

AKZO NOBEL (CPS) PENSION SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015
PENSION SCHEME REFERENCE NUMBER 10161703

AKZO NOBEL (CPS) PENSION SCHEME

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FOR THE YEAR ENDED 31 MARCH 2015

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AKZO NOBEL (CPS) PENSION SCHEME

TRUSTEE & ADVISERS

FOR THE YEAR ENDED 31 MARCH 2015

Principal Employer	Akzo Nobel UK Ltd 26th Floor, Portland House Bressenden Place London SW1E 5BH
Trustee	Akzo Nobel (CPS) Pension Trustee Ltd
Trustee Directors	Mr R Waterbury (Chairman) (pensioner member) * ^ Mr J Dixon (deferred member) + Mr R Deane (active member) Mr P Brennan (active member) Ms J Shannon (pensioner member) + ^ Mr J Penney (active member) * (resigned 23 September 2014) Mr J Bradley (pensioner member)* Mr G Marsh (pensioner member) ^ Mr J Gill (active member) The Law Debenture Pension Trust Corporation plc * ^ + *Investment committee member ^Valuation committee member +Administration committee member
Secretary to the Trustee	Mr M Trueblood 26th Floor, Portland House Bressenden Place London SW1E 5BH
Actuary	Mr G Oxtoby F.I.A Towers Watson Limited Watson House London Road Reigate Surrey RH2 9PQ

AKZO NOBEL (CPS) PENSION SCHEME

TRUSTEE & ADVISERS

FOR THE YEAR ENDED 31 MARCH 2015

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 Henderson Global Investors Rogge Global Partners Plc Artemis Investment Management Ltd CB Richard Ellis Global Investors IronBridge Capital Legal & General Nephila Capital Limited Bluebay Asset Management LLP Franklin Templeton Investment Management Ltd Sankaty Advisors LLC Macquarie Group Limited (from November 2014)
Longevity insurer	ReAssure 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 Phoenix Alba Life
Bankers	Barclays Bank Plc

AKZO NOBEL (CPS) PENSION SCHEME

TRUSTEE'S REPORT

FOR THE YEAR ENDED 31 MARCH 2015

Introduction

The Trustee Directors ("the Trustee") 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 2015.

Management of the Scheme

The Scheme is governed by the Trustee who is 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 2015 are set out on pages 23 to 40 and the Trustee's summary of contributions and the auditors' statement about contributions are set out on pages 19 and 20 respectively.

Trustee

The Trustee is responsible for the administration and investment policy of the Scheme. The Trustee meets regularly and during this Scheme year met on 5 occasions. In addition, the investment committee met on a further 5 occasions and the administration committee on 4 occasions.

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

Employer-appointed Trustee Directors are selected by the Employer, while member nominated Trustee Directors are selected by a panel of existing Trustee Directors from candidates nominated by members and generally serve for a 5-year term. The Employer has the power to appoint and remove the corporate trustee.

The member-nominated Trustee Directors are Geoff Marsh, Russell Deane, Paul Brennan and Jon Bradley.

The employer-appointed Trustee Directors are Richard Waterbury, Jas Gill, Julie Shannon and Jon Dixon.

AKZO NOBEL (CPS) PENSION SCHEME

TRUSTEE'S REPORT

FOR THE YEAR ENDED 31 MARCH 2015

Statement of Trustee's responsibilities

Trustee's responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, are the responsibility of the Trustee. Pension scheme regulations require the Trustee 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 the Scheme year of its 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.

The Trustee is responsible for supervising the preparation of the financial statements and for agreeing suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an annual report.

The Trustee also has 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 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 2014	2.7%
6 April 2015	1.2%

For most of the annual increases made, the CPS Section uses a reference period of the September prior to the increase date, and the increase is based on CPI.

Pensions in the other benefit sections mainly use a reference period of the January prior to the increase date for pensions in excess of GMP and are based on RPI. GMPs are increased using CPI for the September prior to the increase date.

There were no discretionary pension increases.

AKZO NOBEL (CPS) PENSION SCHEME

TRUSTEE'S REPORT

FOR THE YEAR ENDED 31 MARCH 2015

Membership

Details of the membership of the Scheme are given below:

	Active members	Deferred members	Pensioners, spouses and dependants	Total
At 1 April 2014	624	9,782	19,803	30,209
Adjustments to prior year	(4)	(97)	1	(100)
New spouses and dependants	-	-	268	268
Members leaving with preserved benefits	(23)	23	-	-
Members leaving transferred out	-	(37)	-	(37)
Retirements	(27)	(355)	382	-
Deaths	(1)	(55)	(1,024)	(1,080)
Cessations and full commutations	-	(99)	(48)	(147)
At 31 March 2015	<u>569</u>	<u>9,162</u>	<u>19,382</u>	<u>29,113</u>

In addition to the above there are 403 (2014: 428) contingent deferred pensioners and 6,423 (2014: 7,045) 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

TRUSTEE'S REPORT

FOR THE YEAR ENDED 31 MARCH 2015

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 latest update, as at 31 March 2014 revealed an estimated deficit of £165 million which equated to a funding level of 94% (taking into account the existence of the escrow account created for the benefit of the Scheme). The improvement in the funding levels has also allowed the Trustee to reduce the risk level within the assets.

The Trustee and the Employer have agreed a recovery plan such that:

- the Employer 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 Employer 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 investment returns on the assets above the technical provisions assumptions of 0.07% per annum.

The next full actuarial valuation of the Scheme is being carried out as at 31 March 2015.

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 £412,943,000 over the year (2014: £42,726,000) to £2,921,743,000 at 31 March 2015 (2014: £2,508,800,000).

Akzo Nobel NV has given a legal 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 0.05% 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.

AKZO NOBEL (CPS) PENSION SCHEME

TRUSTEE'S REPORT

FOR THE YEAR ENDED 31 MARCH 2015

Changes to the Scheme

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

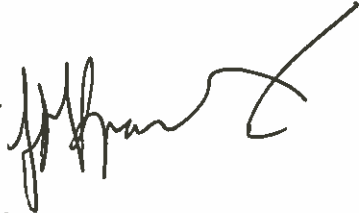
Further information

Requests for additional information about the Scheme generally should be sent to the Scheme Secretary, whose address appears on page 42 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 5/10/15

Trustee Director 

Date 5/10/15

AKZO NOBEL (CPS) PENSION SCHEME

INVESTMENT REPORT

FOR THE YEAR ENDED 31 MARCH 2015

This investment report forms part of the Trustee's Report.

Investment Objective

The Trustee's 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 Trustee has 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 Trustee has delegated the day to day management of the Scheme's assets to external investment managers.

The Trustee determines the broad investment policy to be adopted by the appointed managers and sets 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 funding level triggers are reached. This policy was revised in 2013 following the funding settlement effective from March 2012. The current agreed asset allocation is shown in the table below. An updated Statement of Investment Principles was signed in November 2013 and the asset weightings are within the ranges set down in that Statement of Investment Principles.

Asset Class	Proportion	Value
	as at 31/03/2015 %	as at 31/03/2015 £'000
Equities	25.1	732,011
Property	8.5	246,473
Reinsurance Securities Fund	3.5	103,093
Emerging markets currency fund	1.1	32,948
Multi-strategy credit	3.5	101,341
LDI Portfolio	35.6	1,034,814
Bonds - Non-gilts	16.5	480,826
Cash deposits, derivatives and other pending investments	6.2	180,473
	100.0	2,911,979

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 2015

The Trustee has adopted a Scheme-specific benchmark based on the asset classes and ranges above. The Trustee employs 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
	%	%
2014	+17.7	+15.9
2013	+6.8	+5.5
2012	+6.5	+6.5
2011	+9.4	+10.8
2010	+12.0	+12.2
3 year (annualised)	+10.2	+9.2
5 year (annualised)	+10.4	+10.1

Equities by Value of Investment

There were 99 directly held holdings of equities at the year end with a market value of £295m (2014: £283m). Holdings were spread over various market sectors and the 10 largest holdings were:

	Market value £'000
Micro Focus International	8,012
HSBC	7,373
Nestle SA	6,629
BT Group	6,329
BP	6,055
Bayer AG NPV	5,761
Friends Life Group	5,665
Ill Tool Wks	5,557
Barclays	5,311
CVS Health Corp	5,235
	<hr/> 61,927 <hr/>

AKZO NOBEL (CPS) PENSION SCHEME

INVESTMENT REPORT

FOR THE YEAR ENDED 31 MARCH 2015

Equities by Geographical Location

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

	Market value £'000
United Kingdom	149,035
United States	86,633
Europe	12,634
Japan	42,551
Other	4,064
	<u>294,917</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 £139m (2014: £259m) and index linked securities with a market value of £585.3m (2014: £598.3m). Further bond exposure was achieved via pooled investment vehicles.

Pooled Investment Vehicles

The pooled investment vehicles at the year end were:

Fund	Market value £'000
BlackRock Pooled Leveraged Gilt Funds	310,520
Aquila Life World Ex UK Equity Fund	189,853
Henderson Global All Stocks Credit Fund	158,012
Bluebay Global Investment Grade Corporate Bond Fund	131,286
Legal & General - FTSE Rafi AW 3000 Equity Index Fund	108,103
Sankaty High Income Fund	101,341
Franklin Templeton Global Bond Fund	97,939
Legal & General - FTSE Rafi Emerging Markets Equity Fund	80,749
BlackRock Emerging Markets Equity Index Fund	58,389
Nephila Iron Catastrophe Fund	51,809
Nephila Catastrophe Fund	51,284
BlackRock Screened Global Corporate Bond Fund	45,845
Rogge Funds Plc Emerging Market Currency Fund	32,948
BlackRock UK Credit Selection Fund	25,162
Henderson Credit Alpha Fund	13,330
Henderson Secured Loans Fund	6,899
Deutsche Liquidity Units	2,353
	<u>1,465,822</u>

AKZO NOBEL (CPS) PENSION SCHEME

INVESTMENT REPORT

FOR THE YEAR ENDED 31 MARCH 2015

Marketability of Investments

The Trustee considers that the majority of the assets of the Scheme, with the exception of the direct and indirect property holdings, the longevity insurance contract and certain of the alternative investments, are readily marketable. Indirect property holdings and certain of the alternatives 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.

In 2012, 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 was to be 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 2015

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 Trustee receives reports each month covering the assets held by the custodian and transactions in the month. These are monitored by the Trustee 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.

Socially responsible investments

The Trustee has delegated responsibility for the selection, retention and realisation of investments to the investment managers (within certain guidelines and restrictions). The Trustee's policy is that the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments is left to the discretion of the active investment managers.

Rights attaching to investments

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers.

AKZO NOBEL (CPS) PENSION SCHEME

ACTUARIAL CERTIFICATE 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.
-

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,
 - The amounts above 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 CERTIFICATION 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

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been 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

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 and Faculty of Actuaries
Towers Watson Limited

Date: 18 March 2013

Watson House
London Road
Reigate
Surrey
RH2 9PQ

AKZO NOBEL (CPS) PENSION SCHEME

TRUSTEE'S SUMMARY OF CONTRIBUTIONS

FOR THE YEAR ENDED 31 MARCH 2015

Statement of Trustee's responsibilities in respect of contributions

The Trustee is responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, 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 Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the Scheme in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

Trustee's summary of contributions

This summary of contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the employer and member contributions payable to the Scheme under the schedule of contributions certified by the Actuary on 18 March 2013 in respect of the Scheme year ended 31 March 2015. 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

	2015
	£000
Employer	
Normal	9,824
Deficit funding	67,000
Member	
Normal	122
Contributions payable under the schedule	<u>76,946</u>

Reconciliation of contributions **2015**
£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 Trustee's summary)	76,946
Members additional voluntary contributions	<u>379</u>
Total contributions reported in the financial statements	<u><u>77,325</u></u>

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

Trustee Director 

Date 5/10/15

Trustee Director 

Date 5/10/15

**INDEPENDENT AUDITORS' STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF
AKZO NOBEL (CPS) PENSION SCHEME
FOR THE YEAR ENDED 31 MARCH 2015**

Statement about contributions

Our opinion

In our opinion, the contributions payable under the schedule in respect of the Scheme year ended 31 March 2015 as reported in Akzo Nobel (CPS) Pension Scheme's summary of contributions have in all material respects been paid in accordance with the schedule of contributions certified by the Scheme Actuary on 18 March 2013.

What we have examined

Akzo Nobel (CPS) Pension Scheme's, summary of contributions for the Scheme year ended 31 March 2015, is set out on the previous page.

Responsibilities for the statement about contributions

Our responsibilities and those of the Trustee

As explained more fully in the statement of Trustee's responsibilities, the Scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, 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.

What an examination of the summary of contributions involves

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have, in all material respects, 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.

We test and examine information, using sampling and other techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain evidence through testing the effectiveness of controls, substantive procedures or a combination of both.



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date 6 October 2015

**INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE OF
AKZO NOBEL (CPS) PENSION SCHEME
FOR THE YEAR ENDED 31 MARCH 2015**

Report on the financial statements

Our opinion

In our opinion, Akzo Nobel (CPS) Pension Scheme's financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2015, 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.

What we have audited

Akzo Nobel (CPS) Pension Scheme's financial statements comprise:

- the net assets statement as at 31 March 2015,
- the fund account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Trustee has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Trustee

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) ("ISAs (UK & 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.

**INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE OF
AKZO NOBEL (CPS) PENSION SCHEME
FOR THE YEAR ENDED 31 MARCH 2015**

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the Trustee's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
Date *6 October 2015*

AKZO NOBEL (CPS) PENSION SCHEME

FUND ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2015 £'000	2014 £'000
Contributions and benefits			
Contributions	3	77,325	77,905
Other income	4	-	11
		<u>77,325</u>	<u>77,916</u>
Benefits	5	120,505	118,066
Payments to and on account of leavers	6	2,903	2,372
Other payments	7	80	86
Administrative expenses	8	10	39
		<u>123,498</u>	<u>120,563</u>
Net withdrawals from dealings with members		<u>(46,173)</u>	<u>(42,647)</u>
Returns on investments			
Investment income	9	206,818	47,435
Change in market value of investments	10	254,391	40,032
Investment management expenses	11	(2,093)	(2,094)
Net returns on investments		<u>459,116</u>	<u>85,373</u>
Net increase in the fund for the year		<u>412,943</u>	<u>42,726</u>
Net assets of the Scheme at 1 April 2014		<u>2,508,800</u>	<u>2,466,074</u>
Net assets of the Scheme at 31 March 2015		<u><u>2,921,743</u></u>	<u><u>2,508,800</u></u>

The notes on pages 25 to 40 form part of these financial statements.

AKZO NOBEL (CPS) PENSION SCHEME

NET ASSETS STATEMENT

AT 31 MARCH 2015

	Notes	2015 £'000	2014 £'000
Investment assets	10	2,993,734	2,628,856
Investment liabilities	10	(72,950)	(120,808)
Total investments		2,920,784	2,508,048
Current assets	12	3,568	3,521
Current liabilities	13	(2,609)	(2,769)
Net assets of the Scheme at 31 March 2015		2,921,743	2,508,800

The notes on pages 25 to 40 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 13 to 18 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 7.

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

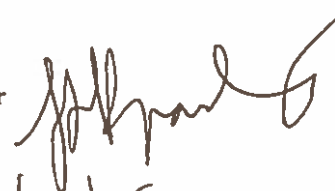
Trustee Director



Date

5/10/15

Trustee Director



Date

5/10/15

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

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" (revised May 2007).

2. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the current and preceding years 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 2015

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 Trustee 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 Trustee (and in the name of the Trustee) 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 considers the movement in the IPD index for the last three months of the year and, if material to the financial statements, applies this movement to the valuation. 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 the Trustee based on professional advice from the Scheme Actuary. The value stated is 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 2015

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 2015

3. Contributions

	2015	<i>2014</i>
	£'000	<i>£'000</i>
Employers		
Normal	9,824	<i>9,875</i>
Deficit funding	67,000	<i>67,000</i>
Other	-	<i>269</i>
Members		
Normal	122	<i>137</i>
Additional voluntary contributions	379	<i>624</i>
	77,325	<i>77,905</i>

Deficit funding and other payments 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, annual deficit funding contributions of £42 million are due until 2018 plus annual deficiency contributions of £25 million which are only payable from the Escrow account when certain conditions are met.

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.

4. Other income

	2015	<i>2014</i>
	£'000	<i>£'000</i>
Compensation payments	-	<i>11</i>

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

5. Benefits

	2015	<i>2014</i>
	£'000	<i>£'000</i>
Pensions	105,587	<i>103,978</i>
Commutations and retirement lump sums	14,370	<i>13,524</i>
Lump sum death benefits	548	<i>564</i>
	120,505	<i>118,066</i>

6. Payments to and on account of leavers

	2015	<i>2014</i>
	£'000	<i>£'000</i>
Refunds to members leaving service	1	<i>5</i>
Payments for members reinstated in State Scheme	1	<i>-</i>
Individual transfers to other schemes	2,901	<i>2,367</i>
	2,903	<i>2,372</i>

7. Other payments

	2015	<i>2014</i>
	£'000	<i>£'000</i>
Annual Allowance charges	80	<i>86</i>

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

8. Administrative expenses

	2015	2014
	£'000	£'000
Administration fees	-	51
Audit fees	-	(42)
Legal fees	-	19
Other fees	10	11
	<u>10</u>	<u>39</u>

From 1 April 2013 all administrative expenses are being paid by the Principal Employer. In the prior year audit fees are negative due to an over accrual in 2013 while administration fees, legal fees and other fees were under accrued. Other fees relate to bank charges and search fees, which are not reimbursed by the Principal Employer.

9. Investment income

	2015	2014
	£'000	£'000
Income from fixed interest securities	5,764	17,120
Dividends from equities	6,770	9,093
Income from index-linked securities	5,171	5,813
Income from pooled investment vehicles	176,381	2,799
Rents from properties	11,559	11,865
Interest on cash deposits	375	128
Income from annuities	404	395
Income from derivatives	391	222
Class action income received	3	-
	<u>206,818</u>	<u>47,435</u>

The rents from properties income above has been reduced by an amount of £2,846,000 (2014: £2,505,000) relating to property expenses deducted.

Income from pooled investment vehicles includes distributions of £172,488,000 (2014: £nil) from BlackRock LDI funds. The funds are permitted to declare dividends to distribute surplus cash as a result of a significant decrease in yields in order to maintain appropriate investment exposure and re-leverage the portfolio back to the target levels.

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

10. Investments

	Reclassified Value as at 01/04/14	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Value as at 31/03/15
	£'000	£'000	£'000	£'000	£'000
Fixed interest securities	258,980	-	(157,782)	37,819	139,017
Equities	283,352	131,008	(140,982)	21,539	294,917
Index-linked securities	598,265	-	(144,375)	131,387	585,277
Pooled investment vehicles	1,133,888	458,754	(205,038)	78,218	1,465,822
Derivatives	2,530	30,475	(14,353)	(20,158)	(1,506)
Longevity hedging insurance contract	(48,500)	3,042	-	(18,242)	(63,700)
Property	191,430	35,324	(2,392)	22,111	246,473
Insurance policy	1,455	-	-	183	1,638
AVC investments	9,811	457	(2,287)	824	8,805
	<u>2,431,211</u>	<u>659,060</u>	<u>(667,209)</u>	<u>253,681</u>	<u>2,676,743</u>
Cash and cash equivalents	130,243			707	244,143
Other investment assets and liabilities	2,338			-	668
Amount due to brokers	(55,744)			3	(770)
Total investments	<u>2,508,048</u>			<u>254,391</u>	<u>2,920,784</u>

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 £1,895,709 (2014: £308,790). 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 Henderson Liquid Assets Fund (Ireland), the Henderson Credit Opportunities Fund (Cayman Islands), Nephila Iron Catastrophe Class C Fund (Bermuda), Sankaty Advisors LLC (United States) and Nephila Catastrophe Fund (Bermuda).

The Longevity hedging insurance contract has been separated from the derivative investments, as the Trustee considers it is more appropriate to show this as a separate category of investment. Comparative figures have been reclassified.

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

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 (6.5%) (2014: 6.3%), the BlackRock ICS Institutional Sterling Liquidity Fund (6.2%) (2014: 2.3%) and the Henderson Global Invs All Stocks Fund (5.4%) (2014: 5.6%).

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 0.05% 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

	2015 £'000	2014 £'000
UK public sector quoted	<u>139,017</u>	<u>258,980</u>

Equities

	2015 £'000	2014 £'000
UK quoted	146,631	149,656
Overseas quoted	148,286	133,696
	<u>294,917</u>	<u>283,352</u>

Index-linked securities

	2015 £'000	2014 £'000
UK public sector quoted	<u>585,277</u>	<u>598,265</u>

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

10. Investments (continued)

Pooled investment vehicles

	2015	<i>2014</i>
	£'000	<i>£'000</i>
Managed funds - other	<u>1,465,822</u>	<u><i>1,133,888</i></u>

Property

	2015	<i>2014</i>
	£'000	<i>£'000</i>
UK property - direct	236,963	<i>180,495</i>
UK property - unit trusts	9,510	<i>10,935</i>
	<u>246,473</u>	<u><i>191,430</i></u>

Cash deposits

	2015	<i>2014</i>
	£'000	<i>£'000</i>
Cash	<u>244,143</u>	<u><i>130,243</i></u>

Included within cash balances is £nil (2014: £2,465,000) in respect of initial and variation margins arising on certain open derivative contracts at the year end.

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

10. Investments (continued)

Other investments

	2015	2014
	£'000	£'000
Other investment assets		
Insurance policies	1,638	1,455
Amount due from brokers	26	12,427
Accrued income	3,397	4,823
	<u>5,061</u>	<u>18,705</u>
Other investment liabilities		
Deferred rental income	(2,729)	(2,485)
Amount due to brokers	(796)	(68,171)
	<u>(3,525)</u>	<u>(70,656)</u>
Total other investments	<u>1,536</u>	<u>(51,951)</u>

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

10. Investments (continued)

Derivatives

	<i>Reclassified</i>	
	2015	2014
	£'000	£'000
Derivative assets		
Swaps	4,128	1,074
Options	83	37
FX	8	3,071
	<u>4,219</u>	<u>4,182</u>
Derivative liabilities		
Futures	-	(7)
Swaps	(1,606)	(579)
Options	(14)	(2)
FX	(4,105)	(1,064)
	<u>(5,725)</u>	<u>(1,652)</u>
Total net derivatives	<u><u>(1,506)</u></u>	<u><u>2,530</u></u>

The Trustee has authorised the use of derivatives by its investment managers as part of its 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 Trustee aims to benefit from the potentially greater returns available from investing in fixed interest but wishes 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 2015

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.

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	£11,358,572	2019	509	-
Credit default swaps	£2,387,471	2020	22	(32)
Interest rate swaps				
Receiving floating/paying fixed	£53,849,724	2017 - 2034	-	(1,574)
Receiving fixed/paying floating	£58,836,718	2017 - 2044	3,597	-
			<u>4,128</u>	<u>(1,606)</u>

At the year end there were 5 credit default swaps and 17 interest rate swap contracts of which 9 were in the UK and 13 were Overseas.

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

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>
OTC Swaptions	3 months	Overseas other assets	£198,452	80	(13)
OTC Put option	2 months	Overseas fixed interest	£39,336	3	(1)
				83	(14)
				83	(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>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>
OTC traded (1 contract)	1-3 months	GBP 2,620,591	NZD 5,232,000	-	(6)
OTC traded (1 contract)	1-3 months	GBP 600,774	EUR 828,427	1	-
OTC traded (10 contracts)	1-3 months	GBP 197,597,953	USD 299,249,050	-	(4,040)
OTC traded (1 contract)	1-3 months	NZD 5,232,000	USD 3,984,482	-	(59)
OTC traded (1 contract)	1-3 months	USD 5,448,879	GBP 3,664,983	7	-
				8	(4,105)
				8	(4,105)

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

10. Investments (continued)

Longevity hedging insurance contract

The Scheme's longevity insurance contract 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)

Longevity hedging insurance contract - the Trustee has entered into a longevity hedging insurance contract designed to protect the Scheme and Employer against the risk of certain members living significantly longer than expected.

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. Under the terms of the agreement, no collateral has been pledged as at the year-end.

AVC investments

The Trustee hold assets invested separately from the main fund in the form of 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: -

	2015 £'000	2014 £'000
The Standard Life Assurance Company	508	591
Friends Life	5,453	5,852
The Equitable Life Assurance Company:		
Unit Linked	1	1
With Profits	913	982
The Prudential Assurance Company	1,911	2,366
Phoenix Life Limited	18	18
MGM Limited	1	1
	8,805	9,811

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

11. Investment management expenses

	2015 £'000	2014 £'000
Management fees	<u>2,093</u>	<u>2,094</u>

12. Current assets

	2015 £'000	2014 £'000
Other debtors and prepayments	40	1
Cash balances	<u>3,528</u>	<u>3,520</u>
	<u>3,568</u>	<u>3,521</u>

13. Current liabilities

	2015 £'000	2014 £'000
Unpaid benefits	1,487	783
Accrued expenses	-	922
PAYE payable	1,082	1,029
Other creditors	40	35
	<u>2,609</u>	<u>2,769</u>

14. Related party transactions

Included within administration fees in the prior year, as shown in note 8 to the financial statements, are Trustee fees totalling £28,000. From 1 April 2013, all administrative expenses of the Scheme are met by the Principal Employer. Trustee Directors were paid fees totalling £108,600 (2014: £88,300) directly by the Principal Employer during the year.

During the year, four Trustee Directors received a pension from the Scheme and three Trustee Directors were active and one was deferred member of the Scheme (see page 1 for details).

As set out on page 16 and referred to in note 3, deficit funding contributions are being paid out of an escrow account set up following the 2006 valuation. As at 31 March 2015 the balance in the escrow account was £70m.

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

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

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 the following contingent liabilities and contractual commitments at 31 March 2015 (2014: nil).

The Scheme has outstanding capital commitments in relation to the Macquarie Infrastructure Debt (UK Inflation Linked) Fund L.P. Commitments initially contracted were £25m (2014: nil) with undrawn commitments at the year end of £21.8m (2014: nil).

AKZO NOBEL (CPS) PENSION SCHEME

COMPLIANCE STATEMENT

FOR THE YEAR ENDED 31 MARCH 2015

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.

AKZO NOBEL (CPS) PENSION SCHEME

MEMBERS' INFORMATION

FOR THE YEAR ENDED 31 MARCH 2015

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

In accordance with the Occupational Pension Schemes (Disclosure of Information) Regulations 2013, 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)