



ICI PENSION FUND 2008

Report of the Trustee &
Financial Statements

ICI PENSION FUND

Registration Number 10013256

31 March 2008

REPORT OF THE TRUSTEE AND FINANCIAL STATEMENTS

ICI PENSION FUND

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ICI PENSION FUND

HIGHLIGHTS OF THE YEAR ENDING 31 MARCH 2008

How the money came in	Total £m
Employer contributions	190
Transfers in from another fund	1
Investment income	106
Total income	297

How it was used	£m
Pensions	463
Commutation lump sums	13
Transfers to other funds	65
Total expenditure	541

Change in the Fund	£m
Balance of Income and Expenditure	-244
Change in market value	233
Total change in the Fund	-11

The Fund's Assets at 31 March 2008 were £7,120 million

The Fund provides for:

Contributing members	683
Pensioners	55,554
Deferred pensioners	13,179
Total	69,416

ICI PENSION FUND

**TRUSTEE DIRECTORS AND PROFESSIONAL ADVISERS
AS AT 17 JULY 2008**

Trustee:

ICI Pensions Trustee Limited

Directors:

D J Gee (Chairman)

Pensioner

SRC

B J Bunt

Pensioner

IC

I N Canham

Deferred Member

PAC, AC

J H Fitzpatrick

Pensioner

PAC, AC

A J Friston

ICI Paints

SRC, IC

F P Gray

Pensioner

IC, AC

T J Hampton

Imperial Chemical Industries Ltd

IC

K R January

ICI Paints

PAC

R W T Turner

Imperial Chemical Industries Ltd

SRC, IC, AC

The Law Debenture Trust Corporation

p.l.c.

SRC, IC, PAC

Committee Roles:

IC - Investment Committee

SRC - Strategic Risk Committee

PAC - Policy & Administration Committee

AC - Appeals Committee

Secretary:

Pensions Secretariat Services Limited
38 Lombard Street, London EC3V 9BS

Membership Secretary:

L Davey
Watson Wyatt Limited, ICI Pensions Services
PO Box 545,
Redhill, Surrey RH1 1YX

Scheme Actuary:

R T G Hails

Watson Wyatt Limited, Watson House
London Road, Reigate, Surrey RH2 9PQ

Auditors:

KPMG LLP

One Canada Square, London E14 5AG

Investment Managers:

Alinda Capital Partners LLC

150 East 58th Street, 39th Floor, New York,
NY 10155, USA

Ashmore Management Company Limited

16 Aldwych, London WC2B 4AE

Barclays Global Investors Limited

Murray House, 1 Royal Mint Court,
London EC3N 4YH

**Goldman Sachs Asset Management
International**

Christchurch Court, 10-15 Newgate Street,
London EC1A 7HD

Intermediate Capital Managers Limited

20 Old Broad Street, London EC2N 1DP

M&G Investment Management Limited

Laurence Pountney Hill, London EC4R 0HH

Muzinich & Co Limited

24 Upper Brook Street, London W1K 7QB

PIMCO Europe Limited

103 Wigmore Street London W1U 1QS

Southeastern Asset Management, Inc.

6410 Poplar Avenue, Suite 900,
Memphis, Tennessee, TN 38119, USA

Investment Advisers:

Watson Wyatt Investment Consulting

Watson House, London Road,
Reigate, Surrey RH2 9PQ

Custodian:

JP Morgan Chase Bank

60 Victoria Embankment, London EC4Y 0JP

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**TRUSTEE DIRECTORS AND PROFESSIONAL ADVISERS
AS AT 17 JULY 2008**

Solicitors:

Allen & Overy LLP

One Bishops Square, London E1 6AO

DLA Piper UK LLP

1 St Paul's Place
Sheffield S1 2JX

Hammonds LLP

7 Devonshire Square, Cutlers Garden,
London EC2M 4YH

Administrators:

**Watson Wyatt Limited
Administration Offices
ICI Pensions Services**

PO Box 545,
Redhill,
Surrey RH1 1YX

Bankers:

Barclays Bank PLC

South East Corporate Banking Centre
PO Box 112, 51 Bishopric, Horsham
West Sussex RH12 1YQ

Corporate Finance Advisers:

Ernst & Young LLP

1 More London Place
London SE1 2AF

Penfida Partners LLP

135 Cannon Street
London EC4N 5BP

Communication Advisers:

Hogarth Partnership Ltd

No. 1 London Bridge
London SE1 9BG

Investment Performance Measurer:

WM Performance Services

525 Ferry Road, Edinburgh EH5 2AW

Medical Advisers:

Dr D Makepeace

Dr J Orlandi

Dr J Reed

Safe Custody Advisers:

Thomas Murray Ltd

199 Piccadilly
London W1J 9HA

Security Investigation Advisers:

Morris Chase International Ltd

Vista Centre
Salisbury Road
Heathrow TW4 6JQ

Transaction-Cost Advisers:

Inalytics Ltd

1a Church Road
Croydon CR0 1SG

AVC Providers:

Clerical Medical Investment Group Ltd

PO Box 174, Walton Street
Aylesbury
Bucks. HP21 7YP

The Equitable Life Assurance Society

PO Box 177, Walton Street
Aylesbury
Bucks. HP21 7YH

ICI PENSION FUND

REPORT OF THE TRUSTEE 31 MARCH 2008

The Trustee Board submits the Annual Report on the operations of the Fund, together with the Financial Statements of the Fund for the year ended 31 March 2008.

Status

The ICI Pension Fund is a defined benefit occupational pension scheme. On 1 October 2000 the Fund was closed to new employees of ongoing ICI Businesses and on 30 June 2002 it was closed to all new members, except for readmission, at the request of ICI, of certain former members who previously left the Fund in order to take up employment with a different ICI Group company.

Principal Employer

The Principal Employer is Imperial Chemical Industries Limited ("ICI"), 20 Manchester Square, London W1U 3AN (formerly Imperial Chemical Industries PLC).

Guarantor

On 2 January 2008, the Principal Employer was acquired by Akzo Nobel N.V. ("AkzoNobel"), a Company based in the Netherlands. Under a Deed executed on the same date, AkzoNobel guarantees all obligations of ICI to the Fund under legislation and under the Trust Deed and Rules.

The Trustee Company

The ICI Pension Fund has only one trustee -- a Corporate Trustee, a company called ICI Pensions Trustee Limited. This company is owned by The Law Debenture Trust Corporation plc., ("Law Debenture"), a professional trustee company which is entirely independent from ICI.

The trustee board has 11 Directors under the current structure, made up as follows:

- 1 Independent Director -- The Law Debenture Trust Corporation plc
- 5 Directors nominated by ICI management
- 5 Member-Nominated Directors (see below).

As owner of all the share capital only Law Debenture has the power to remove directors and to appoint replacements.

Member-Nominated Directors ("MNDs")

Under the Pensions Act 2004, the Trustee is responsible for determining the procedure for nomination and selection of Member-Nominated Directors, subject to certain requirements set out in that Act. The Trustee also has regard to guidance issued by the Pensions Regulator.

Under the continuing arrangements determined by the Trustee in 2006:

- any Fund member may be nominated as a Member-Nominated Director;
- nominations are valid for a period of three years
- the Trustee Board decides and publishes the selection criteria and nominates a selection panel, comprising Law Debenture and a cross-section of other Directors who are all members of the Fund;
- the final decision on who to appoint is taken by the selection panel appointed by the Trustee Board;
- detailed regulations for the nomination and selection procedure are determined by the Policy & Administration Committee and notified to members via the annual pensions newsletter issued in November each year ("Pensions News")

The arrangements were again publicised to members in the November 2007 edition of Pensions News. In total, 21 valid nominations (including nominations received in 2006/7) have been received by the Trustee.

The Selection Panel met once during the year and decided that Mr B J Bunt and Mr A J Friston should each be reappointed for an additional five-year term.

Directors

A list of the Directors at the date of this report is given on page 3.

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REPORT OF THE TRUSTEE 31 MARCH 2008

Since 1 April 2007, the following changes in Directors' appointments have arisen:

	Appointed	Resigned
J Hunter	31.07.07	30.06.08

The Directors held 15 meetings during the year ended 31 March 2008. These comprised 5 scheduled meetings, at which the Board reviews the full range of the Fund activities, and 10 additional meetings to consider specific urgent issues - in particular, the implications for the Fund of the proposed takeover of ICI by AkzoNobel.

Secretary

Mr C A Amos was Board Secretary and Secretary of ICI Pensions Trustee Limited throughout the year. The Trustee has also appointed a Membership Secretary, Mrs Tracey Dalmon of Watson Wyatt (Administrators) who handles all correspondence with individual members and an Assistant Board Secretary, Mrs Maria Cormican, who acts as Secretary to the Fund's Appeals Committee.

During the year, Mrs Lorraine Davey succeeded Mrs Tracey Dalmon as Membership Secretary. Since the year-end, with effect from 1 July 2008, the office of Board Secretary and Assistant Board Secretary has been taken over by Pensions Secretariat Services Limited, a wholly-owned subsidiary of the Fund.

Committees of the Trustee Board

The Board has appointed four committees to deal with aspects of its activities:

Appeals Committee

The Appeals Committee hears all appeals from members under the Internal Dispute Resolution Procedure. The Appeals Committee met 2 times during the year.

Investment Committee

The Investment Committee met 9 times during the year. Its role is to advise the Board on investment strategy and risks and it has delegated authority to implement changes to strategy; to review, monitor, select and (where necessary) deselect investment managers and custodian; to determine their remit and terms of appointment; and to act as an Audit Committee on investment related issues. Further details are contained in the Investment Report.

Policy & Administration Committee

The Administration Committee met 5 times during the year. The Committee advises the Board on issues of administrative policy, monitors the administrators of the ICI Pension Fund, Watson Wyatt Limited, and deals with discretionary benefits and other administrative issues delegated by the Board. It also acts as an audit committee on those matters not dealt with by the Investment Committee.

Strategic Risk Committee

The Strategic Risk Committee met 8 times during the year. Its role is to represent the Fund's interests in discussions with the Actuary and the Company about funding issues and the general security of the Fund and to investigate ways of mitigating the principal non-investment risks that may affect the Fund.

Trustee Training

The Trustee Board believes that all Directors should receive appropriate training to enable them to undertake their duties. Since 2003, the Trustee Board has allocated five days a year to trustee training in addition to scheduled Board and Committee meetings. It is the Trustee Board's practice to require all Directors to take the "Award in Pension Trusteeship" examination conducted by the Pensions Management Institute (or an equivalent examination). All directors with more than 12 months' service have already passed this (or an equivalent) examination.

Investment Principles & Corporate Governance

The Trustee Board has approved statements on the above matters and these are shown on pages 12 to 24.

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REPORT OF THE TRUSTEE 31 MARCH 2008

Statement of Trustee Responsibilities

The audited accounts are the responsibility of the Trustee Board. Pension scheme regulations require the Trustee Board to make available to scheme members, beneficiaries and certain other parties, audited accounts 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 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 accounts have been prepared in accordance with the Statement of Recommended Practice, ‘Financial Reports of Pension Schemes’.”

The Trustee Board has arranged for the preparation of the accounts and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. It is also responsible for making available each year, commonly in the form of an annual report, information about the scheme prescribed by pensions legislation, which the Trustee Board should ensure is consistent with the audited accounts it accompanies.

Under the Pensions Act 1995, the Trustee Board is 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 Trustee Board is 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 of contributions.

The Trustee Board also has 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.

Financial Statements

The Annual Financial Statements of the Fund have been prepared and audited in accordance with the requirements of the Pensions Act 1995 and are shown on pages 34 to 42 of this Report.

It must be emphasised that market value is a snapshot at the date of the Financial Statements and that there can be sharp short-term fluctuations in market value. Given the long-term nature of pension funds, too much emphasis should not be given to short-term rises or falls in market value of the Fund's investments. Therefore, it is advised that the Fund's Financial Statements should be read in conjunction with the Actuarial Certificate on page 30.

A Five Years' Statistical Summary to 31 March 2008 is given on page 47 of this Report.

Custodian

The Fund has a single, independent custodian for its investments, JP Morgan Chase Bank.

Additional Voluntary Contributions

With effect from 6 April 2006, the arrangements with Clerical Medical and Equitable Life are no longer open to new contributions. However, members who wish to do so are able to continue to maintain existing AVC savings accounts.

Benefit Statements

Benefit Statements are sent to most contributing and deferred members in early summer each year. Those not receiving them can request them individually.

Pension Increase

Guaranteed Minimum Pensions ("GMP") are increased as required by government regulations. The Fund's Rules provide a minimum increase for all other pensions of 5%, or RPI if lower, calculated on pension

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excluding GMP after commutation. The rate of increase granted during the year under the Rules was 3.8%, with effect from 1 November 2007.

In the case of those pensioners who retired between 15 May 1973 and 5 April 2006 inclusive and who elected to commute part of their pension for a lump sum, the increase was calculated on the pension excluding GMP before commutation ("a pre-commutation basis"). For all other pensioners, the increase was calculated on the post commuted pension (excluding GMP).

Self Investment

The Fund has no direct investments in Imperial Chemical Industries Limited or any other companies within the Akzo Nobel group. Indirect investment arises only via indexed pooled investment vehicles (as permitted by the Pensions Act 1995) and represents less than 0.1% of Fund assets.

Risk Controls

As a result of the European Pensions Directive, regulations require all pension fund trustees to ensure adequate internal financial controls and policies for the control of investment risk. No significant change to Trustee policies or procedures was necessary to comply with these regulations, but the Trustee has expanded its Statement of Investment Principles and documentation of internal controls in order to demonstrate compliance with the new regulations.

Actuarial Valuation and Determination of Contributions

The Actuary carried out a formal valuation of the Fund as at 31 March 2005. As a result of the 2005 valuation the Employer made the following contributions during the year to 31 March 2008, on the determination of the Actuary:

- (a) 18.5% of pensionable pay throughout the year (but increasing to 22.8% from 1 April 2006).
- (b) Contributions to fund the costs of early retirements in normal health were paid monthly according to a schedule agreed with the Employer.
- (c) Additional contributions of £122 million in recognition of the funding deficit at 31 March 2005.

In addition, following discussions between the Trustee and ICI on the results of the annual interim review as at 31 March 2007 (see "Subsequent Valuations" below), ICI agreed to make an additional payment of £50 million during the year. ICI also now meets the contributions that would have been made by members who have joined the salary sacrifice arrangement.

In compliance with disclosure regulations, the Fund issued updated Summary Funding Statements to all members at the end-April and end-August 2007, summarising updated results of this valuation.

Arrangements for payment of employer contributions

The directors have approved the following contribution dates proposed by the Principal Employer:

Type of Payment	Due Date
Members' contributions deducted from salary	Within nineteen days after the end of the month in which the deduction was made
Employer contributions related to salary	As for members' contributions
Early Retirement Top-Ups	Within one month of being demanded by the Administrator
Additional Contributions	By the end of the Fund year specified by the Actuary or (if earlier) by the dates specified in the Schedule of Contributions

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REPORT OF THE TRUSTEE 31 MARCH 2008

All contributions falling due within the year were received by the due dates, with the exception of the further additional contribution of £50 million due by 31 March 2008, which was actually received on 4 April 2008 together with a supplement of £30,342 for interest.

Additional agreements with the Principal Employer

- In conjunction with the determination by the Actuary of the contributions set out above, ICI continues to provide the Trustee with an £250 million asset-backed guarantee and agreed to share information periodically with the Trustee on the financial condition of ICI.
- Under Clause 14 of the Trust Deed, Imperial Chemical Industries Limited guarantees the due payment of contributions and other payments to the Fund so as to ensure solvency of the Fund and the due payment of all pensions and benefits.
- Following the disposal of the Quest business in March 2007, a Section 75 payment of £0.4 million was paid by ICI in February 2008.
- On 2 January 2008, the Principal Employer was acquired by Akzo Nobel N.V. ("AkzoNobel"), a Company based in the Netherlands. Under a Deed executed on the same date, AkzoNobel guarantees all obligations of ICI to the Fund under legislation and under the Trust Deed and Rules.

Subsequent Valuations

In addition to formal valuations, it is the Trustee Board's policy to call for annual interim reviews by the Actuary. The primary purpose of the interim review is to confirm that no factors affecting Fund solvency have changed so materially as to warrant the Trustee Board seeking a formal valuation earlier than next scheduled (ie. 31 March 2008).

Consequently, the Actuary undertook an interim review as at 31 March 2007. This indicated that, on an ongoing valuation basis, the funding level remains at approximately 91%, due to improvements in longevity offsetting additional ICI contributions and other factors.. Following discussions between the Trustee and ICI, ICI agreed to make further additional contributions of £50 million in 2007/8 and again in 2008/9 and a further additional contribution of £100 million in 2009/10, as an interim measure pending further discussions following the next full actuarial valuation.

The Actuary is undertaking a full valuation - which will be the first valuation of the Fund under the scheme specific funding regulations introduced by the Pensions Act 2004 - as at 31 March 2008. The results of this will be included in next year's Annual Report.

The latest Schedule of Contributions, Actuarial Certificate and Summary Funding Statement appear on pages 28 to 33.

Transfers

All transfer values paid to other pension schemes or credits given in respect of transfer values received from other pension schemes during the year, were either calculated and verified by the Fund's Actuary, or calculated in accordance with instructions prepared by him, in accordance with statutory regulations. Transfers In from external companies' pension schemes are no longer accepted into the Fund. Existing ICI employees who were required to leave the Fund and transfer into other ICI pension arrangements may still be permitted to rejoin the Fund, subject to the consent of the Company and Trustee.

Subsequent Events

On 3 April 2008, Akzo Nobel announced the completion of the sale of the National Starch Adhesives and Electronics Businesses to Henkel, as a result of which the majority of remaining contributing members are expected to be offered the opportunity to transfer to a Henkel UK pension scheme. Any such transfer would be on terms that are expected to be neutral or beneficial to the Fund and the maximum amount that could be transferred out of the Fund as a result of this transaction is unlikely to exceed £1 million.

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Equal Treatment

The Directors believe that the ICI Pension Fund has equalised benefits between men and women as required by law except for Guaranteed Minimum Pensions where in common with most other schemes the Directors are awaiting further clarification of the law.

Internal Dispute Procedure

The Fund has instituted a procedure in accordance with the requirements of the Pensions Act. Details and a form can be obtained from ICI Pensions Services.

Contracting Out of S2P (formerly SERPS)

ICI has decided to contract its employees out of the State Earnings Related Pension Scheme (S2P formerly SERPS) as it has done since the scheme was introduced in 1978. The basis for contracting out of S2P (formerly SERPS) for the ICI Pension Fund is the Reference Scheme Test.

Appointment of Advisers

The advisers listed on pages 3 and 4 have all been appointed by the Trustee or under authority of the Trustee.

Data Protection Act 1998

The Trustee Board, together with the Administrator and the Scheme Actuary, periodically review the data held and systems used in order to assess actions required to meet the provisions of the Act. The Trustee believes that it complies with all aspects of the legislation.

Tax Status

The Fund is registered with HMRC in accordance with the Finance Act 2004 and the Directors know of no reason why this registration may be prejudiced or withdrawn.

Enquiries

Any enquiry concerning the Trustee's Report, Financial Statements or any provisions of the Fund should be addressed to the Membership Secretary at the address of the Fund's Administration Offices shown on page 3.

BY ORDER OF THE BOARD
OF ICI PENSIONS TRUSTEE LIMITED

Pension Secretariat Services Ltd
Secretary
17 July 2008

ICI PENSION FUND

MEMBERSHIP REPORT 31 MARCH 2008

	Contributing Members	Pensions in Payment	Deferred Pensioners	Total
At 1 April 2007	794	57,030	14,016	71,840
Additions	2	1,411	62	1,475
Cessations	-113	-2,887	-899	-3,899
 At 31 March 2008	<u>683</u>	<u>55,554</u>	<u>13,179</u>	<u>69,416</u>

Cessations of Contributing Members

Pensions at normal retirement	5
Pensions at early retirement	41
Pensions on failure of health	5
Deferred pensions	62
	<u>113</u>

Commutation of Pensions

During the year 487 members were eligible to exercise their option to commute part of their pensions and 360 (i.e 73.9%) decided to do so. The total pensions commuted during the period under review amounted to £0.8 million per annum.

Dependants' and Spouses' Pensions

Of the 55,554 pensions in payment at 31 March 2008, 17,434 were payable to dependants and spouses.

Additional Voluntary Contributions (AVC) Scheme

AVCs are invested in individual accounts with Clerical Medical and the Equitable Life Assurance Society. The membership statistics reflect the number of individuals with AVCs.

	Equitable Life	Clerical Medical
AVC Members at 1 April 2007	263	124
Add: New contributors	-	-
	<u>263</u>	<u>124</u>
Less: Leavers	19	17
Members at 31 March 2008	<u>244</u>	<u>107</u>

ICI PENSION FUND

STATEMENT OF INVESTMENT PRINCIPLES

REVISED MAY 2008

Introduction

Background

Under the Pensions Act 1995, subsequently amended by the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005 ("the Act"), the Trustee Board of ICI Pensions Trustee Limited ("the Trustee") is required to prepare a statement of the principles governing decisions about investments for the Scheme. This document is that statement. It also reflects the recommendations made in the Myners Review and ICI's Global Framework of Best Practice for Pension Investments ("the Global Framework").

Before adopting this document, the Trustee has consulted Imperial Chemical Industries Limited (the "Principal Employer") and the Trustee will consult the Principal Employer before revising this document. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.

In drawing up this document, the Trustee has obtained and considered written advice (for the purposes of the Act) from the Fund's investment consultants, the scheme actuary and, on an informal basis, has discussed the investment issues contained in this document with the Fund's investment managers.

The Trustee will review this document, with the advice of the investment consultant, actuary and in consultation with the Principal Employer from time to time but, in any event, at least every three years or immediately after any significant change in investment policy or where the Trustee thinks a review is needed for other reasons.

In preparing this document the Trustee has had regard to the requirements of the Act concerning diversification of investments, suitability of investments and its policy in relation to risks, including the ways in which risks are to be measured and managed. The Trustee will consider those requirements in any review of this document or any change in their investment policy.

The Trustee will refer to this document where necessary to ensure that it exercises its powers of investment so as to give effect to the principles set out in it as far as is reasonable.

Governance

The Trustee has ultimate responsibility for decision-making on investment matters. The Board has set up an Investment Committee, which gives detailed consideration to investment matters and makes recommendations to the full Trustee Board. The Investment Committee has some executive powers delegated to it but all strategic decisions are reserved to the Trustee Board.

The Trustee's responsibilities include:

- Reviewing from time to time the content of this Statement of Investment Principles (SIP) and modifying it if deemed appropriate, in consultation with the Principal Employer and with written advice from the investment consultant and the scheme actuary.
- Reviewing the suitability of the investment policy following the results of each actuarial review, and/or significant change in the Trustee's evaluation of the Principal Employer's covenant in consultation with the investment consultant and scheme actuary.
- Assessing the quality of the performance and processes of the Investment Managers by means of regular, but no less than annual, reviews of the investment results and other information in consultation with the investment consultant and the scheme actuary.

Matters delegated to the Investment Committee include:

- Allocating the assets and the cash flow of the Fund between investment mandates and making periodic adjustments to the portfolio allocations.
- Consulting with the Principal Employer when reviewing investment policy issues.
- Appointing (and dismissing) investment managers.
- Appointing and monitoring the custodian.

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STATEMENT OF INVESTMENT PRINCIPLES

REVISED MAY 2008

- Appointing and monitoring investment advisers to the Fund.
- Monitoring compliance with this statement on an ongoing basis.

In addition to the considerations articulated within this statement, the Trustee formulates a forward-looking business plan and updates it as a continuous process. This business plan highlights issues, which will be considered/reviewed over the next 12 months and the next three years.

Only persons or organisations with the necessary skills, information and resources take decisions affecting the Scheme. The Trustee of the Scheme draws on the expertise of external advisers including investment managers, custodians, investment consultants and the scheme actuary. A list of advisers is included in Appendix A on page 20. Details of their respective responsibilities are detailed in Appendix B on page 21.

The Trustee is also committed to a training programme to ensure it continues to develop its expertise.

The Trustee agrees with the principle that mandates for actuarial advice and for investment consulting should be open to separate competition. However, the importance of matching asset strategy to liabilities means a close relationship between actuarial and investment advice has been helpful.

Trustee Directors employed by ICI are entitled to time off from their normal duties for Trustee business, but are not otherwise remunerated. Other Directors (such as Pensioner Directors and the Independent Trustee) are remunerated by the Principal Employer for their services, on terms decided by the Trustee Board. In addition, all expenses of Trustee Directors associated with their responsibilities are met by the Company.

Investment Objectives

The Fund's principal investment objective is to ensure that the Fund is able to provide the benefits set out in the Trust Deed by optimising the return on a diversified portfolio of assets, having taken account of the Fund's liabilities and its tolerance of risk in the context of the Trustee's evaluation of the Principal Employer's covenant.

In more detail, the long-term investment objectives of the Trustee are to:

- Identify a strategic balance of investments which is appropriate to the mature liabilities of the Fund.
- Invest in a range of suitable assets of appropriate liquidity which will generate income and capital growth and, together with new contributions from members and the employer, will meet the cost of current and future benefits which the Fund provides, as set out in the Trust Deed and Rules.
- Limit the risk of the assets failing to meet the liabilities over the long-term, in particular in relation to the MFR test and the expected future requirements of the scheme-specific funding regime established by the Pensions Act 2004 and associated regulations.
- Control the long-term costs of the Fund by maximising the return on the assets to the extent consistent with the principal investment objective described above

The investment objectives described above have been determined after consultation with the Principal Employer, who has the right to be consulted in relation to any change in the investment objectives.

The investment objectives of the Fund are not framed relative to the performance of either other pension funds or market indices and are specific to the Fund.

Minimum Funding Requirement

The Pensions Act requires that the value of the assets of pension schemes is not less than the value of the liabilities and sets out the procedure for dealing with shortfalls. The Trustee considers that the investment principles described in this statement are consistent with complying with its obligations under the Minimum

Funding Requirement. The Trustee will review its strategic benchmark and investment policy in the light of

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STATEMENT OF INVESTMENT PRINCIPLES

REVISED MAY 2008

actuarial valuations and certificates and schedules of contributions produced in order to comply with the Act. Although the Fund is not yet subject to the scheme-specific funding requirements of the Pensions Act 2004, these will apply following its next full valuation, which must take place as at a date no later than 31 March 2008. The Trustee expects that its Statutory Funding Objective under the scheme-specific funding regime is likely to be significantly more demanding than the Minimum Funding Requirement and its investment policy takes account of this expectation.

Risk Management

The Trustee recognises a number of risks involved in the investment of the assets of the Fund:

- Solvency risk and mismatching risk:
 - Are measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies
 - Are managed through assessing the progress of the actual growth of the liabilities relative to the selected investment policy.
- Manager risk:
 - Is measured by the expected deviation of the prospective risk and return, as set out in the manager(s)' objectives, relative to the investment policy
 - Is managed by monitoring the actual deviation of returns relative to the objective and factors supporting the manager(s)' investment process.
- Liquidity risk
 - Is measured by the level of cash flow required by the Fund over a specified period
 - Is managed by the Fund's administrators assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment policy.
- Custodian risk:
 - Is measured by assessing the credit-worthiness of the custodian bank and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody
 - Is managed by monitoring the custodian's activities and discussing the performance of the custodian with the investment managers when appropriate.
- Political risk:
 - Is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention
 - Is managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.
- Sponsor risk:
 - Is measured by the level of ability and willingness of the sponsor to support the continuation of the Fund and to make good any current or future deficit
 - Is managed by assessing the interaction between the Fund and the sponsor's business, as measured by a number of factors, including the creditworthiness of the sponsor, the size of the pension liability relative to a number of metrics reflecting the financial strength of the sponsor and the enforceability in practice of the Principal Employer's legal obligations to the Fund.

Strategic Asset Allocation

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STATEMENT OF INVESTMENT PRINCIPLES

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The strategic asset allocation of the Fund is driven by the financial characteristics of the Fund, in particular the Fund's liabilities and the risk tolerance of the Trustee in consultation with the Principal Employer.

The Trustee seeks to achieve the Fund's objectives through investing in a suitably diversified mix of real and monetary assets or financial instruments that reflects the funding risks to which the Fund is exposed and which balances investment return against volatility.

As a very mature fund, the investment portfolio is centred on fixed income securities. In addition, the Fund invests in equities (including a long term mandate), emerging market debt and high yield debt (which have equity-type characteristics), leveraged loans and and currency funds. However, the Trustee does not feel that investment in other alternative asset classes, including private equity, hedge funds or real estate would be beneficial at present, given the overall risk-return profile of the Fund. This policy is, however, reviewed from time to time.

In setting the investment policy, the Trustee has had regard to the influence that this will have on future Minimum Funding Requirement and the likelihood of this measure falling below 100%. The Trustee also has regard to the likely future implications of the scheme-specific funding regime introduced by the Pensions Act 2004.

The Fund's strategic asset allocation benchmark is also used as a performance benchmark to assess implementation over the shorter term.

Asset allocation is kept within narrow bands around the strategic benchmark.

The Trustee hedges part of its foreign currency exposure on a passive basis to reduce risk.

The current asset allocation and assumptions used in the last asset/liability study are included in Appendix C on page 22. In setting the Fund's strategic asset allocation benchmark, the Trustee takes account of the Fund's very mature liability profile and its tolerance of risk in the context of the Trustees evaluation of the Principal Employer's covenant. Consequently, the Fund's current objectives are to have 82% of the Fund invested in low-risk fixed interest and inflation-linked bonds, and average duration broadly similar to the Fund's total liabilities.

In the absence of other factors, the Trustee expects that the proportion of the Fund invested in low-risk bonds will increase gradually over future years, as the liability profile matures further.

Manager Structure

The Trustee considers the use of both passive and active investment management when reviewing the Fund's strategy. The resultant allocation to active and passive management is decided following consideration of the efficiency, liquidity and level of transaction costs likely to prevail within each market as well as the impact of the investment manager fees on future expected returns.

The maturity of the Fund has led the Trustee to conclude that a large proportion of the liability should be cash-flow matched with bonds.

The Fund employs a number of managers to ensure adequate diversification by fund management organisation and investment style. Managers are selected, monitored and terminated on the basis of a range of factors of which performance is only one. The overall business management of the investment firm, its people and investment processes are the most important. Independent, expert advice is taken in all manager appointments and terminations.

The investment managers (with the exception of the cashflow matching portfolio) have been set mandate-specific benchmarks which have clear performance targets attached. In order to control the risk of significant underperformance, the active investment managers' performance objectives include various control limits.

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(The current manager structure and mandates are attached in Appendix D on pages 23 & 24.)

Managers (other than the long term global equity manager) should achieve their objectives in the majority of three-year periods under consideration. It is not expected that the Managers (other than the passive manager) will achieve these targets in every three year period. Managers should, however, demonstrate that the skill they exercise in managing the portfolio and the process that they follow is consistent with these targets given the level of risk adopted.

The Trustee has imposed certain investment restrictions on their investment managers in the areas of concentration of holdings, derivatives, currency hedging and sub-underwriting. In addition, there is no self-investment (as defined in the respective investment management agreements with the investment managers), except as permitted under the Occupational Pension Schemes (Investment) Regulations 1996.

The Fund's investment managers provide the Trustee with details of the commission payments they make on asset transactions and how they control overall trading costs. The Trustee monitors transaction costs on a triennial basis. The Fund's investment managers are not permitted to use soft commission arrangements within their broking transactions on the Fund's directly invested investments.

A significant proportion of the Fund's liabilities are matched by a cashflow matching portfolio. However, for any unexpected cash payments, cashflow is managed in such a way that the Fund can meet its regular outgoings. Furthermore, sufficient investments are held in liquid or readily realisable assets so that unexpected cashflow requirements can be met in most circumstances without the need to disrupt the Fund's overall investment policy. Within guidelines set by the Trustee, the investment managers have total discretion as to which investments they buy and sell although they must take account of the Fund's cashflow requirements which are reported to them on a regular basis. The investment managers are expected to sell investments that are no longer considered suitable for the Fund and should take account of liquidity when new investments are made. Transactions are reported on a monthly basis.

The Trustee has in the past provided a facility for members to pay AVCs into the Fund to enhance their benefits at retirement. Members were offered a number of investment vehicles ranging from monetary based to equity based funds. The AVC funds are no longer open to new contributions, but members who wish to do so are able to maintain existing AVC investments and so the range, suitability and performance of these vehicles and the status and service of their providers are reviewed from time to time with advice from the investment consultant.

Corporate Governance, Socially-Responsible Investing (“SRI”) and Activism

The Trustee recognises its responsibilities as a shareholder being an owner of capital and that its primary objective as a shareholder is to achieve a high long-term return on its investment by the enhancement of shareholder value. The Trustee believes that good corporate governance enhances shareholder value in the long term.

The Trustee wishes to encourage:

- a high standard of corporate governance within its investee companies; and
- positive voting at all general meetings on all matters.

Corporate Governance Policy

The Trustee believes that good corporate governance applied in the appropriate manner should improve the performance of the companies in which the Fund invests, thereby enhancing the long-term growth of the Fund's investments.

The Trustee, therefore, supports the Combined Code of the London Stock Exchange Committee on Corporate Governance but feels that a good corporate governance policy should not be a rigid process involving the ticking of boxes. Instead, it should involve a degree of flexibility and allow for appropriate judgement to be

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exercised to take account of an individual company's particular circumstances. This is particularly true in the case of smaller companies where full compliance with some elements of these codes can be particularly onerous and may result in the deleterious effect of stifling entrepreneurial flair to the long-term detriment of investors.

The Trustee has delegated the responsibility of implementing its corporate governance policy to its investment managers and in future its investment managers' corporate governance policies will be reviewed as part of their manager selection process. The investment managers will be instructed where practicable to take into account the principles laid down in a series of guidelines when considering corporate governance issues and to exercise the appropriate judgement for the particular company in question.

Social, Environmental and Ethical Issues

Good corporate governance of a company includes the management of its impact on the environment and the community. Failure to address these matters may harm a company's reputation. Furthermore, an inadequate environmental policy can lead to legal action and higher operating costs, which represent potential damage to shareholder interests. Consequently, the Trustee also expects its investment managers to take account of social, environmental and ethical considerations in the pursuit of long-term returns. The Trustee has reviewed and has accepted the managers' policies on this issue and will monitor these policies on a regular basis.

The Trustee's policy is to invest part of the Fund's assets on a passive basis. The Trustee does not consider it appropriate for a passive manager to take account of social, environmental or ethical considerations in the selection, retention and realisation of investments. However, it is the Trustee's policy to give discretion to the passive investment manager to pursue a policy of engagement with companies. The extent to which social, environmental and ethical considerations are taken into account in this engagement policy and any exercise of voting rights is left to the discretion of the passive manager.

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.

Investment managers are encouraged, but not directed, to vote on all resolutions at annual and extraordinary meetings of companies. Voting power will be exercised by investment managers with the objective of preserving and enhancing long-term shareholder value in accordance with the Trustee's corporate governance policy, which is reviewed from time to time. Deliberate abstention should always be distinct from not voting, and seen as a milder rebuke than voting against a resolution.

The Trustee has instructed investment managers to report quarterly on an 'exceptions' basis on the exercise of corporate governance, and particularly on their voting record. The investment managers may also be requested from time to time to provide a report on the overall impact of social, environmental and ethical considerations on investment management, and to comment in particular on situations in which social, environmental and ethical considerations have been decisive to a transaction or shareholder action (including voting).

Activism

In addition to positive voting, the Trustee also expects its investment managers to intervene where practicable in an investee company in accordance with the set of principles for activism drawn up by the Institutional Shareholders' Committee.

The Trustee expects its investment managers to:

- Monitor various aspects of corporate performance. These might include:

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- Relative share price performance
 - Corporate governance
 - Strategies and policies
 - Senior management succession planning
 - Mergers and acquisition policy
 - Financial and non-financial performance
- Maintain details of their monitoring process and record keeping as necessary;
 - Intervene in a company if they believe that such action will enhance value for the Fund after taking account of the costs involved. Intervention should be seriously considered when the manager has concerns about any aspect of corporate performance and where they believe that shareholder value may be at risk;
 - Maintain a regular dialogue with the management of the companies in which they hold a significant percentage of the stock on behalf of their clients;
 - Intervention may take several forms, according to the circumstances, and may include the following:
 - Exercising votes
 - Discussion with management
 - Communicating concerns in writing for the attention of the board as a whole
 - Communicating concerns to the company's brokers or advisers
 - Declining to accept the terms of a takeover
 - Exchanging information with other shareholders
 - Working with other shareholders to requisition a shareholder meeting
 - Attendance at general meetings, which may involve calling a poll.
 - Manage conflicts of interest effectively;
 - Monitor the response of a company during and after the period of intervention, looking for evidence that the company has addressed the concerns and responded accordingly;
 - Report back to the Trustee on a quarterly basis where the manager has taken meaningful steps to intervene in a company.

Monitoring

Investment Managers

Independent performance monitoring agencies measure the Fund's and the investment managers' performance against objectives. Both individual managers and the overall manager structure are assessed on the basis of return, level of risk taken and the fees paid.

The investment consultant holds regular meetings with the investment managers to satisfy themselves that the managers continue to carry out their work competently and have the appropriate knowledge and experience to manage the investments of the Fund. Any concerns/issues are reported to the Investment Committee and the Trustee. The Investment Committee meets the managers at least annually.

The investment managers have been provided with a copy of this Statement and will be notified of any amendment to, or replacement of, the Statement. The Trustee will monitor the extent to which the managers give effect (so far as is reasonably practicable) to the policies set out.

Custodian

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The Trustee believes that the provider of custodian services for the Fund's assets should be separate from the providers of investment management services and that the custodian should be monitored regularly. The Trustee has also entered into a stock lending programme via its custodian and Barclays Global Investors as a way of enhancing value. All stock lending is required to be covered by collateral deposited by the borrower, to a value in excess of the value of the stock borrowed. The Custodian or BGI (as appropriate) is responsible for continuously monitoring the value of collateral. The Trustee employs a specialist custody consultant to monitor the suitability and performance of the custodian and to monitor safe custody risks.

Other advisers

Service level agreements are in place with the external advisers. These agreements provide for:

- timeliness of response
- confirmation of work
- regular billing
- a complaints mechanism.

Trustee effectiveness

The Trustee has developed methods of assessing the effectiveness of the Trustee's decisions and the contributions to those decisions by the Fund's investment managers and consultants.

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STATEMENT OF INVESTMENT PRINCIPLES REVISED MAY 2008

APPENDIX A: Current Advisers and Investment Managers

<i>Scheme Actuary:</i>	Robert Hails, FIA
<i>Investment Consultant:</i>	Watson Wyatt Investment Consulting
<i>Long term global equity:</i>	Southeastern Asset Management Inc
<i>Active Bonds:</i>	
<i>High Yield:</i>	Muzinich & Co Limited
<i>Emerging Market:</i>	Ashmore Management Company Limited
<i>High Alpha:</i>	PIMCO Europe Limited
<i>Leveraged loans</i>	Intermediate Capital Group Prudential M&G
<i>Passive (including cashflow matching):</i>	Barclays Global Investors
<i>Active currency pooled funds:</i>	Goldman Sachs Asset Management
<i>Infrastructure:</i>	Alinda Capital Partners LLC
<i>Custodian:</i>	JP Morgan Chase
<i>Performance measurer:</i>	The WM Company
<i>Solicitors:</i>	Hammonds LLP Allen & Overy LLP
<i>Scheme Auditors:</i>	KPMG LLP
<i>Safe Custody Advisers</i>	Thomas Murray Limited
<i>Transaction Cost Advisers</i>	Inalytics Limited

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APPENDIX B: Division of Responsibilities

Scheme actuary

The scheme actuary's responsibilities include:

- Fulfilling the statutory obligations of a scheme actuary
- Liaising with the investment consultant on the suitability of the Fund's investment strategy given the financial characteristics of the Fund
- Assessing the MFR position of the Fund and advising on the appropriate response to any shortfall
- Performing the triennial (or more frequently as required) valuations and determining the appropriate contribution levels.

Investment consultant

The investment consultant's responsibilities include

- advising the Trustee in reviews of this Statement of Investment Principles
- advising through consultation with the scheme actuary, how any changes within the Scheme's benefits, membership and funding position may affect the manner in which the assets should be invested
- advising of any changes in the Fund's investment managers' organisations that could affect the interests of the Fund
- advising of any changes in the investment environment that could either present opportunities or problems for the Fund
- undertaking project work as requested including
- review of the asset allocation policy
- research reviews of investment managers
- advising on the selection of new managers.

Fees - currently calculated by reference to the time spent on any particular assignment multiplied by the relevant charge out rates applying to partners and staff who provided the services in question. Budgets are agreed on an annual basis.

Investment managers

The investment managers' responsibilities are set out in investment management agreements between each manager and the Fund and include (to the extent appropriate to their mandate):

- At their discretion, or in accordance with any special instructions from the Trustee, implementing changes in the asset mix within their control and selecting securities within each asset class.
- Providing the Trustee with quarterly statements of the assets along with a quarterly report on actions and future intentions, and any changes to the investment processes applied to their portfolios.
- Informing the Trustee of any material changes in the internal objectives and guidelines of any pooled funds used by the Fund and managed by the investment manager or an associated company.

Custodian

The Custodian's responsibilities include:

- the safekeeping of all the assets of the Fund
- providing the Trustee with statements of the assets and the cashflows
- undertaking all appropriate administration relating to the Scheme's assets
- processing all dividends and tax reclaims in a timely manner
- dealing with corporate actions
- handling a stock lending programme.

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APPENDIX C: Current Asset Allocation 31.03.08

	% Benchmark weight
UK Equities	3.5
Overseas/Global Equities	5.5
Fixed Interest Bonds	12.6
Inflation-linked Bonds (RPI and LPI)	69.4
High yield debt	2.0
Emerging market debt	2.5
Global bonds	0.5
Active Currency Fund	1.0
Long-term global equities	1.0
Leveraged loans	2.0
	100.0

Additionally, the Trustee has decided to invest 1% to 1.5% of the Fund's assets in infrastructure, with a corresponding reduction in the allocation to equities. It is expected that this allocation will be managed by 2 or 3 managers.

Assumptions as at 31.03.06

The following assumptions represent best-estimates of future real (i.e in excess of inflation) returns for each asset class rather than the more prudent assumptions that the Scheme Actuary would use in the triennial valuation process.

	% pa
UK equities	4.9
Overseas equities	5.0
Long-term UK conventional gilts	1.6
AA UK long corporate bonds	2.0
UK index-linked gilts	1.3
Cash	0.8
High yield debt	2.5
Emerging market debt	2.7
Active currency	3.6
Inflation	2.7

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APPENDIX D: Current Manager Structure

The Fund employs a number of active and passive investment managers.

Measurable objectives have been developed for the Investment Managers consistent with the achievement of the Fund's overall longer-term objective. The benchmarks and performance targets are shown in the table below.

Manager Mandate	Benchmark	Performance target
Residual portfolio (ICI-IM)	Cash	To realise the portfolio for cash without conceding significant discounts to market value and where possible adding value
Passive Equities (BGI)	40.0% FTSE All Share Index 24.6% FTSE All-World Developed Europe ex UK Index 10.1% FTSE All-World Japan Index 11.0% FTSE All-World Developed Asia Pacific ex Japan Index 14.3% FTSE All-World US Index	Maximum tracking error 0.3% over 12 months 0.1% over 3 years
Cash flow matching (BGI)	Fixed interest bonds to match all fixed liabilities for all years Limited Price Indexation (0,5) (LPI (0,5)) to match 51.4% of LPI (0,5) liabilities for all years and an additional 48.6% of LPI (0,5) liabilities for the period until 31 December 2009, an additional 14.8% of LPI (0-5) liabilities for the period from 1 January 2010 until 31 December 2014, and an additional 5.8% of LPI (0-5) liabilities for the period from 1 January 2015. Limited Price Indexation (0,3) (LPI (0,3)) to match 100% of LPI (0.3) liabilities for all years. The balance of liabilities is deemed to be met from equity income, company contributions and equity realisations.	
Active Bonds		
High Yield (Muzinich)	80% Merrill Lynch US High Yield Cash Pay (BB and B) Constrained Index and 20% Merrill Lynch Euro High Yield (BB and B) Constrained Index, hedged into GBP	Outperform by 2% pa over three year periods. Active risk: 8% pa.
Emerging Market (Ashmore) EMLIP Fund and Multi Strategy Fund	Not Applicable (Investment made through unit trust)	Not Applicable
High alpha (PIMCO) Diversified Income Fund	33.3% Lehman Brothers Global Aggregate - Credit Component Hedged USD Index 33.3% Merrill Lynch Global High Yield - BB-B rated Constrained Hedged Index 33.3% JPMorgan EMBI Global Hedged Index	Outperform by 1% pa to 2% pa

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Long Term Equity (Southeastern)	Not applicable (Unconstrained portfolio within the constituent universe of the MSCI World Index)	7% pa above the annualised return on UK Retail price Index over rolling 5-10 years
Leveraged Loans (ICG)	Euribor	Outperform by 2% pa.
Leveraged Loans (Prudential M&G)	Sterling 3m LIBOR	Outperform by 2% pa.
Active Currency Pooled Funds (Goldman Sachs)	Sterling LIBOR	Targeted active risk of 6%, leading to an expected outperformance of 4.5%
Infrastructure (Alinda)	Not applicable (a cash benchmark of Sterling 3m LIBOR is used for performance measurement purposes)	Targeted internal rate of return of 20%

Derivatives

A derivatives policy has been developed for the use of derivatives (such as index futures, currency forward contracts and swaps) for efficient portfolio management and risk reduction. However, they must not be used to gear the Fund. Limits have been set on the use of derivatives which are reviewed from time to time.

Fee Basis

Investment manager fees for the Fund are mainly on an ad valorem basis but some managers are remunerated wholly or partly on the basis of a fixed fee or a performance-related fee. The Trustee believes that it is not in the commercial interests of the Fund to disclose the detailed nature of the fees paid.

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Investment Management Structure

Investments are managed according to remits and control limits laid down by the Directors of ICI Pensions Trustee Limited, after having consulted the Principal Employer in accordance with the Pensions Act 1995. The Directors have an Investment Committee to whom a number of operational powers are delegated, but key strategic decisions about long-term strategy and governance are taken by the full Board of Directors.

The Trustee has delegated all day-to-day investment decisions to its investment managers:

- Ashmore Management Company Limited ["Ashmore"]
- Barclays Global Investors Limited ["BGI"]
- Goldman Sachs Asset Management Limited ["GSAM"]
- Intermediate Capital Group ["ICG"]
- Muzinich & Co Limited ["Muzinich"]
- PIMCO Europe Limited ["PIMCO"]
- Southeastern Asset Management Inc ["Southeastern"]

Each remit includes a benchmark against which performance is measured. BGI's ongoing remit is to manage equities on a passive basis and bonds on a cashflow-matching basis. BGI also acts as the Fund's principal Transition Manager. Southeastern is a specialist equity manager. Ashmore, Muzinich and PIMCO are bond managers, specialising in Emerging Markets Bonds, High-Yield Bonds and High Return Bonds respectively. ICG is a specialist Leveraged Loans manager. GSAM manages currencies on an active basis through a pooled currency fund.

Since the year-end, the Trustee has appointed M&G Investment Management Limited as an additional manager specialising in leveraged loans and has appointed Alinda Capital Partners LLC as an additional manager specialising in infrastructure.

Economic & Market Background

All major equity markets initially continued the strong positive performance of the previous year. However, in July 2007, financial markets changed sharply, as banks reassessed the potential losses from complex financial instruments which had repackaged sub-prime loans in the US mortgage market. This in turn produced a sharp reduction in the willingness of banks to lend to other financial institutions - the so-called "credit crunch" - at a time when investment banks already had excess inventories of lower-quality debt raised by private equity firms to finance ever-larger acquisitions.

Central Banks in the US and UK responded with successive cuts in interest rates, to soften the impact on the "real economy." However, consumer confidence was significantly affected in both countries by weaker house prices (especially in the US) and, despite further Central Bank intervention to improve liquidity, financial institutions remained reluctant to lend money to one another, due to continuing uncertainty about the extent to which borrowing banks might be exposed to further losses on complex financial products, or simply to the consequences of the reluctance of other banks to lend. The UK government had to intervene in 2007 to rescue Northern Rock PLC from a run on deposits and, in early 2008, Bear Stearns - a major US financial institution - had to accept an emergency takeover by JP Morgan in order to forestall a similar loss of confidence from wholesale markets.

Meanwhile, growth in China, the rest of Asia and most other emerging markets remained strong, putting continued upward pressure on commodity prices, whilst professional investors in commodities contributed further to commodity price inflation by adding to forward demand. The US dollar and sterling fell during the year against the euro and against most emerging market currencies, adding to the inflationary impact of rising oil and other prices. The year ended with equity markets significantly below the highs of mid-2007 as investors absorbed the evidence that growth would be slower in most major economies and that the scope for further interest rate cuts by Western central banks would be limited by the risks to inflation from continued rising commodity prices and currency weakness.

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Investment Strategies

The Fund continued its existing investment strategy of maintaining a substantial proportion of assets in bonds that directly match expected future cash outflows, in order to minimise volatility of assets relative to liabilities. The Trustee recognises that, in years when equity markets rise strongly, this limits the upside potential performance of the Fund's investments; but, equally, when they fall substantially (as in the period 2000-2003 and, to a lesser extent, during the current year), the Fund is correspondingly much better protected against downside risk. In particular, the high proportion of the Fund's assets invested in index-linked bonds (or pooled funds with similar economic characteristics) protects the fund in conditions, such as those prevailing in 2008, when economic growth slows whilst inflation rises.

The Fund relied mainly on income and maturities of its low-risk bond portfolio to meet pension outgoings, but also made modest sales of equities and higher-yielding bonds in order to limit deviation from the long-term benchmark.

During the year, the Trustee made an allocation of 0.5% of assets each to the high alpha bond mandate managed by PIMCO and the high yield bond mandate managed by Muzinich,. This was funded by the termination of the GSAM Global Tactical Asset Allocation (GTAA) mandate and by realising some of the exceptional gains made by Ashmore. The new mandate[s] awarded since the year-end (see "Investment Manager Structure" above) have been funded by reductions in passively-managed UK and overseas equities of 0.5% each.

As a result of changes to investment managers during the year, the Fund's strategic asset allocation expressed by the benchmarks given to individual managers at 31 March 2008, was as set out below:-

	BGI %	GSAM %	South Eastern %	PIMCO %	Ashmore %	Muzinich %	ICG %	Total %
UK Inflation-linked Bonds (LPI)	42							42
UK Inflation-linked Bonds (RPI)	27							27
UK Fixed Interest Bonds	13							13
UK Equities	4							4
Overseas Equities	6		1					7
Emerging Market Bonds				0.5	2			2.5
High-Yield Bonds				0.5		1.5		2.0
Global Bonds				0.5				0.5
Leveraged Loans							1	1
Active Pooled Currency Funds		1						1
	92	1	1	1.5	2	1.5	1	100

Subject to rounding differences

Investment Performance Summary

The Fund subscribes to the independent WM Company service for performance measurement of UK pension funds. Since 1995, the Fund has set a strategic allocation benchmark which takes into account the liability profile. Performance is measured by reference to a weighted benchmark calculated from the stock market indices appropriate to its asset strategy (see above). The returns against benchmark for the total Fund to 31 December 2007 and for each manager who served throughout the relevant period were as follows:

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	Year 2007		Last 3 years		Last 10 years	
	<u>Actual</u> %	<u>Benchmark</u> %	<u>Actual</u> %	<u>Benchmark</u> %	<u>Actual</u> %	<u>Benchmark</u> %
BGI equity portfolio	10.1	9.4	16.1	16.2	6.7	6.7
BGI bond portfolio	6.2	6.2	5.9	5.9	N/A	N/A
Southeastern	3.4	11.0	7.1	10.8	N/A	N/A
Ashmore	16.5	4.7	19.6	8.3	N/A	N/A
Muzinich	3.5	2.5	5.8	6.1	N/A	N/A
GSAM (currency)	-26.1	6.0	N/A	N/A	N/A	N/A
PIMCO	5.5	5.2	N/A	N/A	N/A	N/A
ICG	12.1	15.6	N/A	N/A	N/A	N/A
Total Fund Return	6.4	6.3	7.5	7.0	6.9	6.6

Note: The Southeastern three year return is actually for two years and ten months.

Investment management benchmarks are adjusted for changes in remit quarterly as necessary. BGI's actual performance reflects the impact of directions given by the Trustee during the last 10 years at various mid-quarter dates, which distort comparison of returns vs. benchmark on an average monthly basis. If these distortions are excluded, BGI's 5-year performance is within 0.1% of benchmark.

The Fund's passive manager, BGI, managed its portfolio throughout the year so as to minimise divergence from benchmark. BGI's cashflow-matching portfolio was the main source of cash recalled from investment for paying pensions during the year. BGI's outperformance in the equity portfolio during 2007 is a result of distortions arising from mid-quarter changes to portfolio during the year, which distort comparisons with the benchmark

Results achieved by the Fund's active managers were dominated by the success of Ashmore in identifying emerging-market bonds which significantly out-performed the relevant index. This was offset by poor performance by GSAM, particularly the Global Tactical Asset Allocation "GTAA" mandate, reflecting severe problems of quantitative financial models in predicting and adjusting to "credit crunch" conditions. Following investment advice on this subject, the GSAM GTAA was terminated and the GSAM Active Currency mandate was restructured as a "fundamental-style"

Disclosure of Information

Further information concerning investments is detailed in Note 8 of the Financial Statements on pages 39 & 40.

Myners' Report - Trustee Compliance Statement

In March 2001, the government-sponsored Myners' Report published a voluntary code of practice, which contained a variety of recommendations on the future governance of pension fund investment processes.

The Trustee supports the principles set out in the Myners' Report and believes that, in general, they coincide with the interests of the Fund. The Trustee conducts an annual assessment of the Fund's compliance with the code of practice. This assessment confirms that the Trustee complies with almost all of the principles. There is, however, one area of non-compliance, namely the publication of the Fund's planned asset allocation strategy in the Statement of Investment Principles on the grounds that this may be prejudicial to the Fund's interests, due to the risk of initiating adverse market movements.

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SCHEDULE OF CONTRIBUTIONS 1 AUGUST 2007

Schedule of Contributions

1. Name of Scheme: ICI Pension Fund
2. This Schedule of Contributions revokes and replaces the schedule of contributions signed on behalf of the Trustees on 14/15 May 2007 and certified by the Actuary on 18 May 2007, which shall be of no further effect.
3. Period covered by schedule of contributions: from the date on which this schedule is certified by the Actuary up to and including 31 March 2014, unless it is replaced by a revised or new schedule of contributions certified by the Actuary.
4. Level of contributions payable:
By Contributing Members and Employed Members:
 - the rates set out in the Rules.By Contributing Companies :
 - 18.5% of members' total Pensionable Pay (as defined in the 1967 Rules or the Senior Executive Rules (1996), as applicable, assuming for this purpose (but without prejudice to clause 5 of this schedule) that no member is participating in the salary sacrifice arrangements referred to below) until 31 March 2006, rising to 22.8% with effect from 1 April 2006;
 - an additional contribution of £60m payable by 28 February 2006;
 - additional annual contributions of £122m payable during each successive twelve month period falling within the period commencing 1 April 2006 and ending 31 March 2009;
 - an additional contribution of £13.73m payable in February 2007 as settlement of the Section 75 debt arising following Uniqema's cessation of participation in the Fund;
 - an additional contribution of £138m payable in March 2007 following the completion of ICI's disposal of its Quest business
 - two additional contributions of £50m each payable no later than 31 March 2008 and 31 March 2009 respectively;
an additional contribution of £62m payable during the period commencing 1 April 2009 and ending 31 March 2010;
 - an additional contribution of £114m payable no later than 31 March 2010;
 - additional contributions as may be determined from time to time by the Actuary to be necessary to meet the estimated cost of all early retirements in normal health;
 - additional contributions as may be determined from time to time by the Actuary to be necessary to meet the estimated cost of benefit augmentations granted.
 - such additional amounts as may, from time to time, be agreed between the Trustee and the Employer.
5. The contributions due from the Contributing Companies will be increased by the amount of any Contributing Members' or Employed Members' contributions which are not required to be paid because the member concerned participates in the Contributing Companies' salary sacrifice arrangement, penSAVE, communicated to Contributing Members' and Employed Members' in February 2006.
6. Due date for payment of contributions: Contributing Members' and Employed Members' contributions and the Contributing Companies' contributions referred to above are payable monthly and are due to be paid to the Trustees by the 19th day of the month following the month to which the contributions relate. The additional contributions associated with early retirements and augmentations are due to be paid to the Trustees within six months of the retirement or augmentation to which they relate. The additional annual contributions of £122m and the additional contribution of £62m referred to above, are each payable in three equal instalments in each of the first three weeks of each January, commencing January 2007.

ICI PENSION FUND

**SCHEDULE OF CONTRIBUTIONS
1 AUGUST 2007**

7. In the event that any additional contribution of £50m or £114m is paid earlier than the due date specified above, the amount payable will be reduced at the rate of 5% per annum compound for each complete month between the actual payment date and 31 March.
8. Terms used in this Schedule have the meanings given to them in the Definitive Deed and Rules dated 6 April 2006 governing the ICI Pension Fund, unless the context requires otherwise.

ICI PENSION FUND
ACTUARIAL CERTIFICATE

**Actuarial certificate given for the purposes of section 58 of the Pensions Act 1995
(Certificate of Schedule of Contributions)**

Name of scheme ICI Pension Fund

Adequacy of rates of contributions

I hereby certify that, in my opinion, the rates of the contributions payable in accordance with the schedule of contributions signed on behalf of the Trustees on 1 August 2007 are adequate for the purpose of securing that throughout the period it covers the scheme will meet the minimum funding requirement imposed by section 56(1) of the Pensions Act 1995.

In forming this opinion I have complied with the requirements imposed by sections 56(3) and 58 of the Pensions Act 1995, the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996 and the mandatory guidelines on minimum funding requirement (GN27), prepared and published by the Institute of Actuaries and the Faculty of Actuaries, and have made the assumptions prescribed by them.

R T G Hails
Fellow of the Institute of Actuaries
Watson Wyatt Limited

1 August 2007

Watson House
London Road
Reigate
Surrey
RH2 9PQ

Note:

The certification of the adequacy of rates of contributions for the purpose of securing the meeting of the minimum funding requirement is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were wound up.

ICI PENSION FUND

SUMMARY FUNDING STATEMENT AS AT 31 MARCH 2007 ISSUED 31 AUGUST 2007

This statement is being sent to you on behalf of ICI Pensions Trustee Limited, who is the Trustee responsible for administering the Fund. As you are a person entitled to benefits from the Fund, we are writing to give you an update of the Fund's financial position. We will send you a statement like this at least once a year so that you have updated information about the funding position.

In May this year, you will have received your third Summary Funding Statement, showing how the funding position had improved between the last full actuarial valuation of the Fund as at 31 March 2005 and the interim review as at 31 March 2006, updated to reflect additional contributions paid after that date. This statement updates the position to illustrate the results of the Interim Funding Review as at 31 March 2007 and the additional interim funding which ICI has promised in response.

The content of this statement is defined by government regulations and so what we cover in it may vary from year to year where the regulations change.

The ongoing funding position

The last full funding valuation of the Fund showed that on 31 March 2005 there was a shortfall of £657 million (ie the Fund's assets were £657 million less than the estimated amount needed to provide benefits over the life of the Fund) and the funding level was 91%. As a result, ICI agreed to pay additional contributions (£122 million a year for four years, followed by £62 million a year for the next five years) to eliminate the shortfall. There was no change in the rate of active members' contributions. The interim review of the Fund's financial position on 31 March 2006 showed a somewhat lower shortfall of £543 million.

Since then, the Fund has continued to receive planned additional contributions and, on top of these, has received additional one-off payments totalling £152 million following the disposals of Uniqema and Quest. Investment conditions were also, in the main, modestly favourable to the Fund in the year to 31 March 2007. On the other hand, the Trustee was faced with increasing evidence - both from the Fund's own records and from the wider UK actuarial consensus - that pensioners are likely to live even longer than previously estimated, and so further allowance needs to be made for future improvements in longevity.

Consequently, the ongoing funding position as at 31 March 2007 is estimated as follows:

Assets	£7,070 million
Amount needed to provide benefits	£7,770 million
Shortfall	£700 million
Funding level	91%

The Trustee discussed these results with ICI in July and reached agreement on 1 August 2007 on an interim funding package of £200 million spread over three years, in addition to the rectification payments already agreed.

Consequently, the revised schedule of contributions due from ICI is as follows:

	Previous Schedule £m	Additional Schedule £m	Total Contributions £m
by March 2008	122	50	172
by March 2009	122	50	172
by March 2010	76	100	176

No payments back to ICI

There has not been any payment to ICI out of Fund's assets over the period 1 April 2005 to 31 March 2007 nor, so far as the Trustee is aware, at any time previously. The trust deed which governs the ICI Pension

ICI PENSION FUND

SUMMARY FUNDING STATEMENT AS AT 31 MARCH 2007 ISSUED 31 AUGUST 2007

Fund contains strict provisions about the payment of Fund money to employers. Essentially, payments can only be made to employers if the Fund is terminated at a time when it has more than enough money to secure every member's benefits in full.

Valuation on a solvency - or 'winding up' - basis

As part of the Interim Funding Review, the Fund's solvency position was assessed as at 31 March 2007, showing a shortfall of £2,900 million and a solvency funding level of 71% compared with the estimated amount needed to ensure that all members' benefits could have been paid in full if the Fund had started winding up (full solvency).

What would happen if the Fund started to wind up?

The Fund can only be wound up if ICI goes into liquidation and ICI would then be required to pay enough into the Fund to enable members' benefits to be completely secured with an insurance company. It is unlikely, however, that ICI would be able to pay this amount in full in such circumstances, and it is therefore likely that you would not receive the full amount of pension you have built up, even if the Fund is fully funded on an ongoing basis.

However, the Pension Protection Fund should, in those circumstances, ensure that members receive a statutory minimum level of compensation. A summary of the PPF compensation regime was given on page 4 of last year's Pensions News, which is also available on the Fund's website, www.icipensionfund.org.uk. Further information and guidance is available on the Pension Protection Fund's website at www.pensionprotectionfund.org.uk or you can write to the Pension Protection Fund at Knollys House, 17 Addiscombe Road, Croydon, Surrey, CR0 6SR.

Transferring your benefits out of the Fund

You may not yet have retired and, if so, you may wish to transfer your pension to another arrangement. It is possible that the funding level could affect the level of future transfer payments. Details of transfer values are available on request from ICI Pensions Services at the address stated at the end of this statement.

Important: *If you are thinking of leaving the Fund for any reason, you should consult a professional adviser, such as an independent financial adviser, before taking any action.*

The importance of employer financial support ('the employer covenant')

The Trustee's ongoing funding target is to have enough money in the Fund to pay pensions in full now and in the future, assuming that ICI (or, if ICI is taken over, some other company who has guaranteed its obligations) is able to continue to support the Fund:

- ICI (or its guarantor) will be paying deficit contributions as explained above, plus the cost of employed members' benefit accrual, as well as the expenses of running the Fund;
- the funding level can fluctuate as a result of changes in investment conditions, and when there is a funding shortfall, ICI (or its guarantor) will usually need to put in more money; and
- the target funding level may turn out to be too low – for instance as a result of improved life expectancy - so that ICI (or its guarantor) will need to put in more money.

Whilst the Fund remains ongoing, even though funding is temporarily below target, pensions will continue to be paid in full.

Measuring the Fund deficit if the employer covenant were to weaken

This is a new section which we added to the Statement this year to explain the Trustee policy for assessing the Fund's liabilities, and hence the deficit, in the event that the Trustee were not able to rely on the financial support of ICI (or its guarantor) in the future, to the same extent that we can now. This includes (but is not limited to) situations which could arise following a change in ownership of ICI (or of its guarantor).

ICI PENSION FUND

SUMMARY FUNDING STATEMENT AS AT 31 MARCH 2007 ISSUED 31 AUGUST 2007

The Trustee policy has been developed to meet the new UK regulatory regime for Scheme Specific Funding (modified by the special protective provisions in the ICI Pension Fund Trust Deed), which will apply to any new valuation of this Fund. These regulations assume that the valuation principles will normally be agreed between the Trustee and ICI. In the event of a failure to agree, The Pensions Regulator has power to decide the actual level of employer contributions, subject to the powers of the Scheme Actuary to set a minimum level of contributions in certain circumstances.

'Scheme-Specific Funding' means, broadly, the amount of money that the Fund needs in order to provide reasonable security for members' accrued benefits. This depends on the specific circumstances of the Fund at the time and, in particular, on the extent to which it can confidently rely on ICI's continued financial support. This means that there is no single answer as to the appropriate size of the funding deficit if circumstances change.

For instance, the current assessment of the deficit effectively includes some advance credit for expected higher investment returns from some riskier assets which could go down as well as up. If the employer covenant were not strong enough in future to cope with such higher investment risk, the Trustee would have to change the investment policy to one where expected returns were lower but more predictable. Depending on the extent to which investment returns were lower and other assumptions needed also to be more cautious, the deficit to be met by employer contributions could increase quite substantially.

For example:

- **Significant Reduction in Investment Risk**

It might be prudent to increase the proportion of the Fund invested in low risk bonds to 90%, to maximise the level of inflation protection and increase the certainty of investment returns.

- **Self-Sufficiency Basis**

It might be prudent to assume that no future employer contributions at all would be available in the long-term and so the Fund would need to minimise all investment risks - and to make further provision for the difficulty in forecasting how long pensioners may live in future.

- **Buyout or 'Solvency' Basis**

This is the estimated amount necessary to secure all pension benefits with external insurers, which is relevant if it becomes certain that no future employer support would be available.

These examples can be illustrated using the 31 March 2007 position as a point of comparison.

	Shortfall £ billion
Latest Interim Review as at 31 March 2007 (see page 31)	0.7
with significant reduction in investment risk	1.0
Self-sufficiency basis	2.2
Buyout or 'Solvency' basis	2.9

Where can I get more information?

This Summary Funding Statement is based on the actuarial valuation report of the Scheme Actuary as at 31 March 2005 and the interim funding review as at 31 March 2007. If you would like any more information on this subject, copies of the 2005 valuation report are available to members (price £5 or free by e-mail) from ICI Pensions Services, at the address given below. You can also request further information about any other aspect of your pension from ICI Pensions Services.

The next Summary Funding Statement you receive should be part of the 2008 pensions newsletter, and should contain an update on the position as at 31 March 2008.

Address for further enquiries:

ICI Pensions Services

PO Box 545

Redhill

Surrey RH1 1YX

Telephone: 01707 607500

E-mail: membership.secretarial@watsonwyatt.com or see www.icipensionfund.org.uk

ICI PENSION FUND

**FUND ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2008**

		Year to 31 Mar 08 £m's	Year to 31 Mar 07 £m's
Contributions and Benefits	Note		
Contributions receivable	3	190	296
Transfers in	4	1	-
		<u>191</u>	<u>296</u>
Benefits payable	5	-476	-475
Payments to and on account of leavers	6	-65	-4
		<u>-541</u>	<u>-479</u>
Net withdrawals from dealings with members		<u>-350</u>	<u>-183</u>
Gains on Investments			
Investment income	7	106	106
Change in market value of investments	8	233	147
Total gain on investments		<u>339</u>	<u>253</u>
Net (decrease)/increase in the Fund during the year		<u>-11</u>	<u>70</u>
Net assets of the Fund at start of the year		<u>7,131</u>	<u>7,061</u>
Net assets of the Fund at end of the year		<u>7,120</u>	<u>7,131</u>

ICI PENSION FUND

**NET ASSETS STATEMENT
AS AT 31 MARCH 2008**

	Note	Year to 31 Mar 08 £m's	Year to 31 Mar 07 £m's
Investments	8		
Fixed interest securities		613	666
Index-linked securities		1,529	1,529
Equities		67	111
Pooled investment vehicles		4,744	4,767
Cash deposits and other investment balances		119	60
AVC Investments		4	4
Total Investments		7,076	7,137
Current assets and liabilities	9	44	-6
Net assets of the Fund at end of the year		7,120	7,131

The notes on pages 36-42 form part of the financial statements

These financial statements were approved by the board of the Trustee Company on 17 July 2008

and were signed on its behalf by:

D J Gee, Director

I N Canham, Director

ICI PENSION FUND

NOTES FORMING PART OF THE FINANCIAL STATEMENTS 31 MARCH 2008

1. Basis of Preparation

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and other benefits in the future. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the Actuarial Certificate on page 30 of the annual report and these financial statements should be read in conjunction with it.

These 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, except for the matter referred to below, in accordance with the Statement of Recommended Practice, ('SORP') 'Financial Reports of Pension Schemes' (revised November 2002).

The SORP was revised in May 2007 and will be applicable to the Fund's 31 March 2009 financial statements, although early adoption is permitted. The Trustee has decided to early adopt the May 2007 SORP's recommendations in relation to the valuation of investments. As a result, the accounting policy for valuing investments has been changed from using mid prices to bid or offer prices for investment assets and liabilities respectively where there is a bid/offer spread. This is a change of accounting policy but the difference in valuation is considered to be immaterial to the financial statements, therefore comparatives have not been restated. As a result the comparative figures for investments are reported on a mid market price basis and the adjustment in valuation from mid to bid/offer prices is included in current year "Change in market value of investments".

2. Accounting Policies

(a) Accruals Basis

The Financial Statements have been prepared on an accruals basis, except where noted.

(b) Additional Voluntary Contributions (AVCs)

All investments and transactions in AVCs are included in these accounts under the relevant heading. Investment gains and losses notified later than six weeks after the year-end are included in the following year's accounts, on the grounds that the amounts involved are immaterial and that this is necessary to avoid inordinate delay to the production of the Financial Statements.

(c) Contribution Income

Ordinary contributions relating to wages and salaries earned in the financial year are calculated at rates determined by the Scheme Actuary and accounted for in the month when the corresponding wages and salaries are paid. Additional contributions determined by the Scheme Actuary and AVCs are accounted for when due in accordance with the agreed timetable.

(d) Investment Income

Investment income is accounted for on an accruals basis. Interest income is accrued for on a daily basis whereas dividends are accrued for on the basis of the date when the corresponding share price becomes quoted on an ex-dividend basis. Dividends and interest are grossed up for the effects of overseas taxation if any and any irrecoverable withholding taxes shown separately.

(e) Benefits Payable

Benefits payable represent all material valid benefit claims in respect of the scheme year. Where a member has a choice in connection with his benefits (e.g. to commute part of the pension), the benefit choice is accounted for in the month of receipt by the trustees of a notification from the member.

ICI PENSION FUND

NOTES FORMING PART OF THE FINANCIAL STATEMENTS 31 MARCH 2008

(f) Administration Expenses

All the Fund's administration expenses and investment management fees are borne by Imperial Chemical Industries Limited, with the exception of some investment-related expenses. Charges in relation to specific transactions are deducted from the relevant category of investment income or capital return.

(g) Foreign Currency Conversion

All assets and liabilities stated in foreign currencies are converted at rates of exchange ruling at the year end date. Exchange adjustments arising are then incorporated in the Fund Account, included in the change in market value of investments.

(h) Valuation of Investments

The Fund's investments are reported in the Financial Statements on the basis of market values. Market values at the year end are assessed as follows:

- Listed ordinary shares, government and fixed interest securities and index linked securities are valued at bid price or last traded price, depending on the convention of the stock exchange on which they are quoted.
- Financial futures are stated at the market value of their full economic effect.
- Cash backing open futures contracts has been classified with pooled cash funds within unitised funds as futures contracts are undertaken to gain market exposure against assets held in these funds.
- Pooled investment vehicles are valued at bid price for funds with a bid/offer spread or single price where there are no bid/offer spreads provided by the investment manager.

ICI PENSION FUND

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
31 MARCH 2008**

3. Contributions receivable

	Year to 31 Mar 08 £m's	Year to 31 Mar 07 £m's
Employers		
normal payroll based	9	11
normal early retirement based	9	11
contributions previously scheduled	172	122
further additional contributions re:		
Quest	-	138
Uniqema	-	14
	190	296

4. Transfers in

	31 Mar 08 £m's	31 Mar 07 £m's
Individual transfers in from other schemes	1	-
	1	-

5. Benefits payable

	31 Mar 08 £m's	31 Mar 07 £m's
On or during retirement		
Pensions	463	457
Commutation and lump sum retirement benefits	13	17
AVC benefits paid	-	1
	476	475

6. Payments to and on account of leavers

	31 Mar 08 £m's	31 Mar 07 £m's
Group transfers to other schemes	61	-
Individual transfers to other schemes	4	4
	65	4

ICI PENSION FUND

NOTES FORMING PART OF THE FINANCIAL STATEMENTS 31 MARCH 2008

7. Investment income	31 Mar 08	31 Mar 07
	£m's	£m's
Income from fixed interest securities	42	42
Income from index-linked securities	42	46
Dividends from equities	1	3
Income from pooled investment vehicles	21	15
Interest on cash deposits	1	1
Investment Management fees	-1	-1
 Total investment income	 <u>106</u>	 <u>106</u>

8. Investments

(a) Change in market value of investments including futures

	Market Value at 31 Mar 07	Purchases at cost	Sales proceeds	Change in market value	Net change in cash position	Market Value at 31 Mar 08
	£m's	£m's	£m's	£m's	£m's	£m's
Fixed interest securities	666	102	-97	-58		613
Index-linked securities	1,529	8	-18	10		1,529
Equities	72	54	-49	-10		67
Pooled investment vehicles	4,767	1,571	-1,916	322		4,744
Futures	39	41	-79	-1		
	<u>7,073</u>	<u>1,776</u>	<u>-2,159</u>	<u>263</u>		<u>6,953</u>
Cash deposits and other investment balances	60	-1,776	2,159	-30	-294	119
AVC Investments	4		0	0		4
	<u>7,137</u>		<u>0</u>	<u>233</u>	<u>-294</u>	<u>7,076</u>

The change in market value of investments during the year comprises all 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.

The net change in cash position represents:-

	£m's
Movement in contributions due (note 9)	-50
Investment Income (note 7)	106
Net withdrawals from dealings with members (as per Fund Account)	-350
 Net change in cash position	 <u>-294</u>

ICI PENSION FUND

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
31 MARCH 2008**

(b) Summary of investments by asset type

	31 Mar 08 £m's	31 Mar 07 £m's
Fixed interest securities-directly held		
UK public sector quoted	36	10
UK non government bonds	501	584
Overseas non government bonds	76	72
	613	666
Index-linked securities-directly held		
Other UK quoted	1,529	1,529
	1,529	1,529
Equities-directly held		
UK quoted	2	3
UK equity futures	-	39
Overseas quoted	65	69
	67	111
Pooled investment vehicles		
Overseas non government bonds	318	305
Limited-Price-Indexed funds	3,658	3,269
Equity funds	627	861
Hedge funds	10	26
Short term investment funds	131	345
Cash backing open futures contracts	-	-39
	4,744	4,767
Deposits and other Investment Balances		
Cash balances	96	31
Accrued income and other investment debtors	23	29
	119	60
AVC Investments		
	4	4
	4	4
Total Investments	7,076	7,137

All Pooled investment vehicles are managed by UK registered companies. Of the total of £4,744million, £627million is invested in unitised insurance policies.

ICI PENSION FUND

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
31 MARCH 2008**

9. Current assets and liabilities

	31 Mar 08	31 Mar 07
	£m's	£m's
Contributions due from Employer & outstanding group transfers-in	50	-
Unpaid benefits	-6	-6
Total current assets and liabilities	44	-6

Contributions due at the year end have been paid to the Fund subsequent to the year end in accordance with the Schedule of Contributions.

ICI PENSION FUND

NOTES FORMING PART OF THE FINANCIAL STATEMENTS 31 MARCH 2008

10. Related Party Transactions

(a) Directors of the Trustee Company

The Fund has received contributions in respect of directors of the Trustee company who are also Contributing members of the Fund. The Fund has also paid benefits to directors of the Trustee company who are also beneficiaries of the Fund. All of the above transactions are in accordance with the rules of the Fund and on the same terms as other members.

(b) Owners of the Trustee Company

The Law Debenture Trust Corporation p.l.c ("Law Debenture") owns and is also a director of the corporate trustee of the Fund. Law Debenture earned fees during the year, which were borne by the Principal Employer.

(c) Imperial Chemical Industries Limited (Principal Employer)

In recognition of a deficit for funding purposes of £657million and a solvency ratio of 91% at 31 March 2005 arising from the full actuarial valuation of the ICI UK Pension Fund ("the Fund") the Principal Employer has agreed to make top-up contributions to the Fund of £122million per annum for four years from 2005/6, and two top-up contributions of £50million per annum payable no later than 31 March 2008 and 31 March 2009 and an additional contribution of £62million in the year ending 31 March 2010 and a further additional contribution of £114million, payable no later than 31 March 2010. It also continues to provide an asset-backed guarantee, via a wholly owned subsidiary specifically incorporated to provide the guarantee, for £250m to support its commitments to the Fund. Such asset-backed guarantee has been secured by way of a fixed and floating charge over the assets of the subsidiary.

Contributions received during the year in accordance with this arrangement are included in Note 3 above.

11. Stock Lending

At the year end the Fund had loaned £128 million (2007: £47 million) of its investments under a stock lending arrangement managed by Barclays Global Investors and JP Morgan. The collateral held represented 104% (2007:106%) of the value of the stock lent and comprised principally cash, bonds and letters of credit. Income earned in the year to 31 March 2008 amounted to £0.1 million (2007 £0.2 million.)

12. Hedging contracts

Currency hedging contracts are maintained in respect of a proportion of overseas securities of £881 million (2007: £1,024 million) in order to protect against fluctuations in exchange rates.

13. Investment Management expenses

Charges in relation to specific transactions are deducted from the relevant category of investment income or capital return. As explained in note 2(f) general investment management expenses are normally paid by the Principal Employer unless otherwise determined by the Trustee.

ICI PENSION FUND

AUDITORS' REPORT

Independent Auditors' report to the Trustee of the ICI Pension Fund

We have audited the financial statements of the ICI Pension Fund for the year ended 31 March 2008 which comprise the fund account, the net assets statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Fund's Trustee in accordance with the Pensions Act 1995 and Regulations made thereunder.

Our audit work has been undertaken so that we might state to the Fund's Trustee those matters we are required to state to it in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund's Trustee for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustee and Auditors

As described in the Statement of Trustee's responsibilities on page 7, The Fund's Trustee is responsible for obtaining an annual report, including audited financial statements prepared in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements show a true and fair view 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 made under the Pensions Act 1995. We also report to you if, in our opinion, we have not received all the information and explanations we require for our audit.

We read the Trustee's report and other information contained in the annual report and consider whether it is consistent with the financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Bases of audit opinion

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

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

ICI PENSION FUND

AUDITORS' REPORT

Opinion

In our opinion the financial statements:

- show a true and fair view, in accordance with UK Generally Accepted Accounting Practice of the financial transactions of the Fund during the Fund year ended 31 March 2008 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 Fund year); 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.

KPMG LLP
Chartered Accountants
Registered Auditor
One Canada Square
London
E14 5AG

17 July 2008

ICI PENSION FUND

AUDITORS' REPORT

Independent Auditors' Statement about Contributions, made under Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustee of the ICI Pension Fund

We have examined the summary of contributions payable under the schedule of contributions to the ICI Pension Fund in respect of the Fund year ended 31 March 2008 which is set out on page 46.

This statement is made solely to the Fund's Trustee in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Fund's Trustee those matters we are required to state to it in an auditors' statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund's Trustee, for our work, for this statement, or for the opinions we have formed.

Respective responsibilities of Trustee and Auditors

As described on page 46, the Fund's Trustee is responsible, under the Pensions Act 1995, for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions which sets out the rates and due dates of certain contributions payable towards the Fund by or on behalf of the employer and the active members of the Fund. The Trustee has a general responsibility for procuring that contributions are made to the Fund in accordance with the schedule of contributions.

It is our responsibility to provide a statement about contributions paid to the Fund under the schedule of contributions and to report our opinion to you.

We read the Trustee's report and other information in the annual report and consider whether it is consistent with the summary of contributions. We consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the summary of contributions.

Basis of statement about contributions

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to give reasonable assurance that contributions reported in the summary of contributions have been paid in accordance with the relevant requirements. For this purpose, the work that we carried out included examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Fund and the timing of those payments. Our statement about contributions is required to refer to those breaches of the schedule which come to our attention in the course of our work.

Modified statement about contributions payable under the schedule

As explained on page 9 the further additional contribution of £50million, due by 31 March 2008 under the schedule, was received on 4 April 2008. In our opinion contributions for the Fund year ended 31 March 2008, as reported in the summary of contributions and payable under the schedule, have in all material respects been paid at least for the period 1 April 2007 to 17 May 2007 in accordance with the schedule of contributions certified on 28 March 2007, for the period 18 May 2007 to 31 July 2007 in accordance with the schedule of contributions certified on 18 May 2007 and subsequently, except for the matter referred to above, in accordance with the schedule of contributions certified by the actuary on 1 August 2007.

KPMG LLP
Chartered Accountants
One Canada Square
London E14 5AG

17 July 2008

ICI PENSION FUND

STATEMENT OF TRUSTEE'S RESPONSIBILITIES IN RESPECT OF CONTRIBUTIONS

The Fund's Trustee is 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 Fund by or on behalf of the employer and the active members of the Fund and the dates on or before which such contributions are to be paid. The Fund's Trustee is also responsible for keeping records of contributions received in respect of any active member of the Fund and for procuring that contributions are made to the Fund in accordance with the schedule.

Trustee's Summary of Contributions payable under the schedule in respect of the Fund year ended 31 March 2008

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 Fund under the schedules of contributions applicable in respect of the Fund year ended 31 March 2008. The Fund auditor reports on contributions payable under the schedule in the Auditors' Statement about Contributions.

Contributions payable under the schedule in respect of the Fund year	£'000s
Employer:	
normal payroll based contributions	8,868
normal early retirement based contributions	9,140
special contributions	172,000
Member:	
normal payroll based contributions	157
Contributions payable under the Schedule (as reported on by the Fund auditor)	190,165 =====

Reconciliation of contributions

Reconciliation of contributions payable under the schedule to contributions reported in the accounts in respect of the Fund year ended 31 March 2008.

Contributions payable under the Schedule (as above)	190,165
Contributions payable in addition to those due under the Schedule (and not reported on by the Fund auditor):	
further additional contribution re: Section 75 debt Uniqema	370
Total contributions reported in the accounts	190,535 =====

Signed on behalf of the Trustee on 17 July 2008

C A Amos

ICI PENSION FUND

**FIVE YEARS' STATISTICAL SUMMARY
31 MARCH 2008**

	2004	2005	2006	2007	2008
Deferred Pensioners	15,897	15,033	14,438	14,016	13,179
Pensioners-Dependants	18,473	18,180	18,034	17,738	17,434
Pensioners-Members	42,712	41,557	40,371	39,292	38,120
Contributing Members	1,446	1,228	1,107	794	683
	£m	£m	£m	£m	£m
Contributions-Members	2	2	1	-	-
-Company	86	86	140	296	190
Investment Income	222	228	160	106	106
Pensions & Commutations	450	454	459	474	476
Net Assets (Market Value)	6,489	6,596	7,061	7,131	7,120