from the pensioner and deferred pensioner groups, three appointed by the Company and one independent Trustee (The Law Debenture Pension Trust Corporation p.l.c.). The names of the current Trustees are included at the front of this report.

Company appointed Trustees are selected by the Company, while member nominated Trustees are selected by a panel of existing Trustees and serve for a 5 year term. The Company has the power to appoint and remove the corporate trustee.

The member-nominated trustees are Tanja Osmond-Clarke, Russell Deane, Justin Penny, Paul Brennan, and Jon Bradley (replacing John Steen).

AKZO NOBEL (CPS) PENSION SCHEME

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 MARCH 2013

Statement of Trustees' responsibilities

The financial statements, which are to be prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP), are the responsibility of the Trustees. Pension scheme regulations require the Trustees to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of that year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year, and;
- contain the information specified in the Schedule to The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice 'Financial Reports of Pension Schemes'.

The Trustees have supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis. The Trustees are also responsible for making available certain other information about the Scheme in the form of an annual report.

The Trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

The Trustees also have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Pensions increases

Pensions (both in payment and deferred) on the greater part of members' benefits in excess of the Guaranteed Minimum Pension for the main CPS benefit section were increased in the last 3 years as follows:

6 April 2013	2.2%
6 April 2012	5.0%
6 April 2011	3.1%

Pension increases for the CPS benefit section are set by reference to changes in inflation over 12 month periods ending each September. The period ending September 2012 produced a change in inflation of 2.2%.

Pensions in the other benefit sections are largely increased by reference to the inflation figure over the 12 months to January, which for 2013 was 3.3%.

There were no discretionary pension increases.

AKZO NOBEL (CPS) PENSION SCHEME

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 MARCH 2013

Membership

Details of the membership of the Scheme are given below:

	Active members	Deferred members	Pensioners	Total
At 1 April 2012	753	11,694	20,195	32,642
Adjustments to prior year	(2)	18	32	48
New spouses and dependant's	-	-	301	301
Members leaving with preserved benefits	(42)	42	-	-
Members leaving transferred out	-	(601)	-	(601)
Members leaving trivial lump sums	-	(114)	-	(114)
Retirements	(40)	(480)	520	-
Deaths	(1)	(34)	(1,008)	(1,043)
Cessations and full commutations	-	(68)	(34)	(102)
At 31 March 2013	<u>668</u>	<u>10,457</u>	<u>20,006</u>	<u>31,131</u>

In addition to the above there are 158 (2012: 243) contingent deferred pensioners and 7,662 (2012: 8,225) deferred pensioners due only a lump sum payment from the Scheme on retirement.

The adjustment to the opening membership has arisen due to the late notification of member movements and data cleansing.

AKZO NOBEL (CPS) PENSION SCHEME

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 MARCH 2013

Review of financial development of the Scheme

The last full actuarial valuation of the Scheme was carried out as at 31 March 2012 and revealed a deficit of £220 million which equated to a funding level of 92% (taking into account the existence of the escrow account created for the benefit of the Scheme).

The funding level increased from 78% in 2009 to 92% in 2012 mainly due to the payment of deficit repair contributions since 2009 and good performance of the Scheme's assets relative to the growth of the liabilities. The improvement in the funding levels has also allowed the Trustees to reduce the risk level within the assets.

The Trustees and the Company have agreed a recovery plan such that:

- the Company will pay additional contributions of £42 million a year for six years, with the first payment paid in March 2013 and the last payment due by 31 March 2018;
- it has been agreed that the above amounts may be reduced in certain circumstances to reflect the impact on the deficit of Section 75 payments as set out in the recovery plan and schedule of contributions;
- transfers from the existing Escrow account into the Scheme of £25 million each year (or the maximum amount on which the Company can receive tax relief if higher) will continue to 31 March 2017, or until the account is emptied if earlier. Any balance in the Escrow account in March 2017 will then be paid into the Scheme (subject to the payment ceiling); and
- an allowance is included for additional interest returns on the assets above the technical provisions assumptions of 0.07% per annum.

During the Scheme year, the Company and Trustee have worked together on two significant projects intended to reduce the level of risk within the Scheme. An offer was made to a group of deferred members to transfer their benefits out of the Scheme on enhanced terms, thus reducing the risks within the Scheme, and the Scheme entered into a longevity insurance contract described on page 11.

The financial statements have been prepared and audited in compliance with the regulations made under sections 41(1) and 41(6) of the Pensions Act 1995.

The net assets of the Scheme increased by £111,309,000 over the year (2012:£192,333,000) to £2,466,074,000 at 31 March 2013 (2012: £2,354,765,000).

Akzo Nobel NV has given a binding commitment to support the Scheme should any of the participating companies be unable to fulfil their obligations, subject to certain limitations and conditions.

Employer related investments

Employer related investments are held through pooled investment vehicles (BlackRock Aquila Life World ex-UK Equity Fund and Legal & General RAFI AW 3000 Index Fund) and through a direct property tenancy. The value of these investments was less than 0.02% of the Scheme's Net Assets at the year end. There were no other employer related investments during the year or at the year end.

Changes to the Scheme

There were no significant changes to the Scheme Rules during the year.

AKZO NOBEL (CPS) PENSION SCHEME

TRUSTEES' REPORT

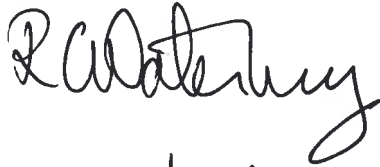
FOR THE YEAR ENDED 31 MARCH 2013

Further information

Requests for additional information about the Scheme generally should be sent to the Scheme Secretary, whose address appears on page 40 of this report. Queries relating to members' own benefits should be addressed to the Scheme's administrators, Towers Watson Ltd, Akzo Nobel (CPS) Pension Scheme, PO Box 545, Redhill, Surrey RH1 1YX (Tel: 01737 394 9305 Email: cps.pacontact@towerswatson.com).

Signed for and on behalf of the Akzo Nobel (CPS) Pension Scheme by:

Trustee Director



Date

10/10/13

Trustee Director



Date

10/10/13

AKZO NOBEL (CPS) PENSION SCHEME

INVESTMENT REPORT

FOR THE YEAR ENDED 31 MARCH 2013

This investment report forms part of the Trustees' Report.

Investment Objective

The Trustees objective is the acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from members and the employers, the cost of current and future benefits which the Scheme provides.

The Trustees have set out a long-term strategic asset allocation, having considered the results of past asset liability modelling studies, which is designed to achieve the above objective and this has been adopted as the Scheme benchmark. Having considered advice from the Investment Consultant, Towers Watson Limited, the Trustees have delegated the day to day management of the Scheme's assets to external investment managers.

The Trustees determine the broad investment policy to be adopted by the appointed managers and set a benchmark for each manager relevant to that policy. Following a review of the policy in 2009/10, in consultation with Akzo Nobel UK Ltd and Akzo Nobel NV, a Scheme asset de-risking policy was agreed which adjusts the asset allocation over time as triggers are reached. The current agreed asset allocation is shown in the table below. An updated Statement of Investment Principles was signed in June 2012 and the asset weightings were within the ranges set down in the Statement of Investment Principles then adopted.

Asset Class	Proportion	Value
	as at 31/03/2013	as at 31/03/2013
	%	£'000
Equities	30.9	762,900
Fixed interest and index-linked securities	53.1	1,306,056
Property	7.5	185,073
Reinsurance Securities Fund	3.7	91,866
Emerging markets currency fund	3.6	89,476
Cash deposits and other pending investments	1.2	29,315
	100.0	2,464,686

The above figures include both direct holdings and the units held in pooled investment vehicles for each asset class.

The Trustees have adopted a Scheme-specific benchmark based on the asset classes and ranges above. The Trustees employ the Northern Trust Company to provide an independent measure of the performance of the Scheme and of the individual managers. A summary of the Scheme's performance over the last five calendar years is given below. The table shows the total returns achieved by the Scheme compared with its benchmark.

	Akzo Nobel (CPS) Pension Scheme	Benchmark
	%	%
2012	+6.5	+6.5
2011	+9.4	+10.8
2010	+12.0	+12.2
2009	+12.2	+11.1
2008	-10.9	-10.4
3 year (annualised)	+9.3	+9.8
5 year (annualised)	+5.5	+5.7

AKZO NOBEL (CPS) PENSION SCHEME

INVESTMENT REPORT

FOR THE YEAR ENDED 31 MARCH 2013

Equities by Value of Investment

There were 109 directly held holdings of equities at the year end with a market value of £298m (2012: £253m). Holdings were spread over various market sectors and the 10 largest holdings were:

	Market value
	£'000
HSBC	10,137
Nestle SA	6,809
BT Group	6,376
Exxon Mobil	6,020
Occidental Petroleum Corp	5,644
BP	5,407
Walt Disney Co	5,271
Reed Elsevier	5,194
Roche Hldngs AG	5,180
Chubb Corp Com	4,890
	<hr/>
	60,928 <hr/>

Equities by Geographical Location

Investments in directly held equities are summarised by geographical location as follows:

	Market value
	£'000
United Kingdom	143,195
United States	94,186
Europe	39,305
Japan	13,820
Other	7,521
	<hr/>
	298,027 <hr/>

Further equity exposure was achieved via pooled investment vehicles as detailed below.

Fixed Interest and Index Linked Securities

The Scheme, at the year end, held fixed interest securities with a market value of £495.2m (2012: £513.2m) and index linked securities with a market value of £572.5m (2012: £552.0m). Further bond exposure was achieved via pooled investment vehicles as detailed on the following page.

AKZO NOBEL (CPS) PENSION SCHEME

INVESTMENT REPORT

FOR THE YEAR ENDED 31 MARCH 2013

Pooled Investment Vehicles

The pooled investment vehicles at the year end were:

Fund	Market value £'000
Aquila Life World Ex UK Equity Fund Series 1	191,123
Henderson Gbl Invs All Stocks Credit Fund	135,166
Legal & General Yx - FTSE Rafi AW 3000 Equity Index Fund	115,974
Rogge Funds Plc Emerging Market Currency GBP	89,476
Capital Intl Fund Emerging Markets Fund	76,624
Nephila Iron Catastrophe Class C	54,438
Aquila Life UK Equity Index Fund Ser 1	43,730
BlackRock AM (IE) UK Credit Selection Fund	42,860
BlackRock Index Selection Fund Screened Cord Bd GBP Hdgd Fund	40,408
Nephila Iron Catastrophe Fund Class C 01 Jul 2012	37,428
BlackRock AM (IE) Emerging markets Index Sub Fund Flex	18,661
XPAA - FTSE Rafi Equity Fund	18,426
Henderson Credit Opportunities Fund	8,026
Henderson Gbl Inv Henderson Secured Loans Fund	6,340
Henderson Gbl Invs Inv Credit Alpha Gross Acc Fund	5,570
Fourth Causeway Development Fund	178
Graphite Private Equity Partnership	157
	<hr/>
	884,585

Marketability of Investments

The Trustees consider that all of the assets of the Scheme, with the exception of the direct and indirect property holdings, are readily marketable. Indirect property holdings are subject to redemption notification periods as set out in the investment managers agreements and the realisation of direct property holdings is dependent on the level of activity in the relevant sector at the time that the properties are marketed for sale.

During the year, the Scheme entered into a longevity insurance contract under which fixed premiums are exchanged for the pension benefits paid in respect of a certain section of the pensioner membership. The contract is held as an investment of the Scheme and is not marketable. If the contract were surrendered, a payment might be due to or from the Scheme depending on the experience of the membership covered.

Basis of Remuneration

The fees charged by both the investment and property managers are calculated as a percentage of the assets under management. In addition, certain of the fee arrangements include a performance-related element.

AKZO NOBEL (CPS) PENSION SCHEME

INVESTMENT REPORT

FOR THE YEAR ENDED 31 MARCH 2013

Longevity Insurance Contract

The Scheme signed an insurance contract with Reassure Limited in May 2012. The contract protects the Scheme against the risk that 17,000 pensioners in the CPS benefit section live longer than assumed in the Scheme's funding basis. In return for monthly premiums fixed within the contract, the insurer will pay the Scheme the total pensions payable to the defined group and their dependents.

Custodial Arrangements

Northern Trust Limited acts as custodian for the majority of the Scheme's investments. The Trustees receive reports each month covering the assets held by the custodian and transactions in the month. These are monitored by the Trustees and, if appropriate, followed up with the custodian on a timely basis. The custodian is independent of the fund managers, and is an additional control on the recording of asset movements.

Assets held in AVC arrangements are held under the custodianship of the AVC providers as shown on page 2.

AVC Section

Individual accounts are also held with a range of providers for those members wishing to make additional voluntary contributions.

During the year members made additional voluntary contributions to Standard Life, Prudential Assurance and Friends Life to obtain additional benefits. Each member receives an annual statement at the year end confirming the amount held in their account and the movements in the year.

AKZO NOBEL (CPS) PENSION SCHEME

ACTUARIAL CERTIFICATION OF CALCULATION OF TECHNICAL PROVISIONS

Actuarial certification for the purposes of Regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: **Akzo Nobel (CPS) Pension Scheme**

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 31 March 2012 is made in accordance with the regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustees of the Scheme and set out in the Statement of Funding Principles dated 15 March 2013.

Jeremy Trezise
Fellow of the Institute and Faculty of Actuaries
18 March 2013

Towers Watson Limited
Watson House
London Road
Reigate
Surrey RH2 9PQ

AKZO NOBEL (CPS) PENSION SCHEME

SCHEDULE OF CONTRIBUTIONS

Akzo Nobel (CPS) Pension Scheme (the "Scheme")
Schedule of Contributions relating to the 31 March 2012 actuarial valuation

Period covered by this Schedule: The period from the date of certification of this schedule by the Actuary (the "Start Date") to 31 March 2018.

The contributions payable are set out below:

Defined Benefit Section

- By Members:
- 1 Salary sacrifice members-nil
 - 2 Members who are not salary sacrifice members:

Section	Rate
Chemicals	nil
Coatings	5% of Pensionable Pay
CPS	5% of Fund Earnings if the member has completed less than 40 years of Scheme Service, nil otherwise
EKA	nil
Nobel Industries	4% of Pensionable Pay
New	5% of Pensionable Pay
Surface Chemistry	nil
 - 3 Contributions are payable monthly and are due to be paid to the Scheme by the 19th day of the month following that to which they relate.
- By Employers:
- Subject to review at future actuarial valuations, contributions as follows:
- 1 With effect from 1 April 2013, regular contributions required to meet the ongoing accrual of benefits equal to 32.8% of members' Fund Earnings for CPS members and 32.8% of members' Pensionable Pay for other members. Before 1 April 2013, the contributions rate is 34% of members' Fund earnings or Pensionable Pay as appropriate.
 - 2 In respect of salary sacrifice members, an amount equal to the contributions that would be payable by the members if they were not salary sacrifice members.
 - 3 The contributions in (1) and (2) above are payable monthly and due to be paid to the Scheme by the 19th day of the month following that to which the contributions relate.
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SCHEDULE OF CONTRIBUTIONS

- 4 Deficiency Contributions from the Escrow account set up following the 2006 actuarial valuation, as set in the Deed of Undertaking in the form dated 3 September 2007 between Akzo Nobel UK Limited, Akzo Nobel Coatings (BLD) Limited, the Trustees and Northern Trust (the "Deed"), as follows:
- An amount in each Year equal to the greater of:
 - The most that can be paid by the Employers in a manner that enables the Employers paying the contributions to obtain tax relief for them (the Annual Deductible Amount in respect of that year, as defined in the Deed, and
 - £25 million,
- these amounts to be paid by 31 January in each year.
- These payments will be made in each Year until and including Year 10 or until such time as, following the operation of the Deed in accordance with its terms, there are no funds left in the Escrow account (including any replacement escrow arrangement), whichever is the earlier.
 - In addition, on the Closure Date (as defined in the Deed), an amount equal to the remaining funds in the Escrow account, if any, will be paid to the Scheme (subject to the Payment Ceiling as defined in, and established in accordance with, the Deed).
 - In this paragraph (4), a "Year" is a year starting on 6 September 2007 or with an anniversary of 6 September and Year 1 means the year starting 6 September 2007, Year 2 is the year starting 6 September 2008, and so on, with Year 10 ending on 31 March 2017.

The parties intend that cross-references to the Deed will continue to operate notwithstanding any termination, invalidity or other ineffectiveness of the Deed as between the parties to the Deed.

- 5 Six annual deficiency contributions of £42 million, payable by 31 March each year, with the first contribution payable by 31 March 2013 and the last contribution payable by 31 March 2018.

The amounts in this paragraph (5) may be paid in instalments provided that the total amount paid, together with interest credited at 5.1% p.a., equals the amount due and has been paid by the dates above.

AKZO NOBEL (CPS) PENSION SCHEME

SCHEDULE OF CONTRIBUTIONS

- 6 With effect from 1 April 2013, the Company undertakes to meet directly, without recharge to the Scheme, all operating expenses (including Pension Protection Fund (PPF) levies and any other levies) (except for investment management costs which will continue to be met out of the Scheme's assets) which the Trustee requires it to meet. In the event of any failure to meet any expenses which have become due and owing by the Scheme, the amount of the invoice in question if the invoice remains unpaid 30 days after a final demand by the Trustee that the invoice be paid. Before 1 April these operating expenses will be met out of the assets of the Scheme and an allowance is included in the regular contribution rate.

- 7 If a debt is paid to the Scheme arising under section 75 of the Pensions Act 1995 following an "employment cessation event" or "relevant event" (as those terms are defined in section 75 and in associated regulations) in relation to any employer other than the Principal Employer, the amount of the section 75 debt paid into the Scheme shall be treated as a prepayment of the deficit contributions in (5) above which are due after the date the payment is made, to the extent that it exceeds the amount which would have been payable had an apportionment of the debt been agreed under clause 19 of the Scheme Trust Deed (as amended), unless the Trustee confirms that the reason that a scheme apportionment arrangement did not take effect under clause 19 was that the "funding test" required by the Occupational Pension Schemes (Employer Debt) Regulations 2005 (as amended) was not met.

- 8 The deduction referred to in (7) above can only be made provided that the investment condition contained in paragraph 7 of the guarantee provided by Akzo Nobel NV dated 7 July 2010 has not been released in accordance with paragraph 14.

AKZO NOBEL (CPS) PENSION SCHEME

SCHEDULE OF CONTRIBUTIONS

Note:

This Schedule of Contributions does not relate to the payment of additional voluntary contributions (AVCs) as detailed in Rule 8 and Rule B2(B), additional contributions in respect of augmentations under Rule 12, or special contributions paid by the Employers for any other reason.

Agreed on behalf of the Principal Employer

Signature: D Turner

Print Name: D Turner

Position: Director

Date: 15 March 2013

Signature: M Smalley

Print Name: M Smalley

Position: Director

Date: 15 March 2013

Agreed on behalf of Akzo (CPS) Trustee Limited

Signature: R. C. Waterbury

Print Name: R. C. Waterbury

Date: 15 March 2013

AKZO NOBEL (CPS) PENSION SCHEME

ACTUARIAL CERTIFICATE OF SCHEDULE OF CONTRIBUTIONS

Actuary's certification of the Schedule of Contributions

Name of Scheme: Akzo Nobel (CPS) Pension scheme

Adequacy of rates of contributions

- 1 I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected on 31 March 2012 to be met by the end of the period specified in the recovery plan dated 15 March 2013.

Adherence to statement of funding principles

- 2 I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 15 March 2013.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of the adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Jeremy Trezise
Fellow of the Institute of Actuaries
Towers Watson Limited

Date: 18 March 2013

Watson House
London Road
Reigate
Surrey
RH2 9PQ

AKZO NOBEL (CPS) PENSION SCHEME

TRUSTEES' SUMMARY OF CONTRIBUTIONS

FOR THE YEAR ENDED 31 MARCH 2013

Statement of Trustees' responsibilities in respect of contributions

The Trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustees are also responsible for keeping records of contributions received in respect of any active member of the Scheme and for procuring that contributions are made to the Scheme in accordance with the schedule.

Trustees' summary of contributions

This summary of contributions has been prepared by, or on behalf of, and is the responsibility of the Trustees. It sets out the employer and member contributions payable to the Scheme under the schedules of contributions certified by the Actuary on 14 July 2010 and 18 March 2013 in respect of the Scheme year ended 31 March 2013. The Scheme auditors report on contributions payable under the schedules in their auditors' statement about contributions.

Contributions payable under the schedules in respect of the Scheme year

	2013 £000
Employer	
Normal	10,849
Deficit funding	67,000
Member	
Normal	158
Contributions payable under the schedules	<u>78,007</u>

Reconciliation of contributions

	2013 £000
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Reconciliation of contributions payable under the schedules to the total contributions payable to the Scheme in respect of the Scheme year:

Contributions payable under the schedules (as above in the Trustees' summary)	78,007
Employer additional contributions	6,209
Employer augmentation	1,479
Members additional voluntary contributions	313
Total contributions reported in the financial statements	<u><u>86,008</u></u>

Signed for and on behalf of the Akzo Nobel (CPS) Pension Scheme by:

Trustee Director 

Trustee Director 

Date 10/10/13

Date 10/10/13

**INDEPENDENT AUDITORS' STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF
AKZO NOBEL (CPS) PENSION SCHEME
FOR THE YEAR ENDED 31 MARCH 2013**

We have examined the summary of contributions to the Akzo Nobel (CPS) Pension Scheme for the Scheme year ended 31 March 2013 which is set out on the preceding page.

Respective responsibilities of Trustee and Auditor

As explained more fully in the statement of Trustee's responsibilities in respect of contributions, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions and for monitoring whether contributions are made to the Scheme by the employer in accordance with relevant requirements.

It is our responsibility to provide a statement about contributions and to report our opinion to you.

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with Section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of work on the statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have been paid in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme under the schedules of contributions and the timing of those payments.

Statement about contributions

In our opinion, the contributions required by the schedules of contributions for the Scheme year ended 31 March 2013 as reported in the summary of contributions have in all material respects been paid in accordance with the schedules of contributions certified by the Actuary on 14 July 2010 and 18 March 2013.



**PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London**

Date *11 October 2013*

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE OF

AKZO NOBEL (CPS) PENSION SCHEME

FOR THE YEAR ENDED 31 MARCH 2013

Independent Auditors' report to the Trustee of the Akzo Nobel (CPS) Pension Scheme

We have audited the financial statements of the Akzo Nobel (CPS) Pension Scheme for the year ended 31 March 2013 which comprise the fund account, the net assets statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Trustee and auditors

As explained more fully in the statement of Trustee's responsibilities, the Trustee is responsible for the preparation of the financial statements and being satisfied that they show 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.

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with Section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2013, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date 11 October 2013

AKZO NOBEL (CPS) PENSION SCHEME**FUND ACCOUNT****FOR THE YEAR ENDED 31 MARCH 2013**

	Notes	2013 £'000	2012 £'000
Contributions and benefits			
Contributions	3	86,008	112,618
Transfers in	4	-	30
Other income	5	1	-
		<u>86,009</u>	<u>112,648</u>
Benefits	6	119,061	112,512
Payments to and on account of leavers	7	34,227	11,818
Administrative expenses	8	5,080	4,866
		<u>158,368</u>	<u>129,196</u>
Net withdrawals from dealings with members		<u>(72,359)</u>	<u>(16,548)</u>
Returns on investments			
Investment income	9	47,223	47,347
Change in market value of investments	10	137,803	163,690
Investment management expenses	11	(1,358)	(2,156)
Net returns on investments		<u>183,668</u>	<u>208,881</u>
Net increase in the fund for the year		<u>111,309</u>	<u>192,333</u>
Net assets of the Scheme at 1 April 2012		<u>2,354,765</u>	<u>2,162,432</u>
Net assets of the Scheme at 31 March 2013		<u>2,466,074</u>	<u>2,354,765</u>

The notes on pages 23 to 38 form part of these financial statements.

AKZO NOBEL (CPS) PENSION SCHEME

NET ASSETS STATEMENT

AT 31 MARCH 2013

	Notes	2013 £'000	2012 £'000
Investment assets	10	2,535,441	2,360,542
Investment liabilities	10	(73,587)	(7,428)
Total investments		<u>2,461,854</u>	<u>2,353,114</u>
Current assets	12	8,441	5,719
Current liabilities	13	(4,221)	(4,068)
Net assets of the Scheme at 31 March 2013		<u><u>2,466,074</u></u>	<u><u>2,354,765</u></u>

The notes on pages 23 to 38 form part of these financial statements.

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the actuarial information included on pages 12 to 17 of the annual report and these financial statements should be read in conjunction with this information together with the review of financial development of the Scheme on page 6.

Signed for and on behalf of the Akzo Nobel (CPS) Pension Scheme by:

Trustee Director



Date

10/10/13

Trustee Director



Date

10/10/13

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

1. Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and with the guidelines set out in the Statement of Recommended Practice Financial Reports of Pension Schemes.

2. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the current year and preceding is set out below.

Contributions

Member contributions (normal and additional voluntary) and the associated employer contributions are accounted for in the period in which they are deducted from members' pay.

Employers' deficit funding contributions and augmentations are accounted for in accordance with the agreement under which they are being paid or in the absence of an agreement, on a receipt basis.

Benefits

Pensions payable in respect of the Scheme are accounted for by reference to the period to which they relate. Refunds and lump sums are accounted for when the member has exercised their choice in relation to these benefits, or, where members have no choice in relation to these benefits, by reference to the date of retirement or leaving the Scheme.

Transfers to and from other schemes

Individual transfers into the Scheme and group transfers received are accounted for on an accruals basis.

Transfers out of the Scheme calculated on a group basis are accounted for when completed authorities to pay have been received.

Individual transfers out are accounted for when paid or received which is normally when member liability is accepted/discharged.

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

2. Accounting policies (continued)

Investments

Investments are included at market value.

Listed investments are stated at the bid price or the last traded price, depending on the convention of the stock exchange on which they are quoted, at the date of the net assets statement.

Fixed interest securities are stated at their clean prices. Accrued income is accounted for within investment income.

Unquoted securities are included at fair value estimated by the Trustees based on advice from the investment manager.

Pooled investment vehicles are stated at bid price for funds with bid / offer spreads, or single price where there are no bid / offer spreads as provided by the investment manager.

Annuities purchased by the Trustees (and in the name of the Trustees) which fully provide the benefits for certain members are included in these financial statements at nil value. The cost of purchasing these annuities is reported within the Fund Account under 'Benefits Payable'. Other annuity policies securing part of members' benefits are valued on an actuarial basis.

Freehold and leasehold property is stated at open market value at the year end, as estimated by the Trustee on the basis of professional advice from Cluttons LLP, Chartered Surveyors who value the portfolio at each 31 December. The Trustee updates the December valuation by applying the movement in the IPD index for the last three months of the year. No update was made in the current year as the movement was not material to the financial statements. No depreciation is provided on freehold or long leasehold properties.

Derivatives are stated at fair value.

Exchange traded derivatives are stated at fair value determined using market quoted prices.

For exchange traded derivative contracts which are assets, fair value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, fair value is based on quoted offer prices.

Over the counter (OTC) derivatives are stated at fair value using pricing models and relevant market data as at the year end date.

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.

AVC investments are included in the Net Assets Statement at either the market or surrender value of the underlying investments as notified by each AVC provider.

The longevity insurance contract has been valued by taking the difference between the present values of the premiums payable under the contract and the estimated claims value.

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

2. Accounting policies (continued)

Investment income

Distributions from quoted shares, fixed interest and index linked securities are accounted for when the security is declared ex-dividend.

All investment income is stated inclusive of any related taxation recoverable.

Investment income arising from the underlying investments of the pooled investment vehicles which generate income is accounted for on an accruals basis. All other income from pooled investment vehicles is reflected in the unit price.

Interest income is accounted for on an accruals basis.

Rental income is accounted for as earned, in accordance with the relevant lease.

Investment Management Expenses

Investment management expenses are accounted for on an accruals basis.

Administrative expenses

Administrative expenses have been accounted for on an accruals basis.

Foreign currency conversion

All assets and liabilities stated in foreign currencies are converted into sterling rates at rates of exchange ruling at the Scheme year end date. Transactions in foreign currency are converted into sterling at the rate applicable on the date of the transaction.

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

3. Contributions

	2013	<i>2012</i>
	£'000	<i>£'000</i>
Employers		
Normal	10,849	<i>11,723</i>
Deficit funding	67,000	<i>100,000</i>
Additional	6,209	<i>-</i>
Augmentations	1,479	<i>231</i>
Members		
Normal	158	<i>172</i>
Additional voluntary contributions	313	<i>492</i>
	<u>86,008</u>	<u><i>112,618</i></u>

Deficit funding and augmentations have been made by the employer to assist the funding of the Scheme and to augment pensions respectively. Under the Recovery Plan currently in force, deficit funding contributions will continue until 2018, as set out on pages 13 to 16.

Members contribute 5% of pensionable salary for most benefit sections. Some members have also made additional voluntary contributions to secure additional benefits. A salary sacrifice arrangement is in place meaning that participating members no longer pay member contributions to the Scheme and the employers pays additional contributions on their behalf.

The employer additional contributions in the year relates to the contributions received from the Company in respect of the enhanced transfer exercise.

4. Transfers in

	2013	<i>2012</i>
	£'000	<i>£'000</i>
Individual transfers in from other schemes	<u>-</u>	<u><i>30</i></u>

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

5. Other income

	2013 £'000	2012 £'000
Compensation payments	<u>1</u>	<u>-</u>

6. Benefits

	2013 £'000	2012 £'000
Pensions	101,689	97,811
Commutations and retirement lump sums	16,623	13,794
Purchase of annuities	-	10
Lump sum death benefits	749	897
	<u>119,061</u>	<u>112,512</u>

7. Payments to and on account of leavers

	2013 £'000	2012 £'000
Refunds to members leaving service	3	8
Payments for members reinstated in State Scheme	1	(1)
Group transfers to other schemes	-	8,018
Individual transfers to other schemes	34,223	3,793
	<u>34,227</u>	<u>11,818</u>

In the prior year the group transfer out of £8,018,000 related to members of the now closed Money Purchase section who elected to transfer to the Akzo Nobel Benefit Builder Plan or to the Trustee selected policy with Friends Life Pensions Limited.

In the prior year a refund of £1,123 was received from HMRC relating to state premiums previously overpaid.

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

8. Administrative expenses

	2013	<i>2012</i>
	£'000	<i>£'000</i>
Administration fees	1,851	1,752
Audit fees	63	81
Actuarial and investment consulting fees	1,528	1,298
Legal fees	425	561
Pensions protection fund and other levies	1,203	1,161
Other fees	10	13
	<u>5,080</u>	<u>4,866</u>

9. Investment income

	2013	<i>2012</i>
	£'000	<i>£'000</i>
Income from fixed interest securities	20,408	24,724
Dividends from equities	7,194	6,422
Income from index-linked securities	5,555	5,624
Income from pooled investment vehicles	2,544	68
Rents from properties	10,641	9,228
Interest on cash deposits	196	394
Income from annuities	445	452
Other investment income	240	281
Class action income received	-	154
	<u>47,223</u>	<u>47,347</u>

The rents from properties income above has been reduced by an amount of £2,530,000 (2012: £2,673,000) relating to property expenses deducted.

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

10. Investments

	Value as at 01/04/12	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Value as at 31/03/13
	£'000	£'000	£'000	£'000	£'000
Fixed interest securities	552,011	109,616	(194,646)	28,238	495,219
Equities	253,286	126,072	(121,432)	40,101	298,027
Index-linked securities	513,162	10,613	(3,287)	51,979	572,467
Pooled investment vehicles	629,671	241,990	(73,941)	86,865	884,585
Derivatives	(49)	14,947	(17,538)	(63,678)	(66,318)
Property	168,866	25,551	(2,950)	(6,394)	185,073
Insurance policy	1,658	-	-	(9)	1,649
AVC investments	11,590	353	(2,493)	744	10,194
	<u>2,130,195</u>	<u>529,142</u>	<u>(416,287)</u>	<u>137,846</u>	<u>2,380,896</u>
Cash and cash equivalents	208,369			514	71,524
Other investment assets and liabilities	14,606			(556)	3,712
Amount due from brokers	(56)			(1)	5,722
Total investments	<u>2,353,114</u>			<u>137,803</u>	<u>2,461,854</u>

Included in cash and cash equivalents for the prior year is a figure of £88,642,000 relating to the sale of the K2 Advisers Hedge Fund which was received in April 2012. The remainder of the sale proceeds amounting to £9,849,000 which was received by the Scheme during 2012/13 is shown within other investment assets and liabilities for the prior year.

The change in market value of investments during the year comprises increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Included within the purchases and sales figures are transaction costs of £130,252 (2012: £732,513). Costs are also borne by the Scheme in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable.

All companies operating the pooled investment vehicles were registered in the United Kingdom, with the exception of the Capital International Emerging Markets Fund (Luxembourg), the Hendersons Liquid Assets (Ireland), the Henderson Credit Opportunities Fund (Cayman Islands) and Nephila Iron Catastrophe Class C Fund (Bermuda).

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

10. Investments (continued)

Concentration of investments

No investments amounted to more than 5% of the total net assets of the Scheme with the exception of certain pooled investment vehicles, namely the BlackRock Aquila Life World ex UK Equity Fund (7.5%) (2012: 7.8%) and the Henderson Global Invs All Stocks Fund (5.3%) (2012: 5.4%).

Employer related investments

Employer related investments are held through pooled investment vehicles (BlackRock Aquila Life World ex-UK Equity Fund and Legal & General RAFI AW 3000 Index Fund) and through a direct property tenancy. The value of these investments was less than 0.02% of the Scheme's Net Assets at the year end. There were no other employer related investments during the year or at the year end.

Fixed interest securities

	2013 £'000	2012 £'000
UK public sector quoted	347,361	388,789
UK quoted	56,439	61,920
Overseas public sector quoted	8,373	14,103
Overseas quoted	83,046	87,199
	<u>495,219</u>	<u>552,011</u>

Equities

	2013 £'000	2012 £'000
UK quoted equities	143,195	123,407
Overseas quoted equities	154,832	129,879
	<u>298,027</u>	<u>253,286</u>

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

10. Investments (continued)

Index-linked securities

	2013	<i>2012</i>
	£'000	<i>£'000</i>
UK public sector quoted index-linked securities	<u><u>572,467</u></u>	<u><u>513,162</u></u>

Pooled investment vehicles

	2013	<i>2012</i>
	£'000	<i>£'000</i>
Managed funds - other	<u><u>884,585</u></u>	<u><u>629,671</u></u>

Property

	2013	<i>2012</i>
	£'000	<i>£'000</i>
UK property - direct	173,370	156,285
UK property - unit trusts	<u>11,703</u>	<u>12,581</u>
	<u><u>185,073</u></u>	<u><u>168,866</u></u>

Cash deposits

	2013	<i>2012</i>
	£'000	<i>£'000</i>
Sterling	71,524	119,727
Cash in transit	-	88,642
	<u><u>71,524</u></u>	<u><u>208,369</u></u>

Cash in transit for the prior year relates to amounts due on the sale of investments with K2 Advisors which were received by the Trustees in April 2012.

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

10. Investments (continued)

Other investments

	2013	<i>2012</i>
	£'000	<i>£'000</i>
Other investment assets		
Insurance policies	1,649	<i>1,658</i>
Amount due from brokers	8,235	<i>-</i>
Accrued income	9,057	<i>10,047</i>
Amounts due from manager	-	<i>9,849</i>
	18,941	<i>21,554</i>

Amounts due from manager in the prior year relates to the sale of investments with K2 Advisers, which was received during 2012/13.

Other investment liabilities

Deferred rental income	(2,832)	<i>(2,457)</i>
Amount due to brokers	-	<i>(56)</i>
Other investments	(2,513)	<i>(2,833)</i>
	(5,345)	<i>(5,346)</i>

Total other investments

13,596	<i>16,208</i>
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AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

10. Investments (continued)

Derivatives

	2013	<i>2012</i>
	£'000	<i>£'000</i>
Derivative assets		
Futures	546	<i>138</i>
Swaps	661	<i>558</i>
Options	23	<i>-</i>
FX	694	<i>1,337</i>
	<u>1,924</u>	<u>2,033</u>
Derivative liabilities		
Futures	(444)	<i>(1,107)</i>
Swaps	(578)	<i>(773)</i>
Options	(14)	<i>-</i>
FX	(3,506)	<i>(202)</i>
Longevity hedging insurance contract	(63,700)	<i>-</i>
	<u>(68,242)</u>	<u>(2,082)</u>
Total net derivatives	<u><u>(66,318)</u></u>	<u><u>(49)</u></u>

The Trustees have authorised the use of derivatives by their investment managers as part of their investment strategy for the Scheme.

The main objectives for the use of key classes of derivatives and the policies followed during the year are summarised as follows:

Futures - the Scheme holds fixed income futures to increase exposure in this particular asset class without disturbing the underlying assets.

Swaps - certain investment managers use swaps to take interest rates duration positions in a more efficient manner than by trading physical bond assets.

Options - the Trustees want to benefit from the potentially greater returns available from investing in fixed interest but wish to minimise the risk of loss of value through adverse price movements.

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

10. Investments (continued)

Forward foreign exchange - certain investment managers use forward contracts for trading purposes with an aim of seeking additional returns. The Scheme also holds forward currency contracts to partially hedge the Scheme's currency exposure of overseas investments.

Longevity hedging insurance contract - the Trustees have entered into a longevity hedging insurance contract designed to protect the Scheme and Company against the risk of members living significantly longer than expected.

Futures

The Scheme had exchange traded positions in UK and overseas stock index futures outstanding at the year end. The Scheme had entered into 13 overseas, 1 UK contract and 2 margined options overseas fixed interest contracts as follows:

<i>Nature</i>	<i>Economic exposure</i>	<i>Duration</i>	<i>Assets at year end £'000</i>	<i>Liabilities at year end £'000</i>
Fixed income futures	(£16,970,333)	3 months	538	(425)
Margined options overseas FI	£4,892	3 months	8	(19)
			<u>546</u>	<u>(444)</u>

The economic exposure represents the notional value of stock purchased under the futures contract and therefore the value is subject to market movements.

Included within cash balances is £1,311,000 (2012: £1,210,000) in respect of initial and variation margins arising on open futures contracts at the year end.

Swaps

The Scheme had derivative swap contracts outstanding at the year end relating to its fixed interest investment portfolio. These contracts are traded over the counter. The details are:

<i>Nature</i>	<i>Nominal principal</i>	<i>Duration</i>	<i>Assets at year end £'000</i>	<i>Liabilities at year end £'000</i>
Credit default swaps	(£20,887,925)	2018	42	(420)
Interest rate swaps				
Receiving floating/paying fixed	(£51,479,151)	Between 2017 and 2044	8	(134)
Receiving fixed/paying floating	£80,508,454	Between 2015 and 2043	611	(24)
			<u>661</u>	<u>(578)</u>

At the year end there were 8 credit default swaps and 21 interest rate swap contracts of which 6 were in the UK and 15 were Overseas.

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

10. Investments (continued)

Options

The scheme has outstanding options contracts at the year end as follows:

<i>Type</i>	<i>Expiration</i>	<i>Underlying investments</i>	<i>Notional amount</i>	<i>Assets at year end £'000</i>	<i>Liabilities at year end £'000</i>
Put option	3 months	Overseas fixed interest	£100,000	23	(14)

The notional amount of outstanding contracts represents the value of underlying stock protected by the purchased options.

Forward Foreign Exchange (FX)

The scheme had open FX contracts at the year end as follows:

<i>Currency Exchange Contracts</i>	<i>Settlement date</i>	<i>Currency bought</i>	<i>Currency sold</i>	<i>Assets at year end £'000</i>	<i>Liability at year end £'000</i>
Australian dollar	1-3 months	£5,901,278	£459,537	247	-
British pound sterling	1-3 months	£112,418,032	£1,920,000	-	-
Euro	1-3 months	£9,077,700	£11,377,981	-	(51)
Japanese yen	1-3 months	-	£12,435,591	-	(296)
Norwegian krone	1-3 months	£5,329,314	-	-	(154)
United States dollar	1-3 months	£21,403,067	£134,794,639	-	(2,963)
Other	1-3 months	£12,903,218	£8,973,813	447	(42)
				694	(3,506)

At the year end there were 67 open forward foreign exchange contracts.

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

10. Investments (continued)

Longevity hedging insurance contract

The Scheme's longevity swap investment at the year end was as follows:

	<i>Assets at year end £'000</i>	<i>Liability at year end £'000</i>
Longevity hedging insurance contract	-	(63,700)
	<hr/>	<hr/>
	-	(63,700)
	<hr/> <hr/>	<hr/> <hr/>

The longevity hedging insurance contract is with ReAssure, a subsidiary of Swiss Re and was signed in May 2012. Under this agreement, the Scheme agrees to make a series of cash flows to be paid over an agreed term, (sixty years from 1 August 2011) in exchange for ReAssure paying the actual pension benefits paid to the members. Under the agreement, collateral amounts are calculated on 31 December 2012 and quarterly thereafter. As there is a minimum collateral posting of £10m and an agreed corridor, no collateral has been pledged as at the year-end.

AVC investments

The Trustees hold assets invested separately from the main fund in the form of individual building society accounts and insurance policies, which secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement confirming the amounts held on their behalf and the movements in the asset values. The aggregate amounts of AVC investments are shown below: -

	2013	<i>2012</i>
	£'000	<i>£'000</i>
The Standard Life Assurance Company	617	761
Friends Life	6,072	6,761
The Equitable Life Assurance Company:		
Unit Linked	1	1
With Profits	1,087	1,268
The Prudential Assurance Company	2,390	2,754
Phoenix Life Limited	26	24
MGM Limited	1	21
	<hr/>	<hr/>
	10,194	<i>11,590</i>
	<hr/> <hr/>	<hr/> <hr/>

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

11. Investment management expenses

	2013	2012
	£'000	£'000
Management fees	1,358	2,065
Custody fees	-	91
	<u>1,358</u>	<u>2,156</u>

12. Current assets

	2013	2012
	£'000	£'000
Other debtors and prepayments	1	64
Pensions prepayments	1,530	1,494
Cash balances	6,910	4,161
	<u>8,441</u>	<u>5,719</u>

13. Current liabilities

	2013	2012
	£'000	£'000
Unpaid benefits	879	600
Accrued expenses	2,322	2,242
PAYE payable	985	939
Other creditors	35	287
	<u>4,221</u>	<u>4,068</u>

14. Related party transactions

Included within administration fees, as shown in note 8 to the financial statements, are Trustees fees totalling £345,614 (2012: £51,208).

During the year, three Trustee Directors received a pension from the Scheme and four Trustee Directors were active members of the Scheme.

As set out on page 14 and referred to in note 3, deficit funding contributions are being paid out of an escrow account set up following the 2006 valuation.

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

15. Contingent liabilities and contractual commitments

Other than benefits payable and the obligation to pay continuing premiums under the longevity insurance contract after the year end, the Scheme had no contingent liabilities or contractual commitments at 31 March 2013 (2012: nil).

AKZO NOBEL (CPS) PENSION SCHEME

COMPLIANCE STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013

The purpose of this compliance statement is to disclose some additional information required by law.

Scheme registration

The Scheme has been registered with the Pensions Board, scheme registration number 10161703.

Tax and contracting-out status of the Scheme

The Scheme is a registered pension scheme for tax purposes under the terms of the Finance Act 2004. To the Trustee's knowledge there is no reason why such approval should be prejudiced or withdrawn. The Scheme is contracted out of the State Second Pension under a certificate issued by the Contributions Agency.

Transfer Payments

Transfer payments paid during the year have been calculated and verified in the manner prescribed by legislation. Transfer payments do not include any allowance for discretionary benefits.

Scheme Investments

The Investment Managers appointed on behalf of the Trustee to manage funds under section 34(4) of the Pensions Act 1995 are appropriately authorised under the Financial Services and Markets Act 2000 to manage investments or are specifically exempted from the requirements of the Act. The investment managers appointed have the appropriate knowledge and experience necessary to manage the particular investments delegated.

A statement of investment principles has been produced as required by Section 35 of the Pensions Act 1995, and is available on request.

Data Protection

The administrators and investment managers have registered under the Data Protection Act to hold on computer information necessary for the management of the Pension Scheme.

Scheme advisers

There are written agreements in place between the Trustee and each of the Scheme advisers listed on pages 1-2 of these financial statements and also with the Principal Employer.

On 20 September 2013 Jeremy Trezise from Towers Watson Limited resigned as Scheme actuary. The Trustee filled the vacancy on the same day by appointing Gareth Oxtoby from Towers Watson Limited as Scheme actuary.

As required by Regulations made under the Pensions Act 1995, Jeremy Trezise confirmed in his notice of resignation that he knew of no circumstances connected with the resignation that significantly affected the interests of the members, prospective members, or beneficiaries of the Scheme.

AKZO NOBEL (CPS) PENSION SCHEME

MEMBERS' INFORMATION

FOR THE YEAR ENDED 31 MARCH 2013

The Pension Tracing Service, TPAS, the Pensions Ombudsman and the Pensions Regulator

In accordance with the Occupational Pension Schemes (Disclosure of Information) Regulations 1996, as amended, members are advised that:

- information regarding the Scheme has been given to the Pension Tracing Service
- The Pensions Advisory Service (TPAS) of 11 Belgrave Road, London, SW1V 1RB is able to assist members and beneficiaries with difficulties which they cannot resolve with the Trustee or the Scheme administrator (e mail: enquiries@pensionsadvisoryservice.org.uk).
- the Pensions Ombudsman of 11 Belgrave Road, London, SW1V 1RB may investigate and determine any complaint or dispute of fact or law which they have failed to resolve with the Trustee or the Scheme administrator, in relation to an occupational pension scheme (email: enquiries@pensions-ombudsman.org.uk).

In addition to the above, The Pensions Regulator regulates company pension schemes and enforces the law as it relates to them. It has wide ranging powers which include the power to:

- suspend, disqualify and remove a trustee, or director of a trustee company, for consistently not carrying out their duties;
- wind up schemes where necessary;
- apply for injunctions to prevent the misuse and misappropriation of Scheme assets and apply for restitution where necessary.

Internal disputes resolution procedure

A disputes resolution procedure has been agreed by the Trustee to resolve any queries raised by beneficiaries or potential beneficiaries of the Scheme and details of this can be obtained by writing to the contact below.

Contact for further information

Any queries or complaints about the Scheme, including requests from individuals for information about their benefits or for a copy of Scheme documentation, should be sent to:

Mr M Trueblood
26th Floor
Portland House
Bressenden Place
London
SW1E 5BG
(e mail: matthew.trueblood@akzonobel.com)