

THE RADIUS GROUP PENSION SCHEME

TRUSTEES' STATEMENT OF INVESTMENT PRINCIPLES

This Statement is required by Section 35 of the Pensions Act 1995 and must deal with:-

- choosing investments and diversification
- securing the Minimum Funding Requirement
- the kinds of investments to be held
- the balance between different kinds of investments
- risk
- the expected return on investments
- the realization of investments

The Trustees have consulted the Principal Employer, although it has no power to determine the Trustees' investment policies.

This Statement has been prepared with the advice of the Trustees' Investment Consultant, and will be reviewed formally on a 12-monthly basis. Any revisions made to the Statement will be made with the advice of the Trustees' Investment Consultant.

This Statement was agreed by the Trustees on 7th March 1997.

This Statement was reviewed and amended on 1st June 2000.

Overall Investment Objective

The Trustees' Overall Investment Objective is to achieve the maximum long-term investment return through capital growth and income which does not involve undue risk.

The investment principles set out in this Statement are designed to ensure that this Overall Investment Objective is achieved.

A. Choosing Investments and Diversification

The Trustees will delegate fully to appointed investment managers the management of the Scheme's assets or will otherwise (or in addition) select policies of insurance designed to fulfil the same objectives. The managers will be permitted to use the full range of investments available to professional pension fund investment managers subject to any restrictions imposed on the kinds of investments to be held (see Part C). The appointment or dismissal of investment managers (or selection of insurance policies) will be undertaken by reference to written advice from the Trustees' Investment Consultant. Managers and insurance policies will be subject to regular review and their performance monitored against comparable managers in a way which will establish a performance record.

The appointed investment managers will be made aware of the need for a diversification of investments. Diversification within broad asset categories will be at the discretion of the investment manager, having due regard to any restrictions imposed by a required balance of investments (see Part D).

If the Trustees select insurance policies, they will have due regard to the same considerations for diversification.

B. Minimum Funding Requirement (MFR)

The Trustees will consider the current and future contribution implications of the Scheme's MFR position when determining the balance of investments in order to recognize the possibility of the MFR not being met in the future.

C. Kinds of Investments to be held

The Trustees will permit the appointed investment managers full discretion in their choice of investments, across all asset classes and types (and using pooled funds as they see fit) subject to any restrictions imposed on the balance of investments (see Part D). The Trustees expect any stock options (that is, the ability to trade in the rights to buy or sell stock without actually buying or selling the underlying stock) to be used on a small scale and only for the purposes of securing the investment managers' strategic positions.

If Trustees select insurance policies, they will have regard to the same restrictions as are placed on investment managers.

The Trustees will not directly invest the assets of the Scheme in the Principal or any Associated Employer.

D. Balance between different kinds of Investments

The Trustees will determine any appropriate balance of investments having regard to the Scheme's liabilities, the MFR position and cashflow requirements. Subject to any restrictions, the appointed investment managers will have full discretion to determine the balance of investments which they consider most appropriate.

The Trustees accept that historical evidence shows that equity investments are expected to produce higher long-term returns than financial investments eg. gilts. The appointed managers would therefore be expected to recognize the risk of these investments and, subject to the Trustees' restrictions, invest the majority of the assets in this manner. The Trustees understand that from time to time the appointed managers may alter their holdings to reflect the perceived relative disadvantages of such investments.

The Trustees will have regard to these considerations when selecting insurance policies.

If the Trustees appoint more than one investment manager and/or select one or more insurance policies they will view the performance of each in order to achieve the Overall Investment Objective.

The Trustees do not rule out the use of managers or insurance policies with extreme or counter-cyclical investment philosophies if these are felt to enhance the changes of meeting the Overall Investment Objective.

E. Risk

Investment risk is indirectly related to the world economy and more specifically to that of the UK. The Trustees expect the appointed investment managers to be aware of these risks and to formulate investment policies to meet the changing situations. The Trustees will consider these situations when selecting insurance policies.

There is a risk of invested assets moving out of step with the Scheme's liabilities if the balance of investments does not match the Scheme Actuary's balance of liabilities established by the MFR valuation. In this case the Trustees would consider the advice of the Scheme Actuary.

F. Expected Return on Investments

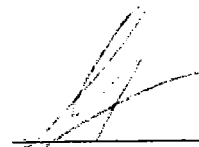
The Trustees expect each investment manager and insurance policy to achieve a return over rolling 5-year periods of no less than the median return of the WM2000 Universe or similar suitable benchmark.

G. Realization of Investments

The Trustees will ensure that the appointed investment managers are fully aware of the cashflow requirements of the Scheme and will ensure that suitable investments can be realizable to meet payments. The Scheme's assets will be invested in easily realizable holdings which can be liquidated as required. These requirements will apply equally to insurance policies.

H. Socially Responsible Investment

To the extent that the Overall Investment Objective is not prejudiced, the Trustees may appoint investment managers who take into account, as they see fit, social, environmental and ethical considerations in the selection, retention and realization of investments, and the exercising of any rights attaching to these investments.


Signed for and on behalf of the Trustees
of the Radius Group Pension Scheme

