

Pexion Group Pension and Life Assurance Scheme

Dear Member

SUMMARY FUNDING STATEMENT as at 31 December 2007 (following Scheme Valuation at 1 July 2006)

It is part of the Trustee's responsibility to make sure that a full valuation of the Pension Scheme is carried out every 3 years. In addition, the Trustee must, by law, provide you with an annual statement of how the Scheme is funded and remind you of the results of the last full valuation. This is the third such statement.

How is my pension funded?

Companies within the Pexion Group (the "Group") makes contributions so that the Scheme can pay pensions and other benefits to members. As the Scheme is now closed to future accrual, members no longer pay contributions to the Scheme. All the Scheme assets are in one common fund. Members do not have separate individual holdings apart from their Additional Voluntary Contributions.

The Trustee obtains regular valuations from the Scheme Actuary that provide an estimate of the assets needed today to meet the payment of benefits allowing for future investment returns. Using this information, the Trustee comes to an agreement with the Group on how much it should pay to keep the Scheme's funding on track against this funding target.

The Pensions Regulator has powers to direct matters affecting the funding of the Scheme in certain circumstances. No such directions have ever been made in relation to the Scheme.

Results of the last Valuation

The latest valuation of the Scheme showed that on 1 July 2006 the funding position was as follows:

Assets	£9,842k
Amount assessed as needed to provide benefits ("Liabilities")	£13,118k
Surplus / (Deficit)	(£3,276k)
Funding level	75%

The Company is paying contributions at a rate of £12,500 per month, inclusive of an allowance for administration expenses of £1,333 per month. As a result, an anticipated £11,167 per month is being paid towards eliminating the funding shortfall. With effect from 1 January 2009, and each 1 January thereafter, the monthly payments for the following 12 months will be increased by the previous September to September increase in inflation as measured by the All Items Retail Prices Index (RPI). The contributions in respect of the deficit were set with the intention that they would eliminate the deficit over 10 years and 6 months.

The funding position at the latest valuation is worse than that reported in the Group's accounts as at 31 December 2006 (£1,178k deficit). This is due to the Trustee adopting a more cautious approach to funding than the Group have adopted for accounting purposes, which only needs to reflect a best estimate.

Change in funding position

The funding position has improved since the 1 July 2003 valuation because:

- The investment performance of the assets has been good.
- The Scheme closed to future accrual with effect from 30 June 2006. As such, all contributions paid into the Scheme after this date have served to reduce the deficit.

This has been offset to an extent by:

- The Trustee and Group agreed to adopt a more cautious approach to funding at this valuation and are targeting a higher level of assets.

Although the Trustee does not monitor the funding position between providing Summary Funding Statements, the Trustee expects that the funding position has improved since the last Statement because:

- Contributions have been paid to address the deficit.

This has been offset to an extent by:

- The Trustee and Group agreed to adopt a more cautious approach to funding at this valuation and are targeting a higher level of assets.
- Economic conditions have been relatively unfavourable for the value of the liabilities.

You should be aware that the factors affecting the funding level are very changeable, particularly stock market performance, interest rates and life expectancy. This means that the funding level can go up or down in the future.

The importance of the Company's support

The Trustee's objective is to have enough money in the Scheme to pay pensions now and in the future. However, this relies on the Group continuing in business and supporting the Scheme because:

- Assets can go down as well as up, and when there is a shortfall, the Group will usually need to put in more money; and
- The cost of benefits may increase so that the Group will need to put in more money.

If the Scheme had more than enough money to buy-out the benefits in full a refund could be paid to the Group. No such payment from the Scheme has been made to the Group since the last Statement.

What would happen if the Scheme started to wind up?

Please note that legislation requires us to provide the information in this section - it does not imply in any way that the Trustee is thinking of winding-up the Scheme.

If the Scheme winds up, you may not receive the full amount of pension you have earned even if the Scheme is fully funded on its target funding level. However, whilst the Scheme remains ongoing, even though funding may temporarily be below target, pensions will continue to be paid in full.

If the Scheme were to wind up, the Group would be required to pay enough into the Scheme to enable your benefits to be completely secured with an insurance company. At 1 July 2006, the estimated amount that the insurance company would require, (full solvency), was £21,848k, this means that there was a shortfall from full solvency of £12,006k.

In the event of a wind up, the Group may be unable to pay the full amount required by the insurance company. If the Group became insolvent, the Pension Protection Fund (PPF) might be able to take over the Scheme and pay compensation to members. The aim of the PPF is to help protect members' pensions when a company becomes insolvent, although it does not guarantee to pay full benefits. Further information is available on the PPF's website at www.pensionprotectionfund.org.uk.

Why does the Trustee's funding plan not call for full solvency at all times?

The full solvency position assumes that benefits will be secured by buying insurance policies. Insurers are required to take a very cautious view of the future, include a profit margin, and make an allowance for their expenses. By contrast, our funding plan assumes that the Group continues to financially support the Scheme, while adopting less cautious assumptions about the future.

What is the Scheme invested in?

The Trustee's policy is to invest in a broad range of assets to get the best return possible while taking account of the liabilities of the Scheme, and the risks of having too much money in any one type of investment. We currently aim to invest in the following broad proportions

Legal and General Consensus Fund	75%
Legal and General over 15 years Gilts index Fund	25%

Where can I get further information?

If you have any other questions, or would like any more information about the Scheme, please contact us at the address below. Please help us to keep in touch with you by telling us if you change address.

If you are considering leaving the Scheme, we suggest that you consult an appropriate financial adviser before taking any action.

Yours sincerely

The Trustee of the Pexion Group Pension and Life Assurance Scheme

C/o Aon Consulting Limited
3 The Embankment, Sovereign Street, Leeds LS1 4BJ

Additional documents available on request (a fee may apply)

Statement of Funding Principles
Annual Report and Accounts
Benefit statement

Statement of Investment Principles
Actuarial Valuation and Reports
Trust Deed and Rules

Schedule of Contributions
Member Booklet
Recovery Plan

If you provide the Trustee with your email address, most of the above information can be provided electronically.

Please note that some of the above documents and useful pension information can also be found on the Scheme website; www.pexion.com

You login as: **pgplas** and give the password: **beldam**