Comet Pension Scheme

Statement of Investment Principles

Version 1.5

May 2009

126 Jermyn Street, London SW1Y 4UJ

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1.0	Initial draft	November 2004
1.1	Revisions from Trustee Meeting	November 2004
1.2	Revisions from Trustees Meeting	February 2005
1.3	Revisions to comply with The Occupational Pension Scheme (Investment) Regulations 2005	May 2006
1.4	Revision for investment in DAA and implementation of Liability Hedge	October 2008
1.5	Revision for investment in Structured Equity and Corporate Bond investment	May 2009

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1. Introduction

This document constitutes the Statement of Investment Principles ("the SIP") required under Section 35 of the Pensions Act 1995 for the Comet Pension Scheme ("the Scheme"). It describes the investment policy being pursued by the Comet Trustee Company Limited ("the Trustee") of the Scheme and reflects the suggestions of the Myners' Principles for Institutional Investment, and rule 26.2 of the Scheme's Trust Deed and Rules dated 3rd April 2006. This SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005.

The Scheme Actuary is Steve Leake of Punter Southall & Co, the Investment Adviser is P-Solve (a division of PSigma Investments Limited) and the Scheme Lawyer is Ronald Graham of Eversheds LLP, they are collectively termed "the Advisers".

The Trustee confirms that, before preparing this SIP, it has consulted with Comet Group Plc ("the Principal Employer"), Kesa Electricals ("the Principal Employer's Parent Company") and the Scheme Actuary and has obtained and considered written advice from the Investment Adviser. The Trustee believes the Advisers to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge, and experience of the management, of the investments of arrangements such as the Scheme. The Trustee also confirms that it will consult with the Principal Employer and take advice from the Advisers as part of any review of this SIP.

Where the Trustee is required to make an investment decision, it always receives written advice from the Advisers first and believes that this, together with the Trustee Directors' own collective expertise, ensures that it is appropriately familiar with the issues concerned.

In accordance with the Financial Services & Markets Act 2000, the Trustee sets general investment policy, but has delegated the day-to-day investment of the Scheme's assets to professional Investment Managers. The Investment Managers are authorised under the Financial Services & Markets Act 2000 and provide the expertise necessary to manage the investments of the Scheme competently.

1.1 Declaration

The Trustee confirms that this SIP reflects the Investment Strategy it has implemented for the Scheme. The Trustee acknowledges that it is its responsibility, with guidance from the Advisers, to ensure the assets of the Scheme are invested in accordance with these Principles.

Signed .... Date ....

For and on behalf of the Trustee of the Comet Pension Scheme

2. Scheme Governance

The Trustee considers that the governance structure set out in this SIP is appropriate for the Scheme, as it allows the Trustee to make the important decisions on investment policy, while delegating the day-to-day aspects to the Investment Managers or to the Advisers as appropriate. The responsibilities of each of the parties involved in the Scheme's governance are detailed in Appendix A.

The Trustee has appointed an Investment Sub-Committee ("the ISC") to deal with investment matters on their behalf. The ISC deals with day to day investment matters and acts as a coordinator between the Investment Advisors, Investment Managers and the Trustee. The ISC has the power to make decisions on behalf of the Trustee.

The ISC will report back to the Trustee on all decisions made. However, all investment decisions remain the sole responsibility of the Trustee. The Trustee may follow or reject any or all advice offered by the ISC and there is no obligation imposed or implied upon the Trustee to explain or account for its decision.

Details of the responsibilities delegated to the ISC and those retained by the Trustee are detailed in Appendix A.

3. Investment Objectives

In general terms, the Trustee's ***qualitative*** objectives for the Scheme are:

i. To ensure that sufficient assets are available to pay out current and future members' benefits as and when they arise.

ii. To maximise the funding level on an ongoing basis. In particular, to ensure that the Scheme reaches a 100% funding level within an appropriate period of time (currently by May 2016 as agreed with the Principal Employer in the Recovery Plan dated March 2008).

And secondarily,

iii. To minimise the risk of additional cash contribution requirements from the Principal Employer in meeting the balance of the costs in underwriting the Scheme benefits.

In terms of ***monitoring*** the investment arrangements, the above objectives are translated into the following ***quantitative*** measures, which are used as the main management tool:

- To achieve returns equal to gilts + 2.2% p.a. on the Total Fund over rolling 3 year periods.
- To aim not to breach a downside tolerance of gilts – 4.4% p.a. on the Total Fund in any 12 month period.

For this purpose, "gilts" is used as a proxy benchmark for the liabilities and as defined as follows:

65% FTSE Over 5 Year Index-linked Gilt Index

35% FTSE Over 15 Year Fixed Interest Gilt Index

4. Asset Allocation Strategy

4.1 Liabilities

The Scheme provides a pension that is based on length of service up to date of leaving, retirement or 30 September 2007, whichever is earliest, and Final Salary at the time of leaving or retirement. The Rules of the Scheme further guarantee that pensions in payment are increased as follows:

Service prior to April 1997	Statutory increases to Guaranteed Minimum Pensions (GMPs). There are no increases to GMPs earned pre April 1988. Pensions in excess of the GMP are increased by the annual average of the increase in the Retail Prices Index over the previous three years or 5% per annum if lower.
Service post April 1997	Pensions are increased by 5% p.a. or the increase in the Retail Price Index, if lower.
Service post April 2005	Pensions are increased by 2.5% p.a. or the increase in the Retail Price Index, if lower.

The liabilities of the Scheme are linked to:

i. Wage and Salary inflation up to retirement for current employees;

ii. Price inflation and fixed rate escalation up to retirement for deferred pensioners; and

iii. Price inflation (subject to guaranteed limits) once the pension comes into payment.

The Scheme ceased accrual of benefits on 30 September 2007.

The investment of the assets will have regard to the above characteristics of the Scheme.

4.2 Asset Allocation

The Trustee believes that one of its most important investment decisions is the proportion of assets to be invested in each of the major asset classes. Having considered advice from the Advisers, and also having due consideration for the objectives, the liabilities of the Scheme and its attitude to risk, the Trustee has decided upon the following strategic asset allocation:

Asset Class	%	Expected Rate of Return above gilt returns (pa)**
Investment Fund	**85**	**3.4%**
UK Equity Structured Product*	15	4.0
Overseas Equities		4.0
US	5	
Europe (ex UK)	5	
Asia Pacific (inc Japan)	5	
Global Investment Grade Credit	10	1.5
Dynamic Asset Allocation	25	4.0
Property	10	2.5
Global Broad Bond Mandate	10	3.0
Liability Hedge	**15**	**0.0%**
Collateral - Index Linked Gilts*	15	0.0
Total Fund	**100**	**2.9%**

* The collateral pools for the UK Equity Structured Product and the Liability Hedge have been set up so that they can be used for either product.

** Over the very long term (20 years plus)

The Scheme has entered into a series of swap contracts to reduce risk by matching the change in liabilities in terms of interest rate and inflation. They form a Liability Hedge which improves the matching ability of the Scheme's assets (relative to liabilities). This should result in a smoother level of funding over time. The Liability Hedge will cover up to 80% of the Scheme exposure to inflation and interest rate risk on its liabilities. Index Linked Gilts are held by a custodian to be available to provide collateral for the Liability Hedge as required by the counterparties to the Liability Hedge from time to time and are an integral part of the Liability Hedge strategy.

The Scheme has implemented a Structured Equity arrangement with a term of 3 years. It is made up of swap contracts on the FTSE 100 Index and Index Linked Gilts available to provide collateral. The swap contracts have been implemented to control the Scheme's exposure to a fall in the FTSE 100 Index whilst also enhancing the return achieved if the FTSE 100 Index rises over the 3 year term relative to holding equities.

4.3 Rebalancing

The Trustee, in conjunction with the Advisers, will monitor the actual asset allocation of the Scheme. If the actual allocation moves further **than 5 percentage points from** the strategy shown above, then the Trustee will make a decision as to whether to switch funds between classes to move back closer to the strategic allocation after consideration of advice.

New money will be invested (or disinvestments required for cashflow made) on a mechanical basis to bring the asset allocation closer to the benchmark strategy as far as possible.

Rebalancing of the Liability Hedge Product and the UK Equity Structured Product will be managed by PSigma Investment Limited after discussion with the Trustee.

Rebalancing of the Overseas Equity funds will be managed by Legal and General Investment Management.

4.4 Rates of Return

Based on the expected real rates of return shown above for each asset class, the Trustee expects to achieve a rate of return for the total Scheme of approximately 2.9% per annum in excess of the return on gilts over the long term.

4.5 Diversification

The choice of asset classes is designed to ensure that the Scheme's investments are adequately diversified and liquid. The Trustee monitors the strategy on an ongoing basis and will carry out a complete review from time to time to ensure that they are comfortable with the level of diversification and liquidity being achieved.

4.6 Suitability

The asset allocation strategy was originally set following a detailed review in October 2007 of the liabilities identified in the Actuarial Valuation at 31 March 2007 and how different investment strategies impacted the finances of the Scheme and the Principal Employer's contribution requirement. This has been updated following a review in the first quarter of 2009 to take account of the impact of the recent global economic conditions on the Scheme's assets. In so doing, the Trustee has considered, and taken advice on, a full range of suitable investment opportunities that could potentially meet the investment objective, paying due regard to the potential risks of investment. The Trustee believes that this ensures the asset allocation strategy is suitable.

4.7 Realisation of Assets

The majority of the Scheme's assets are held in pooled funds and in asset classes that are sufficiently liquid to be realised easily if the Trustee so requires.

5. Investment Managers and Implementation

The Trustee has delegated the day-to-day investment of the Scheme's assets to professional Investment Managers. The details of the Managers are shown in Appendix A.

The Trustee has appointed active managers for Property, Global Bonds and Dynamic Asset Allocation because it believes that this is the most appropriate form of access for these three types of funds.

For the equity assets and index-linked gilts held as collateral for the liability hedge and structured equity, the Trustee has selected passive managers since this offers virtually no risk of significantly under-performing the index and offers additional diversification by product and by manager. The Trustee recognises that use of a passive manager in these assets will mean that the Scheme will not significantly out-perform the relevant benchmark in these areas.

The Equity Structured product has a UK Equity benchmark – the FTSE 100 index. It is a passively managed product that will outperform the index if the index has a positive total return and also minimises underperformance if the index has a negative total return both within the stated parameters of the product.

The Liability Hedge product is a passively managed product.

The Trustee has selected pooled funds for the investment of the Scheme's assets, with the exception of the Equity Structured product and the Liability Hedge, to achieve good diversification given the size of the assets invested for each mandate. A pooled fund is one where the Trustee, along with other investors, buys units in a larger pool of investments run by the Manager. The Equity Structured product and the Liability Hedge are bespoke structured derivative products.

5.1 Mandates and Performance Objectives

The Trustee has received advice on the appropriateness of each Manager's targets, benchmarks and risk tolerances from the Advisers and believes them to be suitable for the Scheme. Details are given in Appendix A.

5.2 Manager Agreements

The Trustee and the Managers have agreed, and will maintain, formal Investment Manager Agreements or Contracts setting out the scope of the Manager's activities, their charging basis and other relevant matters. The Managers have been provided with a copy of this SIP and are required to exercise their powers with a view to giving effect to the principles contained herein and in accordance with subsection (2) of Section 36 of the Pensions Act 1995 and 2004.

5.3 Diversification

The assets will be invested in a diverse portfolio of investments in order to reduce investment risk given the circumstances of the Scheme. The range of, and any limitation to, the proportion of the Scheme's assets held in any asset class will be agreed between each Manager and the Trustee. This range and set of limitations will be specified in the formal Manager Agreements and may be revised from time to time according to appropriate investment strategy advice provided to the Trustee and having regard to the investment powers of the Trustee as defined in the Trust Deed.

5.4 Suitability

The Trustee has taken advice from the Advisers to ensure that the Managers are suitable for the Scheme, given its objectives.

5.5 Custody

The assets are held in pooled funds as arranged, the Trustee has effectively delegated the custody of the investments of the Scheme to the Managers. The Trustee has delegated appointment of a custodian for the Index Linked Gilts available to provide collateral for the Swap contracts to PSigma Investment Limited.

Manager	Custodian
Western Asset Management	Citibank
Legal & General Investment Management	HSBC Global Investor Services
Baring Asset Management	Northern Trust
UBS Global Asset Management (Triton Fund)	JP Morgan
PIMCO Europe Ltd.	Brown Brothers Harriman
PSigma Investment Limited	KAS Bank

5.6 Realisation of Assets

The majority of the Scheme's assets are held in pooled funds and in asset classes that are sufficiently liquid to be realised easily if the Trustee so requires.

6. Monitoring

6.1 Investment Managers

The Trustee will monitor the performance of the Managers against the agreed performance objectives. This process would normally consider rolling periods of 3 years.

The Trustee holds regular meetings with the Managers to satisfy themselves that the Managers continue to carry out their work competently and have the appropriate knowledge and experience to manage the assets of the Scheme. In any event the Trustee will formally review the progress and performance of the Managers every year. As part of this review, the Trustee will consider whether or not each Manager:

- Is carrying out his work competently. The Trustee will evaluate the manager based on, amongst other things
  - The Manager's performance versus their respective benchmarks.
  - The level of risk within the portfolios given the specified risk tolerances.
- Has regard to the need for diversification of investments.
- Has regard to the suitability of each investment and each category of investment.
- Has been exercising his powers of investment with a view to giving effect to the principles contained in this SIP, so far as is reasonably practical.

6.2 This SIP

The Trustee will review this SIP triennially, or, without delay, following any changes to the investment strategy, and modify it with consultation from the Advisers and the Principal Employer if deemed appropriate. There will be no obligation to change this SIP, any Investment Manager or Adviser as part of such a review.

6.3 Advisers

The Trustee will monitor the advice given by the Advisers on a regular basis.

7. Fees

7.1 Investment Managers

The Trustee will ensure that the fees paid to the Investment Managers are consistent with levels typically available in the industry and the nature of services provided. The current fee basis for each of the Investment Managers is set out in Appendix C.

The Trustee is aware of each Investment Managers policy regarding soft commission arrangements. The Investment Managers disclose their fees, commissions and other transaction costs in accordance with the Financial Services Authority ('FSA') Disclosure Code.

7.2 Advisers

Fees paid to the Advisers are based either on actual time spent and hourly rates for relevant individuals, or on fixed fees agreed in advance for specifically defined projects.

7.3 Custodian

There is no custodian appointed directly by the Trustee.

7.4 Performance Measurer

There is no peformance measurer appointed by the Trustee.

7.5 Trustee

The directors of the Trustee company are not paid for their services, but reasonable expenses will be reimbursed.

8. Risks

The Trustee recognises a number of risks involved in the investment of assets of the Scheme, These risks, and how they are measured and managed, include:

i. **Funding and asset/liability mismatch risk** – the risk that the funding level is adversely affected due to a mismatch between the assets and liabilities. This risk is managed in the following ways:

   - A liability benchmark portfolio or 'LBP' is used as a proxy for the liabilities (as described in Section 3) in order to measure the approximate changes in the liabilities (due to changes to the relevant gilt yields only). The Trustee monitors this change relative to the change in asset values on a quarterly basis. The LBP is reviewed following each actuarial review.

   - The Trustee also recognises the risk of a negative impact on the funding level due to changes in the actuarial assumptions used to calculate the liabilities and variation in experience. This is managed through aiming for a higher overall investment return than implied by the liabilities.

   - When setting and reviewing investment strategy, the Trustee examines how the investment strategy impacts on downside risk. Downside risk of the investment strategy is also measured by reference to the LBP as set out in Section 3 and can therefore be assessed as part of the quarterly review process.

   - This risk is also monitored through regular actuarial and investment reviews.

   - A Liability Hedge has been implemented specifically to reduce this risk.

ii. **Underperformance risk** – the risk of underperforming the benchmarks and objectives set by the Trustee. This risk is minimised using the following techniques:

   - Appropriate diversification across asset classes, within sectors and between individual stocks to minimise the effect of a particular stock or sector performing badly.

   - The use of instruments and strategies designed to control the extent of downside exposure.

   - The use of passive management for assets classes where the downside risk of active management is considered too high.

   - Regular monitoring of the active Investment Managers' performance, processes and capabilities with respect to their mandate, and by use of more than one manager to avoid over exposure to one organisation.

iii. **Country risk** – the risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across several countries. This is measured by ensuring that the Scheme is not overexposed to a particular country, and the asset allocations of the overseas equity Managers are examined on a quarterly basis.

iv. **Risk of inadequate diversification or inappropriate investment** – investing in a diversified portfolio of assets thereby avoiding concentration of assets in one particular stock or sector. The Trustee's agreements with the Managers contain a series of restrictions to measure and limit the risks from each individual investment and prevent unsuitable investment activity.

v. **Default risk** – addressed through the restrictions for the Managers, in particular exposure to corporate, high yield or emerging market bonds are managed using diversified portfolios of such bonds.

vi. **Organisational risk** – addressed through regular monitoring of the Managers and Advisers.

vii. **Sponsor risk** – the risk of the Principal Employer ceasing to exist or having insufficient resources to meet the agreed recovery plan, which for reasons of prudence, the Trustee has taken into account when setting the asset allocation strategy.

viii. **Liquidity risk** – investing in sufficient assets, which are realisable with sufficient notice to meet the Scheme's cash flow requirements.

ix. **Counterparty risk** – the risk of the counterparty to an agreement not carrying out his side of the deal. Where derivatives are used, the risk of counterparty default is reduced through the requirement in the relevant documentation that regular collateral or margin payments be made. It is also considered in the selection of counterparties and the incorporation of protection mechanisms in the documentation in the event of a downgrade in credit quality of an existing counterparty.

The Trustee will keep these risks how they are measured and managed under regular review and are assisted in this by regular training.

9. Other Issues

9.1 Corporate Governance

The Trustee's policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the Manager on their behalf having regard to the best financial interests of the beneficiaries. Where this primary consideration is not prejudiced, the Trustee would expect the Manager to take account, where appropriate, of social, environmental and ethical factors in the exercise of such rights.

The Trustee has received copies of the Managers' published corporate governance policies, which explain the manager's approach to Socially Responsible Investing ("SRI") and voting rights and the Trustee is satisfied with the policies as described. Information on corporate governance actions is reported in the Managers' performance reports, which enables the Trustee to monitor this.

9.2 Social, Environmental and Ethical Issues

The Pensions Act requires Trustees to include a statement on the extent to which (if any) social, environmental and ethical considerations are taken into account in the selection, retention and realisation of investments.

The Trustee believes its duty is to act in the best financial interest of the Scheme's beneficiaries. In order to achieve appropriate diversification, the Scheme's assets and contributions are invested collectively with those of other similar pension schemes in relevant pooled funds of the Managers. This pooling of investments prevents the Trustee from setting any specific social, environmental or ethical investment policy. Information on any uses of the policies on these aspects may be reported in the Managers' performance reports, which enable the Trustee to monitor this.

9.3 Additional Voluntary Contributions ("AVCs")

Until 30 September 2007 members of the Scheme had the opportunity to pay AVCs, which are invested and used to increase pension benefits at retirement, or in the event of death. The Trustee established the arrangements under which members may choose to invest their contributions. The Trustee's objectives are to provide members with the opportunity to maximise, as far as is reasonable and sensible, the value of the member's contributions plus investment returns, within the constraints imposed by the member's choice of investments, and to provide members with a reasonable choice of investment.

The current AVC providers are as follows:

- Abbey National Life
- Prudential Assurance
- The Standard Life Assurance Company

Appendix A - Responsibilities

Trustee

The Trustee of the Scheme is responsible for, amongst other things:

i. Reviewing the suitability of the investment policy following the results of each actuarial or investment review, in consultation with the Advisers.

ii. Assessing the quality of the performance and process of the Investment Managers by means of regular reviews of the investment results and other information, through meetings and written reports, in consultation with the Advisers.

iii. Appointing and dismissing investment manager(s), in consultation with the Advisers.

iv. Assessing the quality of the performance of the Advisers.

v. Consulting with the Employer when reviewing investment policy issues.

vi. Reviewing at least triennially the content of the SIP and for modifying it if deemed appropriate, in consultation with the Advisers.

vii. Monitoring compliance of the investment arrangements with the SIP on an ongoing basis.

Investment Sub-Committee

The ISC has responsibility:

i. To recommend investment objectives for approval by the Full Board.

ii. To obtain advice and to make decisions in the discharge of its investment responsibilities, in accordance with the objectives stated in the Scheme’s SIP.

iii. To implement any changes in investment strategy, undertake consultation and ensure the implementation of the Scheme’s agreed strategy.

iv. To monitor and report to the Trustee Board on the investment arrangements and the performance of investments and Investment Managers.

v. To recommend the appointment and dismissal of investment managers, custodians or advisers for approval by the Full Board.

vi. To recommend the Scheme's SIP final draft for approval by the full board.

vii. To investigate and report on any specific investment related issues as requested by the Trustee.

viii. To consult with the Sponsor on a regular basis.

Investment Managers

The Investment Managers will be responsible for, amongst other things:

i. At their discretion, but within the guidelines given by the Trustee, implementing changes in the asset mix and selecting and undertaking transactions in specific investments within each asset class.

ii. Providing the Trustee with sufficient information each quarter to facilitate the review of its activities, including:

- A report of the strategy followed during the quarter
- The rationale behind past and future strategy
- A full valuation of the assets
- A transaction report
- Cash reconciliation
- Any corporate actions taken

iii. Informing the Trustee immediately of:

- Any breach of this SIP
- Any serious breach of internal operating procedures
- Any material change in the knowledge and experience of those involved in the Scheme's investments
- Any breach of investment restrictions agreed between the Trustee and the Investment Manager from time-time.

Investment Adviser

The Investment Adviser will be responsible for, amongst other things:

i. Participating with the Trustee in reviews of the SIP.

ii. Advising the Trustee how any changes in the Scheme's benefits, membership and funding position may affect the manner in which the assets should be invested.

iii. Advising the Trustee of any changes in the Scheme's Investment Managers that could affect the interests of the Scheme.

iv. Advising the Trustee of any changes in the investment environment that could either present opportunities or problems for the Scheme.

v. Undertaking reviews of the Scheme's investment arrangements including reviews of the asset allocation strategy and current Investment Managers and selection of new Investment Managers as appropriate.

Scheme Actuary

The Scheme Actuary will be responsible for, amongst other things:

i. Liaising with the Investment Adviser on the suitability of the Scheme's investment strategy.

ii. Performing the triennial and interim "annual funding reviews" valuations and advising on the appropriate contribution levels.

iii. Commenting on the appropriateness of the investment strategy relative to the liabilities of the Scheme at the triennial valuations.

iv. Advising the Trustee and Investment Adviser of any changes to Scheme benefits, significant changes in membership, contribution levels and funding levels.

Legal Adviser

The Legal Adviser will be responsible for, amongst other things:

i. Liaising with the Trustee to ensure legal compliance including, those in respect of investment matters.

Appendix B – Investment Managers Performance Targets

The Managers are as follows:

- Western Asset Management
- Legal & General Investment Management
- PIMCO Europe Ltd Global
- Barings Asset Management
- UBS Global Asset Management
- PSigma Investments Limited

The mandate and objectives of the Managers are as follows (and additional detailed information on the mandates and restrictions is provided in the Appendix B):

Western Asset Management – Global Bonds Mandate

The Fund's target is to outperform 3-month LIBOR by 3% p.a. net of fees over 3 year rolling periods. This objective will be met with an expected tracking error of 3% and using the following broad strategy:

Asset Class	Allocation Target Range (%)
UK Gilts and Global Government Bonds & Currencies	10 – 100
Global Investment Grade Credit	0 – 90
US Mortgage - Backed Securities	0 – 50
US High Yield	0 – 30
Emerging Markets Debt	0 – 30

Legal & General Investment Management – Passive Overseas Equities Mandate

The mandate is to track the composite index outlined below.

Asset Class	%	Benchmark
North American Equities	33.4	FTSE All World Developed North America Index
European Equities	33.4	FTSE All World Developed Europe (ex UK) Index
Japanese Equities	16.6	FTSE All World Japanese Index
Pacific Basin Equities	16.6	FTSE All World Developed Asia Pacific (ex Japan) Index

Cash held during periods of transition are held in the LGIM Cash fund with a target to outperform the CAPS Cash Median over a 12 month period.

PIMCO Europe Ltd. – Global Investment Grade Credit Mandate

The aim of the PIMCO Global Investment Grade Credit Fund is to maximise total return, consistent with preservation of capital. The Manager may also be expected to outperform the Barclays Capital Global Aggregate Credit (ex-Government, Ex-Securitised) (GBP Hedged) Index by 1% p.a. gross of fees over 3 year rolling periods.

Barings Asset Management – Dynamic Asset Allocation Mandate

The aim of the fund is to outperform 3-month LIBOR by 4% p.a. net of fees over 3 year rolling periods.

UBS Global Asset Management – Property Mandate

The UBS Triton Property Fund aims to consistently outperform the HSBC/APUT "Pooled Property Fund Indices" All Balanced Funds Median.

P-Sigma Investments Limited – Liability Hedge Mandate

The investment objective of the Liability Hedge is to reduce 80% of the interest rate and inflation risk inherent in the nature of the Client's obligations to its members under the Scheme.

Specifically the objective of the inflation dependant swaps will be the Retail Price Index (all items) ('RPI') as published by the Office of National Statistics in the United Kingdom.

P-Sigma Investments Limited – Structured Equity Mandate ("EDOS")

The investment objective of the EDOS is a return of at least 10% per annum in excess of the compounded 6 month Sterling LIBOR return, through investment of the EDOS Cash Balance and exposure to the FTSE 100 Price Index using Derivative Transactions. Achieving this investment objective is subject to the FTSE 100 Price Index rising to the required level at the expiry date of the EDOS.

Appendix C – Investment Manager Mandate Details

Western Asset Management - Global Multi-Sector Fund

Investment Objective

To seek returns in excess of the benchmark as determined from time to time, primarily through investment in collective investment undertakings, which invest in global investment grade credit, mortgage backed securities, high yield and emerging markets fixed income and debt, traded in any geographical area or industry sector, and cash, as well as investment directly in those types of assets.

Investment Policy

The Investment Manager (in conformity with the terminology of the Fund Prospectus) will primarily invest in collective investment schemes (including affiliated funds) which invest in the majority in eligible instruments indicated below. Investments in mortgage- backed securities, corporate bonds and fixed interest securities (investment grade, high yield and emerging market debt and fixed interest) will be done primarily through these collective investment undertakings. Exposure to these will likely constitute the majority of the Fund's assets.

The Investment Manager may also invest directly in the following instruments if denominated in an eligible currency (which is the domestic currency of an Eligible Country, which is any country with a domestic sovereign debt rating of C minus or above):

a) Sovereign obligations of Eligible Countries

b) Provincial, state and agency issues of Eligible Countries, whether or not guaranteed or otherwise supported by sovereign or governmental credit

c) Supranational issues of Eligible Countries

d) Issues of corporations and financial institutions

e) Mortgage-backed and asset-backed securities, either government or privately issued, including but not limited to pass-through certificates, Pfandbriefe, collateralised mortgage obligations, and stripped mortgage-backed securities; and including asset-backed commercial paper, whether fully or partly supported

f) Money market instruments, including but not limited to certificates of deposit, commercial paper, time deposits and bankers' acceptances

Investment Techniques

Some or all of these Investment Techniques, and in particular the instruments listed below, may be used for hedging, efficient portfolio management, position management and investment purposes:

a) Futures on interest rates, fixed income securities, indices and currencies.

b) Repurchase agreements, reverse repurchase agreements and buy/sell back agreements on Eligible Investments in Eligible Countries

c) Bond options and other options on Eligible Investments

d) Swaps on interest rates, fixed income securities, indices and currencies which may include total return swaps the total net commitment of which shall at no time exceed 100% of the Net Asset Value of the Fund.

e) Currency forward and futures contracts such that the sum of net long currency exposures shall at no time exceed 130% of the Net Asset Value of the Fund.

The financial instruments listed under d) and e) above must be dealt on an organized market or contracted by private agreement with first class professionals specialized in this type of transactions. Please refer to the Prospectus, Section “Special Considerations and Risk Factors – Derivatives” for a description of the risks arising from these transactions.

Where Investment Techniques are used for hedging, these are used as a substitute for the buying or selling of physical securities to achieve liquidity, lower transaction costs, or when less expensive than physical securities

Investment Techniques are considered to be used for investment purposes when they do not hedge an existing quantifiable exposure or when they are not a substitute for an otherwise preferred physical security position

Investment Restrictions

The Fund shall observe the restrictions except those laid down in Section 1 a), b) and c) in the Prospectus and the following restrictions are complementary to and prevail over (where applicable) those laid down in the Prospectus in Section “Investment Restrictions”:

a) All securities directly invested in by the Fund must carry a minimum long-term credit rating of C minus at the time of purchase. Credit ratings used in these guidelines are those given by Moody's, but in each case the equivalent rating from any other internationally recognised rating agency is also acceptable, and where such an agency has not given a rating, the security or issuer will also be acceptable if the Investment Manager determines that it has a credit quality comparable to the Moody's rating cited.

b) There is no exposure limit with respect to sovereign, semi-government, and supra-national issuers. Exposure to any other single issuer shall be limited to 10% of the net asset value of the Fund.

Legal & General Investment Management

Asset Class	Central Benchmark Control %	Control Ranges ±%
North American Equity Index	33.4	3.0
European Equity Index	33.4	3.0
Japanese Equity Index	16.6	1.5
Pacific Basin Equity Index	16.6	1.5
Cash	-	-

The cash fund is managed separately to the Passive Equity funds.

Description of Funds used

Japan Equity Index Fund - is invested wholly or predominantly in ordinary shares or in bonds carrying options to convert into ordinary shares. Such bonds and shares would be in companies registered in Japan. The intention of the Fund is to hold a portfolio of securities designed to match the return of the index of the FTSE World indices series relating to Japan within a specified tolerance. Futures may be used for cashflow management.

North America Equity Index Fund - is invested wholly or predominantly in ordinary shares or in debenture and loan stocks carrying options to convert into ordinary shares. Such stocks and shares would be in companies registered in the United States of America or Canada. The intention of the Fund is to hold a portfolio of securities designed to match the return of the index of the FTSE World indices series relating to the United States of America and Canada within a specified tolerance. Futures may be used for cashflow management.

Europe (ex-UK) Equity Index Fund - is invested wholly or predominantly in ordinary shares or in debenture and loan stocks carrying options to convert into ordinary shares. Such stocks and shares would be in companies registered in the continental European (excluding the UK) countries. The intention of the Fund is to hold a portfolio of securities designed to match the return of the index of the FTSE World indices series relating to continental Europe excluding the UK within a specified tolerance. Futures may be used for cashflow management.

Asia Pacific (ex-Japan) Developed Equity Index Fund - is invested wholly or predominantly in ordinary shares or in bonds carrying options to convert into ordinary shares. Such bonds and shares would be in companies registered in the Asia Pacific (excluding Japan) countries. The intention of the Fund is to hold a portfolio of securities designed to match the return of the FTSE Asia Pacific (ex Japan) Developed Equity Index within a specified tolerance. Futures may be used for cashflow management.

Cash Fund - is invested wholly or predominantly in a range of high quality bank and building society deposits. The Fund's objective is to exceed the median return for Cash portfolios in the Cash section of the Russell/Mellon CAPS Pooled Pension Fund Survey over 12 months.

PIMCO Europe Ltd.

The Global Investment Grade Credit Fund is an actively managed portfolio that invests at least two-thirds of its assets in primarily investment grade global corporate and credit instruments. The Fund may tactically invest up to 10% of assets in below-investment grade issues.

Baring Asset Management

The Investment Manager's objective is to outperform 3-month LIBOR by 4% p.a. net of fees over 3 year rolling periods. This is a multi-asset dynamic asset allocation mandate with the following restrictions:

Sector	Allocation Range
Equities	0-65%
Commodities	0-30%
Bonds	0-80%
Investment-Grade Corporate Bonds	0-50%
High Yield	0-15%
Emerging Markets	0-15%
Property	0-30%
Alternatives	0-50%
Hedge Funds	0-50%
Foreign Exchange	0-40%
Cash/Near Cash	0-25%

In addition to the limits above there are the following further constraints:

- Equities & Commodities combined accounting for no more than 80% of the overall allocation
- Emerging Market Debt & High Yield combined adding up to no more than 20%.

- The Fund may not invest more than 10% of its value in the securities of any one issuer, provided that the sum of the individual holdings which make up more than 5% of the Fund is not greater than 40%. If the security in question is of sovereign grade, then this 10% restriction is raised to 50%, furthermore, the holding would not be subject to the 40% rule.
- The Fund may invest up to 80% of its assets in sovereign debt, but this is subject to the proviso that the Fund must hold securities from at least 6 different issues, and securities from one issue do not account for more than 30% of the total net assets of the Fund.
- In the case of fixed income securities which are not issued by governments or supranationals, and which have credit ratings of below AA. The Fund will not own more than 5% of any individual bond issue and not more than 5% of the debt of any individual bond issuer.
- The Fund's non-sterling exposure is limited to a maximum of 40%.

UBS Global Asset Management - Property

Investment Objective

To invest in a diversified portfolio of properties that aims to deliver consistent outperformance of the HSBC/APUT "Pooled Property Fund Indices" All Balanced Funds Median.

Investment Regulations

- Gearing restricted to 50% of equity (current maximum 25% by agreement with National Australia Bank);
- Maximum 10% of capital assets in cash;
- Unlet buildings restricted to 20% of the Fund;
- 10% of the Fund may be invested in Europe;
- Residential investment permitted;

PSigma Investment Limited – Liability Hedge

The Scheme has entered into a series of swap contracts, executed with an investment bank, to reduce risk by accurately matching the change in liabilities in terms of interest rate and inflation. They form a liability hedge which improves the matching ability of the Scheme's assets (relative to liabilities). This should result in a smoother level of funding over time. The liability hedge covers 80% of the asset value.

The Counterparty for the Liability shall have a long term rating of at least A2 from Moody's and A from S&P (or equivalent short term rating),

The assets of the Scheme to be used as Eligible Securities under the ISDA Master Agreement entered into with the Counterparty for the Swaps comprising the Liability Hedge, shall be invested in securities, deposit accounts or Funds of a liquid nature and high credit quality or directly with a Counterparty.

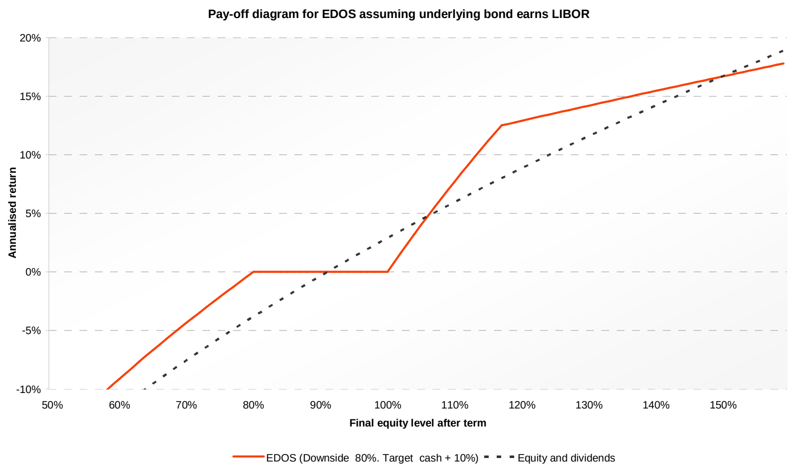
Any assets invested directly with a Counterparty above may not, immediately following a rebalancing of collateral, exceed the market value of the Liability Hedge Derivative Transactions with that Counterparty by more than 15%.

PSigma Investment Limited – Equity Derivative Overlay Structure

The EDOS was implemented with a 3 year term on the FTSE100 Index and at an initial index level of 4243.71 on 30 April 2009.

This means that the EDOS provides protection for the first 20% of market falls, up to a level of the FSTE100 of 3395. On the upside, 2.5x gearing applies to market rises until the target of cash+10% p.a. has been achieved (at an index level of around 4930, although this depends on the value of cash returns).

The chart below shows the pay-off profile that was achieved.



Appendix D – Fee Detail

Investment Managers

The current fees paid to the Managers are as follows:

Manager	Fees per annum
Western Asset Management	0.30%
Legal & General Investment Management	0.1042%
PIMCO Europe Ltd.	0.48%
Baring Asset Management	0.35%
UBS Global Asset Management	0.75%
PSigma Investment Limited – Liability Hedge	0.06%
PSigma Investment Limited – Structured Equity	£60,000