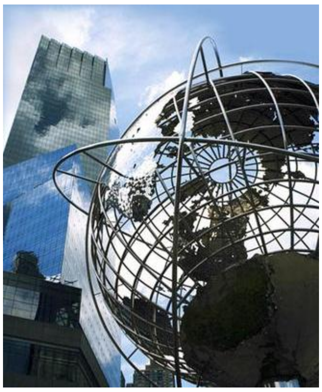

ICI Pension Fund

Report on the actuarial valuation as at 31 March 2011

30 January 2012

TOWERS WATSON

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Throughout this document:

- "Fund" refers to the ICI Pension Fund.
- "Trustee" refers to ICI Pensions Trustee Limited.
- "Company" refers to Imperial Chemical Industries Limited.
- "Fund Rules" refers to the Fund's Definitive Deed and Rules dated 6 April 2006 (as subsequently amended).

Further definitions are explained in the glossary (Appendix F).

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Section 1: Introduction

1.1 This is my report on the actuarial valuation of the ICI Pension Fund as at 31 March 2011. It is addressed to the Trustee.

1.2 The previous actuarial valuation of the Fund was completed as at 31 March 2008 by Robert Hails, who was the actuary to the Fund at that time.

1.3 The actuarial valuation is required under the terms of Clause 42A of the Fund Rules and Part 3 of the Pensions Act 2004. As required by law, a copy of this report must be provided to the Company within 7 days of its receipt by the Trustee.

1.4 The main purposes of the actuarial valuation are to review the financial position of the Fund relative to its statutory funding objective, as required under the Pensions Act 2004, and to determine the appropriate level of future employer contributions.

1.5 The report explains the financial health of the Fund at 31 March 2011 using two different measures of the liabilities (technical provisions and solvency). It explains how the funding position has changed since the previous valuation as at 31 March 2008. It also describes the strategy that has been agreed between the Trustee and Company for financing the Fund in future and provides projections of the funding position at the expected date of the next valuation. Finally it describes the approach adopted for managing the risks to which the Fund is exposed.

1.6 This valuation is based on the statement of funding principles agreed by the Trustee and Company dated 30 January 2012.

1.7 The Trustee is required to disclose to members, in a summary funding statement, certain outcomes of this actuarial valuation within a reasonable period.

1.8 The financial position of the Fund and the level of employer contributions to be paid will be reviewed at the next actuarial valuation, which is expected to be carried out as at 31 March 2014. However, in intervening years the Trustee will obtain annual actuarial reports on developments affecting the Fund's assets and technical provisions. The next such report, which will have an effective date of 31 March 2012, must be completed by 31 March 2013.

David Donneky

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30 January 2012

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Section 2: Funding position

2.1 The Trustee's funding objective is the statutory funding objective, which is to have sufficient and appropriate assets to cover the Fund's technical provisions (ie the amount that the Trustee has determined with the Company's agreement to be required to make provision for the Fund's liabilities).

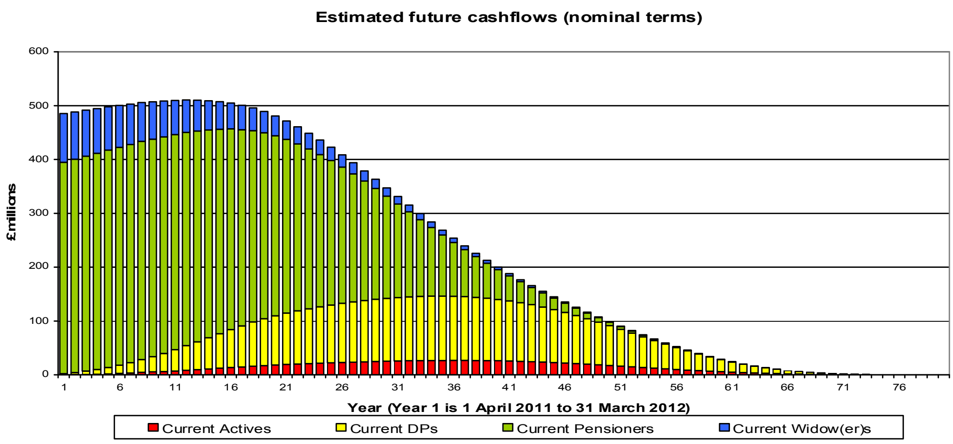
2.2 The technical provisions are a measure of the Fund's liabilities calculated as the present value of the projected benefits accrued by members up to and including the valuation date, together with an allowance for prospective salary increases for employed members at the valuation date. The benefits taken into account in this actuarial valuation are described in Appendix A of this report.

2.3 The Trustee and Company have agreed that the technical provisions are to be calculated on an ongoing basis using assumptions that have been chosen prudently, taking account of an appropriate margin for adverse deviation. The technical provisions are calculated by first projecting the benefits expected to be paid in each year after the valuation date and then discounting the resulting cashflows to a present value. The projections allow for benefit payments being made from the Fund over the next 70 or so years. Most of these payments depend on future increases in price inflation as measured, subject to certain limits, by the Retail Prices Index (RPI).

2.4 The method and assumptions for calculating the technical provisions as at 31 March 2011 have been agreed between the Trustee and Company, and are documented in the statement of funding principles dated 30 January 2012. The method and assumptions implicitly assume that the Fund is ongoing.

2.5 Appendix D sets out the key assumptions used to calculate the Fund's technical provisions for this and the previous actuarial valuation. The financial assumptions at each valuation date were determined in the light of investment and economic conditions at the effective valuation date.

2.6 The following chart illustrates the projected benefits payable from the Fund in respect of members' accrued benefits based on the demographic assumptions adopted for this actuarial valuation. The chart does not include any allowance for future accruals. Members' additional voluntary contributions (AVCs), which are matched by corresponding Fund assets, are not included in the projections.



2.7 The table below shows the Fund's technical provisions at the date of the actuarial valuation, 31 March 2011, together with the market value of the Fund's assets and the corresponding figures from the previous actuarial valuation:

Valuation statement	31 March 2011 £m	31 March 2008 £m
Amount required to provide for the Fund's liabilities of:		
Active members, in respect of service up to the valuation date	207	274
Deferred pensioners	1,045	932
Pensioners and dependants	7,146	7,135
General de-risking reserve	100	0
Strategic de-risking reserve	240	0
AVCs and other money purchase benefits	3	4
Technical provisions	8,741	8,345
Market value of assets	7,707	7,120
Past service deficit (technical provisions less assets)	**1,034**	**1,225**
Funding level (assets ÷ technical provisions)	**88%**	**85%**

2.8 The Trustee and the Company have agreed to include within the technical provisions two reserves in anticipation of future action to reduce the level of risk inherent in the ongoing operation of the Fund. Following such action, it is expected that the technical provisions assumptions will be suitably amended and the de-risking reserves reduced, as appropriate, to reflect the corresponding increase in the liability assessment. The de-risking reserves are:

- a general reserve of £100 million at the valuation date which is held in anticipation of future de-risking action by the Trustee, and
- a strategic reserve of £250 million at the end of January 2012 which is held in anticipation of future de-risking action by the Trustee which has been agreed in advance with the Company. For the purposes of the actuarial valuation the value of the strategic de-risking reserve at the effective date of the valuation is £240 million.

2.9 The Trustee and the Company have entered into a separate agreement which covers how the de-risking reserves will be adjusted over time and therefore taken into account at subsequent actuarial valuations. The adjustments will be made to reflect changes in the value of assets assumed to back the reserves and to reflect de-risking initiatives which increase the assessed liabilities that may be debited against the reserves.

2.10 In acknowledgement of the strategic de-risking reserve, the Trustee and the Company have terminated the asset backed guarantee which was established in 2004 to provide additional funding of up to £250 million on the insolvency of the Company.

2.11 The funding level has increased from 85% to 88% since the previous valuation. The main factors contributing to this increase are the contributions made to meet the deficit revealed by the previous valuation and the unanticipated investment performance (net of the impact on the assumptions of changes in financial conditions). These factors have been partially offset by changes in the demographic assumptions (primarily life expectancy) adopted for this valuation and the establishment of the de-risking reserves.

2.12 An approximate analysis of the change in the deficit is shown below. (The analysis is based on an approximate assessment of the financial impact of the various items on the development of the funding position. The contribution of each item is sensitive to the order in which the items are analysed.)

	£m
Deficit as at 31 March 2008	**1,225**
Interest on the deficit	114
Contributions in excess of accrual costs	(542)
Unanticipated investment return	(883)
Changes in financial conditions	567
Assumption changes:	
Changes to demographic assumptions	208
Changes to financial assumptions	(61)
De-risking reserves	340
Miscellaneous experience	66
Deficit as at 31 March 2011	**1,034**

Future service contribution rates

2.13 The employers' contribution rates required, in addition to Fund members' normal contributions, to meet the cost of the benefits that are expected to be earned between this valuation and the next are 38.5% of pensionable pay for Main Section members and 28.9% of pensionable salaries for Holden Section members. These rates have been calculated using the method and assumptions described in the statement of funding principles. The Trustee and the Company have agreed that the employers will pay future service contributions at these rates with retrospective effect from 1 April 2011.

2.14 In addition the employers will meet the member contributions which are not required to be paid for members who participate in an employer's salary sacrifice arrangement. The employers will also make additional contributions, as may be determined from time to time by the Fund Actuary, to be necessary to meet the estimated cost of early retirements in normal health and/or benefit augmentations granted under the Fund Rules.

2.15 The employers' future service contributions under paragraph 2.13 do not include allowance for administration expenses or for Pension Protection Fund (PPF) levies as these are either paid directly or reimbursed by the Company.

2.16 The employers' future service contribution rates have been calculated as the rates required, in addition to the contributions payable by members, to meet the cost of benefits expected to accrue over the three years following the valuation date. On the assumptions adopted, these rates will be sufficient to cover the accrual of benefits in the future, provided the gender and salary profile of the active membership remains stable.

2.17 However, as the Fund is effectively closed to new entrants, the average age of the active membership is expected to rise in future. When this happens the contribution rate required to cover accruing benefits is very likely to rise as there will then be a shorter period over which investment returns can be earned on the contributions. By contrast, the cash amount required to meet this cost may eventually fall because the number of members to whom the rate applies will fall as the active membership reduces.

Recovery plan

2.18 As there were insufficient assets in relation to the Fund's technical provisions at the valuation date, the regulations require the Trustee and the Company to agree a recovery plan. This specifies how, and by when, the statutory funding objective is expected to be met.

2.19 The Trustee and the Company have agreed the following recovery plan contributions:

Due date (on or before)	£m
31 January 2012	335.0
31 January 2013	135.0
31 January 2014	178.5
31 January 2015	178.5
31 January 2016	178.5
31 January 2017	178.5

2.20 If the assumptions documented in the statement of funding principles are borne out in practice, and the Fund's assets achieve a return which is 0.02% pa higher than the investment return underlying the calculation of the technical provisions, then the funding deficit will be eliminated by 31 January 2017.

Section 3: Solvency

3.1 In the event that the Fund is discontinued, employed members would become deferred pensioners with no entitlement to future service benefits. The Fund would then have liabilities comprising:

- the pensions payable to pensioners and deferred pensioners (and contingent pensions payable to their dependants)
- future increases in the deferred pensions
- future increases to pensions whilst in payment, and
- future expenses.

3.2 If the Fund commences winding-up current legislation imposes a debt ("the employer debt") on the employers equal to any shortfall between the Fund Actuary's estimate of the cost of securing accrued benefits with an insurance company (including expenses) and the value of the Fund's assets. The Trustee would then normally try to make the benefits secure by buying insurance policies to provide the benefit payments. If there are practical difficulties with buying insurance policies, such as a lack of market capacity, the Trustee may have to run the Fund as a closed scheme for a period of years before buying such policies.

3.3 If commencement of winding-up is the result of the insolvency of the Company and assuming that the employer debt is not met in full, the Fund will probably be assessed for entry to the PPF. If the assessment concluded that the Fund assets were not sufficient to secure benefits equal to the PPF compensation, the Fund would then apply for entry to the PPF, otherwise the Fund would be required to wind up. On entry to the PPF, members would receive compensation from the PPF in place of their Fund benefits, although the PPF compensation may be at a lower level.

3.4 Under Section 179 of the Pensions Act 2004, the Trustee is required to provide the PPF with a valuation of the Fund that the PPF can use to determine the levy it charges. This valuation uses assumptions specified by the PPF and covers only benefits similar to the PPF compensation benefits. The results of my valuation of the Fund on this basis, which are set out in a report dated 20 October 2011, show the Fund's assets covered 125% of the Section 179 liabilities on 31 March 2011.

Solvency estimate

3.5 The Pensions Act 2004 requires that I provide the Trustee with an estimate of the solvency of the Fund at the valuation date. Normally, this means an estimate of the proportion of the benefits described in paragraph 3.1 that could have been secured by buying insurance policies. For this purpose I have assumed that no further payments are received from the Company.

3.6 I have assumed that the insurance policy pricing would be calculated on an actuarial basis similar to that implied by indicative bulk annuity prices seen by Towers Watson around the valuation date. I have assumed the cost of implementing the winding-up to be 1.25% of the estimated solvency liabilities, in line with the approach set by the PPF for Section 179 valuations (leading to assumed winding-up costs of £119 million). Other assumptions are summarised in Appendix D.

3.7 My estimate of the solvency position of the Fund at 31 March 2011 is that the assets of the Fund would have met 80% of the cost of buying insurance policies to secure the benefits at that date. Further details are set out in the table below:

	31 March 2011 £m
Solvency liabilities	9,629
Assets	7,707
Solvency deficit (solvency liabilities less assets)	**1,922**
Solvency level (assets ÷ solvency liabilities)	**80.0%**

3.8 The overall estimated solvency funding level set out above can be compared with the previous estimate of approximately 74%, equivalent to a deficit of around £2,500 million, as at 31 March 2008. The increase on the estimated solvency level from 74% to 80% is mainly due to the recovery plan contributions made in respect of the deficit in assets to technical provisions revealed by the previous valuation and unanticipated investment performance, offset by changes in the estimated terms for purchasing insurance policies.

3.9 The solvency estimate should not be relied upon to indicate the position on a future winding up. Changes in market interest rates and in the supply and demand for immediate and deferred annuities mean that the actual position at any particular point in time can be established only by buying the insurance policies required to secure the benefits.

3.10 The coverage for particular benefits depends on where they fall in the statutory priority order below. However, money purchase liabilities, such as those arising from members' AVCs, are excluded from the statutory priority order; their treatment is determined by the Fund's own rules and would normally be that they are secured in full before any other benefits.

- category 1 – benefits relating to certain pension annuities secured by the Fund before 6 April 1997
- category 2 – the cost to the Fund of securing the liabilities for the compensation benefits that would be payable by the PPF if the Company became insolvent
- category 3 – benefits in respect of defined benefit AVCs not dealt with above
- category 4 – all other pensions and benefits due under the Fund, including pension increases (where these exceed those under the PPF).

3.11 As at the valuation date the Fund's assets were 125% of the Section 179 liabilities and it is therefore unlikely that the Fund would have qualified for entry to the PPF had the Fund been required to wind-up at that date with the Company being insolvent. In these circumstances members' would receive benefits in excess of the level of PPF compensation but, on average, only 80% of the value of full benefits under the Fund Rules.

Relationship between the technical provisions and the solvency liabilities

3.12 My estimate of the value of the Fund's solvency liabilities of £9,629 million is £888 million higher than the Fund's technical provisions of £8,741 million. This means that the cost of securing the Fund's benefits with an insurer is higher than the amount that the Trustee has determined with the Company's agreement to be required to make provision for the Fund's liabilities. This is because the technical provisions are intended to be a prudent assessment of the assets required under the Fund's investment strategy to meet future benefit payment; by contrast the estimated value of the solvency liabilities takes into account the indicative pricing of insurance policies which depend on factors such as supply and demand, return on capital, statutory reserving requirements and investment constraints.

3.13 If the statutory funding objective had been exactly met on 31 March 2011 (ie there had been no funding surplus or deficit), I estimate that the solvency level of the Fund would have been approximately 91%. This compares with 82% at the 31 March 2008 actuarial valuation, (excluding the allowance for post-valuation date experience from the 2008 statutory funding objective for consistency with the then estimate of solvency), which means that the Trustee's funding target has increased relative to the solvency liability measure since the previous valuation.

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Section 4: Projections and risks

4.1 Based on the assumptions underlying the calculation of the Fund's technical provisions as at 31 March 2011 (as summarised in Appendix D) and allowing for contributions to be paid to the Fund in accordance with the agreed schedule of contributions (as summarised in Section 2), the funding and solvency levels are projected to develop as follows by the expected date of the next actuarial valuation.

	31 March 2011 %	31 March 2014 %
Funding level	88.2	94
Solvency level	80.0	86

4.2 The table below illustrates the sensitivity of the technical provisions as at 31 March 2011 to variations of individual assumptions. (If more than one assumption is varied, the effect may be greater than the sum of the changes from varying individual assumptions.)

Assumption	Adopted for the technical provisions % pa	Alternative for illustration % pa	Revised funding level %	Change %
Pre-retirement discount rate	5.57	5.32	87.8	-0.4
Post-retirement discount rate	4.71	4.46	85.8	-2.4
Salary increases	4.60	5.10	88.1	-0.1
Long-term improvement in mortality rates	1.5	1.75	87.3	-0.9

4.3 The table below illustrates the sensitivity of the solvency position as at 31 March 2011 to variations of individual key assumptions. (Again if more than one assumption is varied, the effect may be greater than the sum of the changes from varying individual assumptions.)

Assumption	Adopted for the solvency estimate % pa	Alternative for illustration % pa	Revised solvency level %	Change %
Pensioner discount rate*	4.1	4.0	79.3	-0.7
Non-pensioner discount rate*	3.6	3.5	79.6	-0.4
Long-term improvement in mortality rates	1.5	1.75	79.2	-0.8

* Average rates.

4.4 The table below summarises the key risks to the financial position of the Fund and the actions taken to manage them:

Risk	Approach taken to risk
Company unable to pay contributions or make good deficits in the future	The Trustee takes advice from an independent specialist on the ability of the Company to pay contributions to the Fund and, in particular, to make good any shortfall that may arise if the experience of the Fund is adverse. This advice is taken into account when determining the level of technical provisions and in considering the appropriateness of any recovery plan to remove a deficit relative to the technical provisions. The Trustee monitors the Company's financial strength.
Future investment returns could be insufficient to meet the Trustee's funding objectives	The Trustee takes advice from the Fund Actuary on possible assumptions for future investment returns. For the calculation of the Fund's technical provisions, the Trustee has adopted discount rates that are lower than the expected returns from the Fund's investment strategy. To the extent that insufficient investment returns result in deficits at future valuations, the Company would be required to agree a recovery plan with the Trustee to restore full funding over a period of time. The Trustee may also request that the Company pays additional contributions at other times.
Investment returns on future income could be lower than the returns available at the valuation date	The Trustee takes this risk into account when determining the Fund's technical provisions. To the extent that insufficient investment returns result in deficits at future valuations, the Company would be required to agree a recovery plan with the Trustee to restore full funding over a period of time. The Trustee may also request that the Company pays additional contributions at other times.
Price inflation could be different from that assumed resulting in higher liabilities	The Trustee invests in assets that are expected to be correlated to future inflation in the longer term (sometimes referred to as "real" assets). This means that, over the longer term, such assets are expected to keep pace with inflation. Such assets include equities, property and index-linked bonds.
Falls in asset values may not be matched by similar falls in the value of the Fund's liabilities	The Trustee considers this risk when determining the Fund's investment strategy. It also consults with the Company and takes advice on the Company's ability to make good any shortfall that may arise. To the extent that such falls in asset values result in deficits at future valuations, the Company would be required to agree a recovery plan with the Trustee to restore full funding over a period of time. The Trustee may also request that the Company pays additional contributions at other times.

Risk	Approach taken to risk
Fund members live longer than assumed	For the calculation of the technical provisions, the Trustee has adopted mortality assumptions that it regards as prudent estimates of the life expectancy of members so that the technical provisions include a prudent margin against this risk. The Trustee assesses the Fund's mortality experience and takes advice on expected developments at each actuarial valuation and updates the assumptions accordingly.
Options exercised by members could lead to increases in the Fund's liabilities	The Trustee, and in some circumstances the Company, sets the terms for converting benefits in respect of member options on the basis of actuarial advice. The terms are kept under regular review, generally following each actuarial valuation.
Legislative changes could lead to increases in the Fund's liabilities	The Trustee takes legal and actuarial advice on changes in legislation and consults with the Company, where relevant.

4.5 Under a Deed of Guarantee dated 2 January 2008, Akzo Nobel N.V., the ultimate holding company of the Company, agreed to guarantee the Company's funding obligations to the Fund under the Fund Rules. In assessing risks, the Trustee has regard to this guarantee.

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Appendix A: Summary of Fund benefits

The Fund is a registered pension scheme under the Finance Act 2004 and is contracted-out of the State Second Pension.

Current benefits

The benefits accruing to active members at the valuation date are summarised below.

Main Section

Normal retirement age	62
Pensionable service	Years and complete months.
Pensionable pay	Total remuneration including commission and overtime, but excluding employee's profit sharing bonus.
Final pensionable pay (FPP)	Greater of average pensionable pay in the year up to leaving and highest pensionable pay in any one of the last ten Fund years.
Member's pension on age retirement	2.2% of the first £11,250 pa of FPP, plus 1.83% of FPP in excess of £11,250 pa less a deduction of 1/50 of the basic single person State pension averaged over the last year, for each year of pensionable service under the 1967 Rules, less the annual State graduated pension earned during pensionable service. In addition, for each year of pre 1967 Rules service, a pension of 1.47% of FPP is payable.
Member's temporary supplement	1/50 of the basic single person State pension averaged over the last year for each year of pensionable service, payable to a member until State pension age or earlier death.
Member's pension on ill-health retirement	An immediate pension, calculated as for age retirement, but based on pensionable service completed with an addition of half the member's potential service to normal retirement age, subject to a maximum addition of ten years. (This maximum is removed for serious ill-health retirements). A temporary supplement is also payable from age 50 to State retirement age or earlier death for either a male or female member.

Spouse's pension on death in service	A pension equal to the amount which would have been payable had the member retired on serious ill-health the day before his death is payable at the full rate for the first five years and thereafter at 52½% of that amount.
Spouse's pension on death after retirement	52½% of the pension payable to the member, ignoring any reduction occasioned by commutation for a lump sum and excluding any temporary supplement. For the balance of five years from the member's date of retirement, the full member's pension is payable.
Lump sum on death in service	4 times earnings.
Payments on leaving service	A member is entitled to a scale deferred pension payable from normal retirement age. (Special payment conditions apply to members who were in service on 31 October 1993 and leave after that date, to comply with the sex equalisation requirements.) As an alternative, there is an option of a transfer payment to another scheme or to an individual annuity policy. Also, for any member who has less than two years' Qualifying Service, the option of a refund of member's contributions accumulated with interest is available.
Pension increases	Pensions (after commutation and in excess of any GMP in payment, but excluding any temporary supplement in payment accrued before 6 April 1997) are increase in line with the annual rise in the RPI, subject to a maximum of 5%.
Contributions	Members who do not participate in a salary sacrifice arrangement currently contribute at a rate of 1.6% of pensionable pay between the lower and upper earnings limit, and 6½% of pensionable pay on all earnings in excess of the upper earnings limit.

Holden Section

Normal retirement age	65
Pensionable service	Years and complete months, maximum of 40.
Pensionable salary (PS)	Basic salary plus a proportion of fixed commission where appropriate less one-half of the basic single persons State pension. Determined each October.

Final pensionable salary (FPS)	Greatest of: • PS on the member's birthday prior to retirement • PS on 1 October immediately preceding or coincident with the date five years prior to retirement • Highest average PS over three consecutive years of service in the ten years ending on 1 October immediately preceding the member's birthday prior to retirement.
Member's pension on retirement	1/60 of FPS for each year and complete month of pensionable service. The pension is reduced for early payment.
Spouse's pension on death in service	25% of PS.
Spouse's pension on death after retirement	Two-thirds of the member's pension in payment as if no pension had been commuted for a cash sum on retirement. On death within five years of retirement a lump sum equivalent to the value of the member's pension over the remainder of the five year period is due.
Lump sum on death in service	4 (2 for certain members) times basic salary plus a refund of contributions.
Payments on leaving service	A member is entitled to a scale deferred pension payable from normal retirement age. As an alternative, there is an option of a transfer payment to another scheme or to an individual annuity policy. Also, for any member who has less than two years' Qualifying Service, the option of a refund of member's contributions (less tax).
Pension increases	Pre-April 1997 benefits attract fixed increases of 3% pa. Post-April 1997 benefits increase in line with the annual rise in the RPI subject to a maximum of 5%. Benefits built up between April 1997 and July 2000 must increase by at least 3% pa.
Contributions	Members who do not participate in the employer's salary sacrifice arrangement currently contribute 6% of PS.

Senior Executive Section

The benefits under the Senior Executive Section are set out in the Rules, which can be accessed from the Trustee website at www.icipensionfund.org.uk

Non-active members

Non-active members are entitled to deferred benefits or are in receipt of pensions. In general deferred pensions are increased in line with price inflation, as measured by the RPI, (subject to a cap), pensions are increased in line with RPI based price inflation (subject to a cap) once in payment and dependants' pensions are payable on the death of members. Details of the benefits are provided to members on leaving service and further information is available on the Trustee's website.

Discretionary benefits

No discretionary benefits have been allowed for in the calculation of the technical provisions.

Merger with the Holden Plan

On 1 December 2010 the assets and liabilities of the Holden UK Retirement Benefits Plan (the "Holden Plan") were transferred to the Fund. Under the terms of the Transfer Agreement dated 19 November 2010 former members of the Holden Plan were provided with benefits under the Fund that were the same as those they previously enjoyed under the Holden Plan and an additional contribution of £3.2 million was made to the Fund to reflect the difference in the estimated financial position of the Holden Plan and the Fund (using the method and assumptions consistent with those set out in the Fund's statement of funding principles dated 6 March 2009).

Akzo Nobel Packaging Coatings Limited was admitted as a participating employer under the Fund and it was agreed that it would pay ongoing and deficit contributions to the Fund in line with those established following the actuarial valuation of the Holden Plan as at 1 October 2008. The Fund's new contribution arrangements were set out in a revised schedule of contributions dated 1 December 2010.

Changes to the benefits

Since the previous valuation the only changes to the benefits provided under the Fund Rules are as a result of changes in the terms for statutory revaluation of deferred pensions and statutory pension increases, as follows:

- the cap on statutory revaluation of deferred pensions in respect of benefits accrued after 5 April 2009 has been reduced from 5% pa to 2.5% pa

- from 2011 the inflation measure used to determine statutory revaluation and statutory pension increases (including increases to guaranteed minimum pensions (GMP) accrued after 5 April 1988) has been changed from the RPI to the Consumer Prices Index.

Uncertainty about the benefits

The Trustee has been reviewing the application of the Fund's maximum benefit rule. Pending completion of the exercise to recalculate affected members' benefits an additional reserve of £25 million has been included within the technical provisions and the solvency liabilities as an estimate of the capital value of the additional liabilities. The actual effect of the exercise will be reflected in subsequent actuarial valuations.

The question of whether and how GMPs must satisfy the sex equality requirements has yet to be determined. I have valued the Fund benefits which include unequalised GMPs. It should be appreciated that the liabilities of the Fund would increase if it is established that equalised GMPs have to be paid from the Fund.

Appendix B: Membership information

The Trustee's membership information, which was supplied to us by the Fund's administrator for the purposes of the actuarial valuation, is summarised below; the corresponding information as at the previous valuation date is shown for comparative purposes.

Membership data at this and the previous valuation date

	31 March 2011			31 March 2008		
Active members	Numbers	Pensionable earnings £m pa	Average earnings £ pa	Numbers	Pensionable earnings £m pa	Average earnings £ pa
	481	21.9	45,530	684	33.4	48,830

	31 March 2011			31 March 2008		
Deferred members	Numbers	Annual pensions £m pa	Average pension £ pa	Numbers	Annual pensions £m pa	Average pension £ pa
	11,674	53.5	4,583	13,175	56.1	4,258

	31 March 2011			31 March 2008		
Pensions in payment	Numbers	Annual pensions £m pa	Average pension £ pa	Numbers	Annual pensions £m pa	Average pension £ pa
	51,854	478.1	9,220	55,554	461.7	8,311

Movement of membership 2008 to 2011

	Actives	Deferred	Pensioners	Widow(er)s
Valued as at 31 March 2008	**684**	**13,175**	**38,095**	**17,331**
Joiners to status	-	154	1,744	2,357
Holden	103	161	180	60
Leavers	(101)	-	-	-
Retirements	(202)	(1,603)	-	-
Transfers out	-	(119)	-	-
Deaths	-	(70)	(4,592)	(3,289)
Cessation of pension	-	(1)	(92)	(23)
Total movement	**(200)**	**(1,478)**	**(2,760)**	**(895)**
Adjustments (including late notifications)	(3)	(23)	(29)	(4)
Valued as at 31 March 2011*	**481**	**11,674**	**35,306**	**16,432**

* In addition to the above, there are 116 children or other dependants with pensions in payment as at 31 March 2011.

Actives as at 31 March 2011

Number of records	Holden	ICI	Total
< 30	0	0	0
30-39	9	34	43
40-49	37	159	196
50-59	48	167	215
60-69	9	18	27
>=70	0	0	0
Total	**103**	**378**	**481**
Average age	**50**	**49**	**49**

Average salary £ pa	Holden	ICI	Total
<30	0	0	0
30-39	24,400	42,100	38,400
40-49	27,700	48,000	44,200
50-59	32,600	53,100	48,500
60-69	35,000	47,600	43,400
>=70	0	0	0
Overall average	**30,300**	**49,700**	**45,600**
Weighted average age	**51**	**50**	**50**

Deferred pensioners as at 31 March 2011

Number of records	Britag	Camtex	Holden	ICI	SAI	Total
< 30	0	0	0	1	0	1
30-39	0	0	9	843	0	852
40-49	14	7	55	4,352	113	4,541
50-59	37	32	72	4,601	163	4,905
60-69	20	56	23	1,132	43	1,274
>=70	3	56	2	39	1	101
Total	**74**	**151**	**161**	**10,968**	**320**	**11,674**
Average age	56	66	52	50	52	50

Average pension £ pa	Britag	Camtex	Holden	ICI	SAI	Total
<30	0	0	0	700	0	700
30-39	0	0	1,800	1,900	0	1,900
40-49	3,900	700	2,600	4,300	2,300	4,300
50-59	4,500	1,600	4,800	5,700	4,800	5,600
60-69	2,500	900	4,600	4,200	5,100	4,000
>=70	1,100	200	0	2,400	7,500	1,200
Overall average	**3,700**	**800**	**3,800**	**4,700**	**3,900**	**4,600**
Weighted average age	55	61	53	51	54	51

Pensioners as at 31 March 2011

Number of records	Britag	Camtex	Holden	ICI	SAI	Total
< 50	0	0	0	32	2	34
50-59	7	4	22	1,585	17	1,635
60-69	31	68	75	10,193	133	10,500
70-79	120	70	54	12,674	175	13,093
80-89	97	82	19	8,366	118	8,682
>=90	6	15	10	1,312	19	1,362
Total	**261**	**239**	**180**	**34,162**	**464**	**35,306**
Average age	77	76	71	74	74	74

Average pension £ pa	Britag	Camtex	Holden	ICI	SAI	Total
< 50	0	0	0	11,500	1,600	10,900
50-59	4,000	1,000	4,300	9,600	7,400	9,500
60-69	3,900	1,600	7,400	12,200	5,700	12,000
70-79	6,300	1,500	8,700	11,500	9,000	11,400
80-89	5,300	1,700	8,000	10,000	8,300	9,800
>=90	4,100	900	3,600	8,700	6,500	8,500
Overall average	**5,500**	**1,500**	**7,300**	**11,100**	**7,700**	**11,000**
Weighted average age	77	76	71	73	75	73

Widows as at 31 March 2011

Number of records	Britag	Camtex	Holden	ICI	SAI	Total
< 50	0	2	6	84	4	96
50-59	0	3	2	371	6	382
60-69	15	13	8	1,710	33	1,779
70-79	36	30	19	4,782	72	4,939
80-89	36	46	20	6,901	85	7,088
>=90	4	13	5	2,097	29	2,148
Total	**91**	**107**	**60**	**15,945**	**229**	**16,432**
Average age	78	79	74	80	78	80

Average pension £ pa	Britag	Camtex	Holden	ICI	SAI	Total
< 50	0	2,400	1,500	4,000	2,900	3,800
50-59	0	1,200	1,600	6,100	3,100	5,900
60-69	4,800	1,300	4,400	6,300	4,000	6,200
70-79	3,600	1,000	11,000	5,800	6,300	5,700
80-89	4,700	1,200	7,600	5,200	6,300	5,200
>=90	2,500	800	3,200	5,400	6,000	5,300
Overall average	**4,210**	**1,200**	**7,000**	**5,500**	**5,800**	**5,500**
Weighted average age	78	78	78	79	80	79

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Appendix C: Asset information

The audited accounts supplied as at 31 March 2011 show that the market value of the Fund's assets was £7,707 million. This includes AVCs which amounted to £3 million. The change in the Fund's assets from £7,120 million at 31 March 2008 to £7,707 million at 31 March 2011 is detailed in the Trustee's Report and Financial Statements over that period and summarised in the revenue account table on page 27.

The Fund's annual accounts show that that over the three Fund years to 31 March 2011 the annual investment returns achieved on the Fund's assets were -0.6%, 15.6% and 7.5% for 2008/09, 2009/10 and 2010/11 respectively; this is equivalent to an average return over the period of 7.3% pa.

The Trustee's investment policy is set out in the statement of investment principles dated October 2011. This describes the Fund's strategic asset allocation as follows:

> "The Fund's strategic objectives are to have 82% of the Fund invested in low-risk fixed interest and inflation linked bonds, (with average duration broadly similar to the Fund's expected liabilities) and 18% of the Fund invested in a diversified portfolio of higher risk, return-seeking assets. From time to time investment decisions may be taken to vary the actual allocation between return-seeking assets and liability-related assets."

The distribution of Fund assets at this and the previous valuation is shown on page 26.

	Market value as at 31 March 2011		Market value as at 31 March 2008	
	£m	%	£m	%
Return-seeking assets				
Equities and convertibles				
- UK	194	3	253	4
- Overseas	767	10	441	6
High yield bonds	155	2	101	2
Leveraged loans	154	2	74	1
Emerging market bonds	149	2	318	4
Emerging market currency	155	2	-	-
Hedge funds	-	-	10	-
Infrastructure	14	-	-	-
Cash/Alternatives	(11)	-	-	-
Sub-total return-seeking assets	**1,577**	***21***	***1,197***	***17***
Liability-related assets				
Index-linked gilts	1,351	17	-	-
Non-gilt Index-linked bonds	2,090	27	1,529	21
Fixed interest gilts	442	6	36	1
Other fixed interest bonds	437	6	503	7
LPI unit trusts	1,673	21	3,658	51
Cash and net current assets	134	2	193	3
Sub-total liability-related assets	**6,127**	***79***	***5,919***	***83***
AVCs	3	-	4	-
Grand Total	**7,707**	***100***	**7,120**	**100**

Revenue account

A summary of the financial transactions of the Fund since the last valuation is as follows:

	£m	£m
Assets at 31 March 2008		**7,120**
Contributions paid:		583
- Employers' normal contributions	22	
- Employers' deficit contributions	526	
- Other employer contributions	35	
- Members' contributions	0	
Transfer from Holden Plan		57
Benefits paid:		(1,497)
- Pension payments	(1,421)	
- Lump sums at retirement	(54)	
- Other benefits	(22)	
Changes in market value of investments and investment income		1,444
Assets at 31 March 2011		**7,707**

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Appendix D: Assumptions

Technical provisions

Set out below are the financial and demographic assumptions adopted for the 2011 actuarial valuation. For comparison, key 2008 assumptions are also included. A full description of the assumptions used for the 2008 valuation can be found in the report on that valuation dated 6 March 2009.

Summary of financial assumptions

	31 March 2011 % pa	31 March 2008 % pa
Discount rates		
Pre retirement	5.57	6.02
Post retirement	4.71	5.25
Other financial assumptions		
RPI price inflation	3.6	3.5
CPI price inflation	2.7	n/a
Salary increases	4.6	5.0
Pension increases (RPI minimum 0% pa, maximum 5% pa)	3.5	3.45
Pension increases (CPI minimum 0% pa, maximum 3% pa)	2.4	n/a
Pension increases (RPI minimum 0% pa, maximum 3% pa)	n/a	2.8
Pension increases (RPI minimum 3% pa, maximum 5% pa)	3.8	n/a
Statutory deferred pension revaluation (RPI up to 5% pa)	n/a	3.5
Statutory deferred pension revaluation (CPI up to 5% pa)	2.7	n/a

In service demographic assumptions as at 31 March 2011

	Specimen rates per 1,000 members at each age					
	Withdrawal		Mortality		Ill-health	
Age	Men	Women	Men	Women	Men	Women
25	122.6	234.0	0.3	0.3	0.1	-
30	89.6	198.0	0.3	0.3	0.2	0.2
35	68.6	122.0	0.3	0.4	0.5	0.9
40	52.6	62.0	0.5	0.5	1.0	1.9
45	38.0	32.0	1.1	0.7	2.1	3.4
50	17.0	6.0	1.7	0.9	4.4	8.4
55	2.6	-	2.5	1.3	12.5	18.0
60	-	-	3.5	1.9	30.0	28.0
65	-	-	5.7	2.9	30.0	-

No allowance is made for voluntary early retirement of contributory members, as the agreed funding plan involves the payment of additional employer contributions in respect of early retirement pension costs as and when retirements occur. All contributing members reaching normal retirement age are assumed to retire immediately. Members who have left service are assumed to draw their benefits at the earliest age they are entitled to do so without reduction.

	Salary Scale		Proportion Married or in a Civil Partnership or with an Adult Dependant	
Age	Men	Women	Men	Women
25	998	146	0.463	0.600
30	1175	164	0.741	0.600
35	1295	174	0.841	0.600
40	1360	184	0.874	0.600
45	1396	194	0.880	0.600
50	1418	194	0.880	0.600
55	1426	194	0.876	0.600
60	1426	194	0.872	0.600
65	1426	194	0.867	0.600

For members who have left service the proportions assumed to be married or in a civil partnership or with an adult dependant are the same as for those in service. The assumed age difference between member and spouse/civil partner/adult dependant is +3 years for males and -1 year for females.

The proportion of pensioner deaths assumed to give rise to a spouse's/civil partner's/adult dependant's pension is based on those applicable at normal retirement age for contributing members, as set out above, but adjusted to take account of spouse's/civil partner's/adult dependant's mortality between normal retirement age and the pensioner's age at death. At death male pensioners are assumed to be three years older than their spouse/civil partner/adult dependant and female pensioners are assumed to be one year younger than their spouse/civil partner/adult dependant.

Post-retirement mortality

Base tables:

	31 March 2011		31 March 2008	
	S1 (Amounts) SAPS table used[(1)]	Adjustment (multiplier applied to rates of death)	2000 series table used[(2)]	Adjustment (age rating in years)
Male members (age retirement)	Male Normal retirement	98.5%	Male Normal retirement	+1
Male members (ill-health)	Male Ill-health	100%	Male Normal retirement	+5.5
Dependants of male members	Dependants	105%	Female Normal retirement	+1.25
Female members (age retirement)	Female Normal retirement	97%	Female Normal retirement	+1.75
Female members (ill-health)	Female Ill-health	100%	Female Normal retirement	+5.5
Dependants of female members	Male Normal retirement	98%	Male Normal retirement	+1

(1) Adjusted from 2002 to 2011 using the 2010 CMI core projection model, with a long-term rate of improvement of 1.5% pa.

(2) Adjusted from 2000 to 2008 using the CMI medium cohort improvement projections.

Improvements in mortality from the base tables:

An allowance has been made for improvements in longevity from the valuation date into the future. For this valuation, the allowance comprises reducing the base table mortality assumptions year by year in line with the 2010 CMI core projections with a long term improvement rate of 1.5% pa.

In 2008 an allowance was made for future improvements in longevity by reducing the mortality assumptions year by year in line with the medium cohort projections subject to a minimum annual rate of reduction of 1.5% for males and 1.0% for females.

Member options

No allowance has been made for options to be exercised by members apart from commutation. In particular, this means that all members (except as noted above for contributing members) are assumed to draw their benefits from the earliest age at which they are entitled to do so without reduction.

Commutation

It has been anticipated that members retiring in the three years following the valuation will commute 20% of their pension on retirement, and subsequent retirees will commute 10% of their pension. For the previous valuation commutation was assumed for three years after the valuation date only.

Future commutation terms are assumed to be based on the Fund's current commutation rates but anticipating that the terms on which members commute pension will improve over time to reflect the anticipated changes in life expectancy (in line with the assumptions for calculating the technical provisions). For the previous valuation the then current commutation terms were assumed to apply.

Solvency

The table below summarises the assumptions used to estimate the Fund's solvency position at this and the previous actuarial valuation, where these are different to those used in the calculation of the technical provisions.

Key assumptions	31 March 2011	31 March 2008
Pensioner real discount rate	Real gilt curve less 0.1% pa.	Real gilt curve.
Non-pensioner real discount rate	Real gilt curve less 0.6% pa.	Real gilt curve.
Pension increases (RPI minimum 0% pa, maximum 5% pa)	3.55% pa	As per technical provisions for 2008
Mortality	As per technical provisions for 2011 but with multipliers to the S1 SAPS tables which are 1½% lower for male age pensioners and 1% lower for all other groups pensioners and dependants	As per technical provisions for 2008 (but with a 2.0% pa floor for future improvement).

The real gilt curve used is a Towers Watson curve. Towers Watson produces gilt curves based on pricing data from FTSE International. Towers Watson uses this data to form a view on the best estimate level of the curve. The methodology for interpolating, extrapolating, averaging, smoothing and including or excluding data is necessarily subjective and is regularly reviewed and updated by Towers Watson according to its best judgement. As at the effective date of the valuation, there was no active market in gilts beyond 50 years. The curve has therefore been extrapolated based on the 10-year forward rate at the longest-dated available gilt. A different method may lead to different results.

Appendix E: Statutory certificate

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

Name of scheme: **ICI Pension Fund**

Calculation of technical provisions

I certify that, in my opinion, the calculation of the scheme's technical provisions as at 31 March 2011 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the trustee of the scheme and set out in the Statement of Funding Principles dated 30 January 2012.

David Donneky

David Donneky
Fellow of the Institute and Faculty of Actuaries

30 January 2012

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Reigate
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Appendix F: Glossary

This glossary describes briefly the terminology of the regime for funding defined benefit pension schemes as introduced by the Pensions Act 2004.

Actuarial report: this is a report prepared by the scheme actuary in the years between full actuarial valuations that provides an update on the developments affecting the Fund's assets and technical provisions.

Actuarial valuation: this is a review carried out by the scheme actuary that assesses whether the assets are sufficient to meet the funding target. It also determines the contributions required under any recovery plan and to meet the cost of benefits that are accruing for employed members. The calculations are based upon a number of assumptions.

Covenant: this is an employer's legal obligation and its ability to fund the scheme now and in the future.

Discount rate: this is the rate used to place a value at the valuation date on payments projected to be made in the future. The lower the discount rate the higher the resulting value.

Funding target/objective: this is a policy to achieve, by the end of a specified period, the amount of assets considered sufficient to pay benefits built up to date as they fall due over the lifetime of the scheme. It is usually based on a scenario that requires assumptions to be made about the future.

Pension Protection Fund (PPF): established by the Pensions Act 2004, this provides compensation to members of an occupational scheme in the event that the scheme is wound up with insufficient assets and the employer has gone insolvent. The level of PPF compensation provided would not normally be at the full level of the benefits that would otherwise have been due from the scheme.

Recovery plan: this is a document drawn up where an actuarial valuation discloses that the assets held are less than the technical provisions. It is a formal agreement between the trustee and the employer that sets out the steps to be taken with the aim to ensure there are sufficient assets to cover the technical provisions at the end of an agreed period.

Schedule of contributions: this is a document that sets out the agreed contributions payable into a scheme by members and the employers and the dates by which such contributions are to be paid. It includes, but is not limited to, contributions agreed under a recovery plan.

Solvency: the level of assets required to meet the estimated cost of purchasing annuity policies with an insurer sufficient to meet the accrued benefits.

Statement of funding principles: the trustee is responsible for preparing and maintaining this document (with the agreement of the employer and taking into account the advice of the actuary). It sets out the trustee's policy for ensuring that the statutory funding objective is met and in particular the method for determining the assumptions for calculating the technical provisions.

Statement of investment principles: the trustee is responsible for preparing and maintaining this document. It sets out the policy for investing the scheme's assets.

Statutory funding objective: Section 222 of the Pensions Act 2004 requires any scheme subject to that section “to have sufficient and appropriate assets to cover its technical provisions”. The trustee may establish other funding objectives in addition to the statutory funding objective.

Statutory priority order: this sets out the order in which the assets of a scheme should be applied in securing the benefits of different members in the event of a wind-up. In broad terms it requires that, after allowing for expenses, a scheme first secures benefits that are in line with the compensation that would be provided by the PPF with any remaining assets then being used to secure any other benefits.

Summary funding statement: this is a document that is sent to members following the completion of each actuarial valuation or actuarial report to provide an update on the financial position of the scheme.

Technical provisions: this is the amount of assets required to make provision for the accrued liabilities of the scheme. The technical provisions are calculated using the method and assumptions set out in the statement of funding principles.

Wind-up/Winding-up: this is a particular method of discharging a scheme's liability to pay benefits. It typically arises where the employer no longer provides financial support to the scheme (for example if it becomes insolvent) and would usually involve using the scheme's assets to buy insurance policies that pay as much of the scheme's benefits as possible in accordance with the statutory priority order.

Appendix G: Limitations and compliance

Third parties

I have written this report for the Trustee, as required under Clause 42A of the Fund Rules. I have prepared it to satisfy both the requirements of the Fund Rules and the statutory requirements of section 224 of the Pensions Act 2004. It has not been prepared for any other purpose. As such, it should not be used or relied upon by any other person for any other purpose, including, without limitation, by individual members of the Fund for individual investment or other financial decisions, and those persons should take their own professional advice on such investment or financial decisions. Neither I nor Towers Watson Limited accepts any responsibility for any consequences arising from a third party relying on this report.

Except with the prior written consent of Towers Watson Limited, the recipient may not reproduce, distribute or communicate (in whole or in part) this report to any other person other than to meet any statutory requirements.

Data supplied

The Trustee bears the primary responsibility for the accuracy of the information provided, but will, in turn, have relied on others for the maintenance of accurate data, including the Company who must provide and update certain membership information. Even so, it is the Trustee's responsibility to ensure the adequacy of these arrangements. I have taken reasonable steps to satisfy myself that the data provided is of adequate quality for the purposes of the investigation, including carrying out basic tests to detect obvious inconsistencies. These checks have given me no reason to doubt the correctness of the information supplied. It is not possible, however, for me to confirm that the detailed information provided, including that in respect of individual members and the Fund's assets, is correct.

This report has been based on data available to me as at the effective date of the actuarial valuation and takes no account of developments after that date except where explicitly stated otherwise.

Assumptions

The choice of assumptions, as set out in the Fund's statement of funding principles dated 30 January 2012, is the responsibility of the Trustee, in agreement with the Company, after taking my advice. They are only assumptions; they are not predictions and there is no guarantee that they will be borne out in practice. In fact I would expect the Fund's experience from time to time, to be better or worse than that assumed. The Trustee and the Company must be aware that there are uncertainties and risks involved in any course of action they choose based on results derived from these assumptions.

Actuarial standards

This report falls within the scope of several Technical Actuarial Standards (TASs) published by the Board for Actuarial Standards, namely:

- Pensions TAS
- TAS R: Reporting Actuarial Information
- TAS D: Data, and
- TAS M: Modelling.

I confirm that this report complies with these TASs. In particular it complies with the requirements for a Scheme Funding Report set out in section E.3 of the Pensions TAS.