

AKZO NOBEL (CPS) PENSION SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012
PENSION SCHEME REFERENCE NUMBER 10161703

AKZO NOBEL (CPS) PENSION SCHEME

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AKZO NOBEL (CPS) PENSION SCHEME

TRUSTEES & ADVISERS

FOR THE YEAR ENDED 31 MARCH 2012

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) Mr J Dixon Mrs A Schreiber (resigned May 2011) Mr R Deane Ms T Osmond-Clarke Mr J Steen Mr K van Zuijlen Mr P Brennan Ms J Shannon Mr J Penney The Law Debenture Pension Trust Corporation plc
Secretary to the Trustee	Mr M Trueblood 26th Floor, Portland House Bressenden Place London SW1E 5BG
Investment Sub-Committee	Mr R Waterbury (Chairman) Mr J Steen Mr J Penney The Law Debenture Pension Trust Corporation plc
Actuary	Mr J Trezise, F.I.A. Towers Watson Limited Watson House London Road Reigate Surrey RH2 9PQ
Administrators	Towers Watson Limited Westgate 120 - 130 Station Road Redhill, Surrey RH1 1WS
Independent auditors	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT

AKZO NOBEL (CPS) PENSION SCHEME

TRUSTEES & ADVISERS

FOR THE YEAR ENDED 31 MARCH 2012

Legal advisers	Travers Smith LLP 10 Snow Hill London EC1A 2AL
Investment managers - DB Section	BlackRock Investment Advisors (UK) Limited Capital International Henderson Global Investors Rogge Global Partners Plc Artemis Investment Management Ltd CB Richard Ellis Global Investors K2 Advisors (until 31 March 2012) IronBridge Capital Legal & General
Investment manager - DC Section	Friends Life Pensions Limited
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 2012

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 2012.

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 2012 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 and the valuation working party on one occasion.

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.

AKZO NOBEL (CPS) PENSION SCHEME

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 MARCH 2012

Statement of Trustees' responsibilities

The audited financial statements, which are to be prepared in accordance with UK 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 are responsible for the preparation of the accounts and with the assistance of their delegated agents have agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a reasonable and prudent basis. They are also responsible for making available each period, commonly in the form of a Trustees' report, information about the Scheme prescribed by pensions legislation, which they should ensure is consistent with the audited accounts it accompanies.

The Trustees also have certain responsibilities in respect of contributions which are set out in the statement of Trustees' responsibilities accompanying the Trustees' summary of contributions on page 18.

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 them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of appropriate internal controls.

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 2012	5.0%
6 April 2011	3.1%
6 April 2010	0.0%

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 2011 produced a change in inflation of 5.2%. The increase is capped at 5%.

Pensions in the other benefit sections are largely increased by reference to the inflation figure over the 12 months to January, which for 2012 was 3.9%.

There were no discretionary pension increases.

AKZO NOBEL (CPS) PENSION SCHEME

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 MARCH 2012

Membership

Details of the membership of the Scheme are given below:

Final Salary Section	Active	Deferred	Pensioners	Total
At 1 April 2011	800	12,656	20,273	33,729
Adjustments to prior year	3	(211)	51	(157)
New spouses and dependant's	-	-	316	316
Members leaving with preserved benefits	(24)	24	-	-
Members leaving transferred out	-	(24)	-	(24)
Members leaving trivial lump sums	-	(86)	-	(86)
Retirements	(26)	(531)	557	-
Deaths	-	(43)	(977)	(1,020)
Cessations - full commutations	-	(91)	(25)	(116)
At 31 March 2012	<u>753</u>	<u>11,694</u>	<u>20,195</u>	<u>32,642</u>

The deferred member prior year adjustment of minus 211 is due in part to an exercise carried out to check the mortality of the deferred member grouping.

In addition to the above there are 243 (2011: 355) contingent deferred pensioners and 8,225 (2011: 8,992) deferred pensioners due only a lump sum payment from the Scheme on retirement.

Money Purchase Section	Active	Deferred	Total
At 1 April 2011	-	685	685
Adjustments to prior year	-	(3)	(3)
Members leaving with refunds	-	(10)	(10)
Members leaving transferred out	-	(667)	(667)
Retirements	-	(4)	(4)
Deaths	-	(1)	(1)
At 31 March 2012	<u>-</u>	<u>-</u>	<u>-</u>

The adjustments to the opening membership in the Final Salary and Money Purchase sections have arisen due to the late notification of member movements and data cleansing.

During the year, all deferred members of the Money Purchase Section were offered the opportunity to transfer to an arrangement of their own choice or to a policy selected by the Trustee.

AKZO NOBEL (CPS) PENSION SCHEME

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 MARCH 2012

Review of financial development of the Scheme

The last full actuarial valuation of the Scheme was carried out as at 31 March 2009 and revealed a substantial deficit. Taking into account the value at March 2009 of the assets present in the escrow account, a 'new' deficit of £525 million was identified once the Trustees and company had concluded their negotiations. This equated to a funding level of 78% assessed on the Scheme's ongoing basis.

Each year in accordance with statute the Scheme Actuary produces an actuarial report which updates the results of the most recent full valuation. The report produced as at March 2011 (the most recent available at the date of these financial statements) showed that the ongoing funding level had risen to 90%, based on the value of the assets at that date and with the liabilities updated for market conditions.

The increase in the funding level reflects both 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.

Since March 2011, the yields on government bonds which are used to determine the value of Scheme liabilities have fallen significantly. In the full valuation being carried out at March 2012, it is likely that the funding level will have fallen significantly from its 2011 level. This may require a change to the schedule of deficit repair contributions agreed in 2010.

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. 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. Secondly, an offer was made to a group of deferred members of the Final Salary Section to transfer their benefits out of the Scheme on enhanced terms, thus reducing the risks within the Scheme. Both projects concluded after the Scheme year-end.

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 £192,333,000 over the year giving a Scheme value of £2,354,765,000 at 31 March 2012.

Akzo Nobel 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.

During the year, all assets in the individual accounts of members in the Defined Contribution Section were transferred out to other arrangements.

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.

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 2012

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

21/9/12

Trustee Director



Date

21/9/12

AKZO NOBEL (CPS) PENSION SCHEME

INVESTMENT REPORT

FOR THE YEAR ENDED 31 MARCH 2012

This investment report forms part of the report 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

Defined Benefit Section

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 31/03/2012 %	as at 31/03/2012 £'000
Equities	28.6	672,462
Fixed Interest and index-linked securities	52.1	1,225,575
Property	7.2	168,866
Emerging Markets Currency Fund	2.1	49,848
Cash deposits and other pending investments	10.0	236,118
	100.0	2,352,869

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

AKZO NOBEL (CPS) PENSION SCHEME

INVESTMENT REPORT

FOR THE YEAR ENDED 31 MARCH 2012

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
	%	%
2011	+9.4	+10.8
2010	+12.0	+12.2
2009	+12.2	+11.1
2008	-10.9	-10.4
2007	+3.9	+5.5
3 year (annualised)	+11.2	+11.4
5 year (annualised)	+4.9	+5.5

Equities by Value of Investment

There were 111 directly held holdings of equities at the year end with a market value of £253m. Holdings were spread over various market sectors and the 10 largest holdings were:

	Market value
	£'000
HSBC	6,951
Glaxosmithkline	6,692
Nestle SA	5,681
Exxon Mobil	5,513
BP	5,072
BT Group	4,923
ITV	4,806
Occidental Petroleum Corp	4,758
Apple Inc	4,592
Hitachi	4,113
	<hr/>
	53,101

AKZO NOBEL (CPS) PENSION SCHEME

INVESTMENT REPORT

FOR THE YEAR ENDED 31 MARCH 2012

Equities by Geographical Location

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

	Market value £'000
United Kingdom	123,405
United States	75,079
Europe	30,339
Japan	12,550
Other	11,913
	<u>253,286</u>

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 £552.0m and index linked securities with a market value of £513.2m. Further bond exposure was achieved via pooled investment vehicles as detailed below.

Pooled Investment Vehicles

The pooled investment vehicles including fund of hedge funds at the year end were:

Fund	Market value £'000
Aquila Life World Ex UK Equity Fund Series 1	173,824
Henderson Gbl Invs All Stocks Credit Fund	120,249
Capital Intl Fund Emerging Markets Fund	108,762
Legal & General Yx - FTSE Rafi AW 3000 Equity Index Fund	98,821
Rogge Funds Plc Emerging Market Currency GBP	49,848
Aquila Life UK Equity Index Fund Ser1	37,435
BlackRock Index Selection Fund Screened Cord Bd GBP Hdgd Fund	25,281
Henderson Credit Opportunities Fund	7,550
Henderson Gbl Invs Inv Credit Alpha Gross Acc Fund	3,738
Henderson Glb Inv Hendersosn Secured Loans Fund	3,584
Fourth Causeway Dv Fund Unit	178
Graphite Pvt Equity Partnership	156
	<u>629,426</u>

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. The current state of the property markets means that were property assets to be sold, the prices available are unlikely to be favourable.

AKZO NOBEL (CPS) PENSION SCHEME

INVESTMENT REPORT

FOR THE YEAR ENDED 31 MARCH 2012

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.

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 Friends Life or the AVC providers. Assets held in the Money Purchase section were held under the custodianship of Friends Life.

Defined Contribution Section

During the year, all assets in the individual accounts of members in the Defined Contribution Section were transferred out to other arrangements.

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 STATEMENT

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 2009 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 12 July 2010.

Jeremy Trezise
Fellow of the Institute of Actuaries

14 July 2010

Towers Watson Limited
Watson House
London Road
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T+44 1737 241144

Authorised and regulated by the Financial Services Authority

AKZO NOBEL (CPS) PENSION SCHEME

SCHEDULE OF CONTRIBUTIONS

Akzo Nobel (CPS) Pension Scheme (the "Scheme")
Schedule of Contributions relating to the 31 March 2009 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 Regular contributions required to meet the ongoing accrual of benefits equal to 34% of members' Fund Earnings for CPS members and 34% of members' Pensionable Pay for other members.
 - 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.
-

AKZO NOBEL (CPS) PENSION SCHEME

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 Nine annual deficiency contributions of:
- £60 million paid on 31 March 2010
 - £60 million payable on 31 March 2011
 - £75 million payable by 31 March in each of the following 7 years, with 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 6.18% p.a., equals the amount due and has been paid by the date above.

AKZO NOBEL (CPS) PENSION SCHEME

SCHEDULE OF CONTRIBUTIONS

- 6 If the Company conducts an enhanced transfer value exercise, the next deficit contribution due under (5) above will be reduced by the reduction in the Scheme's deficit as a result of the transfer of liabilities under this exercise, as calculated by the Scheme Actuary using methodology and assumptions agreed by the Trustee and the Company, subject to a maximum reduction equal to the Company's additional payments in relation to the exercise. The Company's additional payments in relation to the exercise will include any cash element of the enhancement if and to the extent that the Trustee and the Company agree.
- 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).
- 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.

Defined Contribution Section

By Members:

- 1 Salary sacrifice members-nil
- 2 Members who are not salary sacrifice members- Contributions at the rate of 3% of Pensionable Salary plus, for Matching Tier Members, contributions at the rate of either 1%, 2% or 3% of Pensionable Salary depending on their tier of membership, as set out in Rule B2(A).
- 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:

- 1 Contributions at the rate of 6% of members' Pensionable Salaries, plus two times the additional contributions paid by Matching Tier Members, as set out in Rule B1(A).
 - 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 due to be paid to the Scheme by the 19th day of the month following that to which the contributions relate.
 - 4 Contributions to meet the DC section expenses and life assurance premiums, as detailed in Rule B1(A)(ii), these contributions to be paid by the due dates of those expenses and premiums.
-

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.

Non-investment expenses related to the running of the Scheme (including Pension Protection Fund levies) are to be paid from the Scheme's assets, and an allowance for these is made in the regular contributions above.

Agreed on behalf of the Principal Employer

Signature: M W Trueblood

Print Name: M W Trueblood

Position: Director

Date: 12 July 2010

Signature: D Turner

Print Name: D Turner

Position: Director

Date: 12 July 2010

Agreed on behalf of Akzo (CPS) Trustee Limited

Signature: R. C. Waterbury

Print Name: R. C. Waterbury

Date: 12 July 2010

AKZO NOBEL (CPS) PENSION SCHEME

ACTUARIAL CERTIFICATE

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 2009 to be met by the end of the period specified in the recovery plan dated 12 July 2010.

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 12 July 2010.

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: 14 July 2010

Watson House
London Road
Reigate
Surrey
RH2 9PQ

AKZO NOBEL (CPS) PENSION SCHEME

TRUSTEES' SUMMARY OF CONTRIBUTIONS

FOR THE YEAR ENDED 31 MARCH 2012

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 schedule of contributions certified by the Actuary on 14 July 2010 in respect of the Scheme year ended 31 March 2012. The Scheme auditors report on contributions payable under the schedule in their auditors' statement about contributions.

Contributions payable under the schedule in respect of the Scheme year

		2012
		£000
Employer		
	Normal	11,723
	Deficit funding	100,000
Member		
	Normal	172
Contributions payable under the schedule		<u>111,895</u>

Reconciliation of contributions **2012**
£000

Reconciliation of contributions payable under the schedule to the total contributions payable to the Scheme in respect of the Scheme year:


Contributions payable under the schedule (as above in the Trustees' summary)	111,895
Employer augmentation	231
Members additional voluntary contributions	492
Total contributions reported in the financial statements	<u><u>112,618</u></u>

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

Trustee Director
Date

 21/9/12

Trustee Director
Date


21/9/12

**INDEPENDENT AUDITORS' STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEES OF
AKZO NOBEL (CPS) PENSION SCHEME
FOR THE YEAR ENDED 31 MARCH 2012**

We have examined the summary of contributions to the Akzo Nobel (CPS) Pension Scheme for the Scheme year ended 31 March 2012 which is set out on the preceding page.

Respective responsibilities of the Trustees and Auditor

As explained more fully in the statement of Trustees' responsibilities in respect of contributions, the Scheme's Trustees are 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 Trustees 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 schedule of contributions and the timing of those payments.

Statement about contributions

In our opinion, the contributions required by the schedule of contributions for the Scheme year ended 31 March 2012 as reported in the summary of contributions have in all material respects been paid in accordance with the schedule of contributions certified by the Actuary on 14 July 2010.

PricewaterhouseCoopers CP

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

Date *24 September 2012*

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF

AKZO NOBEL (CPS) PENSION SCHEME

FOR THE YEAR ENDED 31 MARCH 2012

Independent Auditors' report to the Trustees 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 2012 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 the Trustees and auditors

As explained more fully in the statement of Trustees' responsibilities, the Trustees are 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 Trustees 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 Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements 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 2012, 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
Chartered Accountants and Statutory Auditors
London

Date 24 September 2012

AKZO NOBEL (CPS) PENSION SCHEME

FUND ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2012

	Notes	Final salary section £'000	Money purchase section £'000	2012 £'000	2011 £'000
Contributions and benefits					
Contributions	3	112,618	-	112,618	99,033
Transfers in	4	25	5	30	10
		<u>112,643</u>	<u>5</u>	<u>112,648</u>	<u>99,043</u>
Benefits	5	112,489	23	112,512	110,701
Payments to and on account of leavers	6	3,188	8,630	11,818	3,321
Administrative expenses	7	4,866	-	4,866	4,701
		<u>120,543</u>	<u>8,653</u>	<u>129,196</u>	<u>118,723</u>
Net withdrawals from dealings with members		<u>(7,900)</u>	<u>(8,648)</u>	<u>(16,548)</u>	<u>(19,680)</u>
Returns on investments					
Investment income	8	47,347	-	47,347	53,175
Change in market value of investments	9	163,559	131	163,690	87,532
Investment management expenses	10	(2,156)	-	(2,156)	(3,454)
Net returns on investments		<u>208,750</u>	<u>131</u>	<u>208,881</u>	<u>137,253</u>
Net increase /(decrease) in the fund for the year		<u>200,850</u>	<u>(8,517)</u>	<u>192,333</u>	<u>117,573</u>
Net assets of the Scheme at 1 April 2011		2,153,425	9,007	2,162,432	2,044,859
Transfers between sections	13	490	(490)	-	-
		<u>2,354,765</u>	<u>-</u>	<u>2,354,765</u>	<u>2,162,432</u>
Net assets of the Scheme at 31 March 2012		<u>2,354,765</u>	<u>-</u>	<u>2,354,765</u>	<u>2,162,432</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 2012

	Notes	2012 £'000	2011 £'000
Final salary section			
Investment assets	9	2,360,297	2,159,858
Investment liabilities	9	(7,428)	(7,828)
Total investments		<u>2,352,869</u>	<u>2,152,030</u>
Current assets	11	5,714	4,875
Current liabilities	12	(3,818)	(3,480)
		<u>2,354,765</u>	<u>2,153,425</u>
Money purchase section			
Investment assets	9	245	8,536
Current assets	11	5	471
Current liabilities	12	(250)	-
		<u>-</u>	<u>9,007</u>
Net assets of the Scheme at 31 March 2012	13	<u>2,354,765</u>	<u>2,162,432</u>

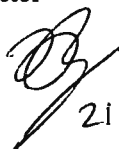
The notes on pages 23 to 38 form part of these financial statements.

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


21/10/12

Trustee Director


Date 21/9/12

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

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 2012

Investments

Investments are included at market value.

The majority of 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.

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

Investment income

Distributions from quoted shares, fixed 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 2012

3. Contributions

	Final salary section £'000	Money purchase section £'000	2012 £'000	2011 £'000
Employers				
Normal	11,723	-	11,723	13,150
Deficit funding	100,000	-	100,000	85,000
Augmentations	231	-	231	110
Members				
Normal	172	-	172	210
Additional voluntary contributions	492	-	492	563
	<u>112,618</u>	<u>-</u>	<u>112,618</u>	<u>99,033</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 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.

4. Transfers in

	Final salary section £'000	Money purchase section £'000	2012 £'000	2011 £'000
Individual transfers in from other schemes	<u>25</u>	<u>5</u>	<u>30</u>	<u>10</u>

AKZO NOBEL (CPS) PENSION SCHEME**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 MARCH 2012**

5. Benefits

	Final salary section £'000	Money purchase section £'000	2012 £'000	2011 £'000
Pensions	97,811	-	97,811	95,366
Commutations and retirement lump sums	13,779	15	13,794	14,194
Purchase of annuities	3	7	10	44
Lump sum death benefits	896	1	897	1,097
	<u>112,489</u>	<u>23</u>	<u>112,512</u>	<u>110,701</u>

6. Payments to and on account of leavers

	Final salary section £'000	Money purchase section £'000	2012 £'000	2011 £'000
Refunds to members leaving service	-	8	8	11
Payments for members reinstated in State Scheme	(1)	-	(1)	-
Group transfers to other schemes	-	8,018	8,018	-
Individual transfers to other schemes	3,189	604	3,793	3,310
	<u>3,188</u>	<u>8,630</u>	<u>11,818</u>	<u>3,321</u>

The group transfer out of £8,018,000 relates to members of the Money Purchase section who elected to transfer to the AkzoNobel Benefit Builder Plan or to the Trustee selected policy with Friends Life Pensions Limited.

During the 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 2012

7. Administrative expenses

	Final salary section £'000	Money purchase section £'000	2012 £'000	2011 £'000
Administration fees	1,752	-	1,752	2,011
Audit fees	81	-	81	52
Actuarial and investment consulting fees	1,298	-	1,298	1,480
Legal fees	561	-	561	151
Pensions protection fund and other levies	1,161	-	1,161	998
Other fees	13	-	13	9
	<u>4,866</u>	<u>-</u>	<u>4,866</u>	<u>4,701</u>

8. Investment income

	Final salary section £'000	Money purchase section £'000	2012 £'000	2011 £'000
Income from fixed interest securities	24,724	-	24,724	25,311
Dividends from equities	6,422	-	6,422	7,606
Income from index-linked securities	5,624	-	5,624	4,666
Income from pooled investment vehicles	68	-	68	5,169
Rents from properties	9,228	-	9,228	9,611
Interest on cash deposits	394	-	394	22
Income from annuities	452	-	452	438
Other investment income	281	-	281	352
Class action income received	154	-	154	-
	<u>47,347</u>	<u>-</u>	<u>47,347</u>	<u>53,175</u>

The rents from properties income above has been reduced by an amount of £2,673,000 (2011: £2,321,000) relating to property expenses deducted.

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

9. Investments

Final salary section

	Value at 01/04/11	Purchases at cost and derivative payments	Sale proceeds and derivative receipts	Change in market value	Value at 31/03/12
	£'000	£'000	£'000	£'000	£'000
Fixed interest securities	527,647	137,243	(189,074)	76,195	552,011
Equities	250,944	143,683	(140,827)	(514)	253,286
Index-linked securities	416,533	61,769	(60,905)	95,765	513,162
Pooled investment vehicles	586,297	150,980	(104,425)	(3,426)	629,426
Fund of hedge funds	113,247	-	(111,492)	(1,755)	-
Derivatives	6,630	25,142	(25,178)	(6,643)	(49)
Property	171,891	2,338	(5,062)	(301)	168,866
Insurance policy	1,453	-	-	205	1,658
AVC investments	12,744	509	(2,038)	375	11,590
	<u>2,087,386</u>	<u>521,664</u>	<u>(639,001)</u>	159,901	<u>2,129,950</u>
Cash and cash equivalents	47,118			5,015	208,369
Other investment assets and liabilities	6,455			(1,357)	14,606
Amount due from brokers	11,071			-	(56)
	<u>2,152,030</u>			<u>163,559</u>	<u>2,352,869</u>

Included in the cash and cash equivalents shown above 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 and due to be received by the Scheme during 2012/13 is shown within other investment assets and liabilities.

Money purchase section

	Value at 01/04/11	Purchases at cost	Sale proceeds	Change in market value	Value at 31/03/12
	£'000	£'000	£'000	£'000	£'000
Pooled investment vehicles	8,536	5	(8,427)	131	245
	<u>8,536</u>	<u>5</u>	<u>(8,427)</u>	<u>131</u>	<u>245</u>
Total investments	<u>2,160,566</u>			<u>163,690</u>	<u>2,353,114</u>

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

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 £732,513 (2011: £1,246,197). 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 money purchase section investment assets are designated to members' accounts.

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 K2 Overseas Investors Limited (British Virgin Islands).

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 (7.8%) and the Henderson Global Invs All Stocks Fund (5.4%).

Employer related investments

Employer related investments are held through pooled investment vehicles and a direct property tenancy. The value of the employer related investment was less than 0.02% of the Scheme's Net Assets at the year end.

Fixed interest securities

	Final salary section £'000	Money purchase section £'000	2012 £'000	2011 £'000
UK public sector quoted	388,789	-	388,789	<i>360,509</i>
UK quoted	61,920	-	61,920	<i>68,137</i>
Overseas public sector quoted	14,103	-	14,103	<i>17,995</i>
Overseas quoted	87,199	-	87,199	<i>81,006</i>
	<u>552,011</u>	<u>-</u>	<u>552,011</u>	<u><i>527,647</i></u>

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

Equities

	Final salary section £'000	Money purchase section £'000	2012 £'000	2011 £'000
UK quoted equities	123,407	-	123,407	114,709
Overseas quoted equities	129,879	-	129,879	136,235
	<u>253,286</u>	<u>-</u>	<u>253,286</u>	<u>250,944</u>

Index-linked securities

	Final salary section £'000	Money purchase section £'000	2012 £'000	2011 £'000
UK quoted index-linked securities	-	-	-	9,385
UK public sector quoted index-linked securities	513,162	-	513,162	407,148
	<u>513,162</u>	<u>-</u>	<u>513,162</u>	<u>416,533</u>

Pooled investment vehicles

	Final salary section £'000	Money purchase section £'000	2012 £'000	2011 £'000
Managed funds - other	629,426	245	629,671	594,833
	<u>629,426</u>	<u>245</u>	<u>629,671</u>	<u>594,833</u>

Fund of hedge funds

	Final salary section £'000	Money purchase section £'000	2012 £'000	2011 £'000
Fund of funds	-	-	-	113,247
	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,247</u>

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

Property

	Final salary section £'000	Money purchase section £'000	2012 £'000	2011 £'000
UK property - direct	<u>168,866</u>	<u>-</u>	<u>168,866</u>	<u>171,891</u>

Cash deposits

	Final salary section £'000	Money purchase section £'000	2012 £'000	2011 £'000
Sterling	119,727	-	119,727	47,118
Cash in transit	88,642	-	88,642	-
	<u>208,369</u>	<u>-</u>	<u>208,369</u>	<u>47,118</u>

Cash in transit 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 2012**

Other investments

	Final salary section £'000	Money purchase section £'000	2012 £'000	2011 £'000
Other investment assets				
Insurance policies	1,658	-	1,658	1,453
Amount due from brokers	-	-	-	11,071
Accrued income	10,047	-	10,047	10,445
Other Investments	-	-	-	1,357
Amounts due from manager	9,849	-	9,849	-
	<u>21,554</u>	<u>-</u>	<u>21,554</u>	<u>24,326</u>

Amounts due from manager relates to amounts due on the sale of investments with K2 Advisers. £88,642,000 was received by the Trustees in April 2012 and the balance of £9,849,000 is due to be received during 2012/13.

Other investment liabilities

Deferred rental income	(2,457)	-	(2,457)	(2,514)
Amount due to brokers	(56)	-	(56)	-
Other investments	(2,833)	-	(2,833)	(2,833)
	<u>(5,346)</u>	<u>-</u>	<u>(5,346)</u>	<u>(5,347)</u>
Total other investments	<u>16,208</u>	<u>-</u>	<u>16,208</u>	<u>18,979</u>

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

Derivatives

	Final Salary section £'000	Money Purchase section -	2012 £'000	2011 £'000
Derivative assets				
Futures	138	-	138	7,619
Swaps	558	-	558	388
FX	1,337	-	1,337	1,104
	<u>2,033</u>	<u>-</u>	<u>2,033</u>	<u>9,111</u>
Derivative liabilities				
Futures	(1,107)	-	(1,107)	(1,551)
Swaps	(773)	-	(773)	(399)
FX	(202)	-	(202)	(531)
	<u>(2,082)</u>	<u>-</u>	<u>(2,082)</u>	<u>(2,481)</u>
Total net derivatives	<u>(49)</u>	<u>-</u>	<u>(49)</u>	<u>6,630</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 of the investment managers use Swaps to take interest rates duration positions in a more efficient manner than by trading physical bond assets.

Forward foreign exchange - Some of the 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.

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

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 and two UK 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	£33,150,762	3 months	<u>138</u>	<u>(1,107)</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 £1,210,000 (2011: £3,157,000) 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	£7,001,270	2016	-	(62)
Interest rate swaps				
Floating to fixed	£55,764,534	Between 2016 and 2051	415	(313)
Fixed to floating	£9,445,882	Between 2016 and 2051	143	(398)
			<u>558</u>	<u>(773)</u>

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

At the year end there was one credit default swap and 16 interest rate swap contracts of which 12 were in the UK and five were Overseas.

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

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>
Candian dollar	1-3 months	£7,331,952	£5,558,680	-	(19)
Euro	1-3 months	£7,355,963	£17,549,912	-	(8)
Japanese yen	1-3 months	£9,707,489	£19,420,150	890	-
Norwegian krone	1-3 months	£15,416,805	£7,706,918	143	-
United States dollar	1-3 months	£77,881,740	£91,328,743	108	-
Other	1-3 months	£71,731,842	£46,726,039	196	(175)
				<u>1,337</u>	<u>(202)</u>

At the year end there were 75 open forward foreign exchange contracts.

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: -

	Final salary section £'000	Money purchase section £'000	2012 £'000	2011 £'000
The Standard Life Assurance Company	761	-	761	838
Friends Life	6,761	-	6,761	6,882
The Equitable Life Assurance Company:				
Unit Linked	1	-	1	1
With Profits	1,268	-	1,268	1,470
The Prudential Assurance Company	2,754	-	2,754	3,503
Phoenix Life Limited	24	-	24	26
MGM Limited	21	-	21	24
	<u>11,590</u>	<u>-</u>	<u>11,590</u>	<u>12,744</u>

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

10. Investment management expenses

	Final salary section £'000	Money purchase section £'000	2012 £'000	2011 £'000
Management fees	2,065	-	2,065	3,161
Performance related fees	-	-	-	173
Custody fees	91	-	91	120
	<u>2,156</u>	<u>-</u>	<u>2,156</u>	<u>3,454</u>

11. Current assets

	Final salary section £'000	Money purchase section allocated to members £'000	Money purchase section not allocated to members £'000	2012 £'000	2011 £'000
Other debtors and prepayments	59	5	-	64	1
Pensions prepayments	1,494	-	-	1,494	-
Cash balances	4,161	-	-	4,161	5,345
	<u>5,714</u>	<u>5</u>	<u>-</u>	<u>5,719</u>	<u>5,346</u>

12. Current liabilities

	Final salary section £'000	Money purchase section allocated to members £'000	Money purchase section not allocated to members £'000	2012 £'000	2011 £'000
Unpaid benefits	600	-	-	600	788
Accrued expenses	2,242	-	-	2,242	1,760
PAYE payable	939	-	-	939	897
Other creditors	37	250	-	287	35
	<u>3,818</u>	<u>250</u>	<u>-</u>	<u>4,068</u>	<u>3,480</u>

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

13. Transfer between sections

	Final Salary section £'000	Money Purchase section £'000	2012 £'000	2011 £'000
Transfer between sections	490	(490)	-	-
	<u>490</u>	<u>(490)</u>	<u>-</u>	<u>-</u>

The transfer between sections represents the balance of the unallocated cash held in the Money Purchase Section bank account. This amount was transferred to the Final Salary Section to help fund the deficit.

14. Related party transactions

Included within administration fees, as shown in note 7 to the financial statements, are Trustees fees totalling £51,208 (2011: £43,189).

During the year, three Trustees received a pension from the Scheme.

15. Contingent liabilities and contractual commitments

Other than benefits payable after the year end, the Scheme had no contingent liabilities or contractual commitments at 31 March 2012 (2011: nil).

AKZO NOBEL (CPS) PENSION SCHEME

COMPLIANCE STATEMENT

FOR THE YEAR ENDED 31 MARCH 2012

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's final salary section 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 the Pensions Act 1993. Transfer payments do not include any allowance for discretionary benefits.

Scheme Investments

The Investment Managers appointed on behalf of the Trustees 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 Trustees and each of the Scheme advisers listed on pages 1-2 of these financial statements and also with the Principal Employer.

AKZO NOBEL (CPS) PENSION SCHEME

MEMBERS' INFORMATION

FOR THE YEAR ENDED 31 MARCH 2012

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 Trustees 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 Trustees 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 Trustees 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)