FRANK B DEHN & CO RETIREMENT BENEFITS SCHEME

STATEMENT OF INVESTMENT PRINCIPLES 12 SEPTEMBER 2006

1. Introduction

This Statement of Investment Principles has been produced by the Trustees in accordance with the requirements of Section 35 of the Pensions Act 1995 ("the Act") and the relevant regulations. It also reflects the Government's voluntary code of principles of good investment practice (often referred to as the Myners principles). It sets out the broad principles used by us to govern our decisions on the investment of the scheme's assets (except assets held in respect of Additional Voluntary Contributions).

We confirm that in preparing this Statement we have followed the requirements of the Act by:-

- consulting with the employer, and
- taking written advice from our investment adviser, Harold Wilson Financial Services Limited. We consider Harold Wilson Financial Services Limited to have the appropriate knowledge and experience of the management of the investment of defined benefit pension schemes.

We will review this Statement at no more than three-yearly intervals. It will also be revised whenever there is a significant change in our investment policy.

This Statement is available to members on request. Copies of this Statement have been passed to the Scheme Actuary and to the fund managers and investment adviser.

2. Decision-making

Investment decisions are made collectively by the whole Trustee Board. We do not operate an investment sub-committee. We have adopted this structure because we have a relatively small trustee board.

We consider that the selection of asset classes has the greatest effect in meeting our investment objectives and therefore the focus of our attention is on this before we consider other aspects.

3. Day to day management

Professional fund managers perform the day to day management of the assets on our behalf. We select managers that are authorised and regulated by the Financial Services Authority.

For reasons of liquidity and diversity, and with the aim of enhancing profitability by reducing costs, we invest predominately in unitised pooled funds. We have responsibility for selecting which managers to use and which pooled funds to invest in to give us the asset allocation we require. In the short term we may also hold cash in our bank account for paying benefits or awaiting investment.

Our use of unitised pooled funds means we are able to cancel units to realise investments within the funds by submitting written instructions to disinvest, signed by the trustees or any other person we authorise to sign on our behalf. Units can be cancelled on any working day to provide cash for meeting benefits or for reinvestment elsewhere. The only exception to this is our property fund, where the manager has the right to delay disinvestment by up to 12 months.

4. Investment objective

Our investment objective is linked to our funding objective. At present our funding objective aims to meet the benefits over the long term from a combination of contributions and investment return. We set contribution rates as if we hold equities to back the benefits of members yet to retire and bonds to back pensioners. We take advance credit for as yet unearned higher returns from equities (over the alternative of investing mainly in bonds). We accept there are risks in this, though we do not reserve for these risks (see below for how we plan to manage this). The aim is to build sufficient funds to pay pensions earned to date, allowing for future salary increases, assuming that members' pensions are backed by bonds and paid from the scheme's funds (and not bought from an insurer as annuities at retirement).

Our long-term investment objective is to track the funding objective, but in a broad way, by investing in equities or property to back the benefits of members yet to retire and gilts and/or corporate bonds to back pensioners. We will consider holding cash to meet cash liabilities, such as tax-free cash amounts for upcoming retirements, and other asset classes if advised to do so by our investment adviser.

For smaller retirements we will usually consider the transition from equities into bonds at the next trustees meeting following retirement. For larger retirements, we will consider making the transition at points during the three years up to the normal retirement date. In either case, we will take advice from our investment adviser on the timing of any switch.

We can depart from any or all of the above in the short term if investment advice indicates that a different investment pattern is likely to give a better return and this can be done at a risk level that is acceptable to us. We will review significant departures with the Scheme Actuary.

Our funding and investment objectives are considered at a trustee meeting once each year and formally reviewed at the time of the three-yearly actuarial valuation.

5. Investment risk measurement and risk management processes

There are many risks surrounding investment and we will keep appraised of them, taking the advice of our investment adviser supplemented by information from reports by our fund managers. In particular, we will assess:-

a) Investment matching risk – the risk that on a change in financial conditions asset values and liabilities move substantially relative to one another in a way that worsens scheme funding.

- We will take investment matching advice from the Scheme Actuary after each actuarial valuation, including advice on how the matching position could change in the short term following any expected retirements.
- After the actuarial valuation and thereafter no less frequently than annually, we will review with our investment adviser the prospective returns from the various classes of investment we hold and the risks to the funding position and to members' security in any mismatched position we have adopted. If the investment adviser's advice is that the asset classes are likely to move substantially against each other in a way that will worsen the funding of the scheme, we will consider changing the investments to reduce the mismatch. At the same time, we will assess market movements already experienced. If the investment adviser's view is that experienced returns have already moved against each other in an adverse way we will consider our response and consult the Scheme Actuary, as appropriate.

b) Investment return risk – the risk that market returns under-perform the nominal rates required to meet the funding objective.
   - We will monitor market returns against the rates expected at the most recent actuarial valuation no less frequently than annually.
   - If markets do under-perform we will consider what advice should be taken from the Scheme Actuary about requesting additional contributions from the sponsoring employer.

c) Inflation risk – the risk that the return on markets after allowing for inflation is less than expected.
   - We will monitor market returns against expected future inflation no less frequently than annually.
   - If real returns are less than expected we will consider what advice should be taken from the Scheme Actuary about requesting additional contributions from the sponsoring employer.

d) Investment duration risk –the risk that the bonds we hold have a shorter term than the length of the liabilities.
   - We will monitor long-term gilt yields at least annually and if there is reduction in yields of more than 0.5% we will consider taking advice from the Scheme Actuary.

e) Manager performance risk – the risk that our chosen managers do not meet our expectations of them.
   - Each year we will monitor manager performance against the relevant market returns over three-year rolling periods, taking advice from our investment adviser as appropriate.
   - We will also monitor that the assets underlying each of the managers' funds continue to be in broadly in the proportions that led us to select the fund. If the structure of any fund appears to change significantly then we will take advice from our investment adviser, as appropriate.

f) Diversification etc – we will monitor, no less frequently than annually, that our chosen investment managers maintain a proper diversification of assets, invest predominately on regulated markets and if they use derivatives on our behalf only do so for the purpose of risk management.

We expect our chosen fund managers to monitor and control other investment risks, within the mandate for the funds offered by them, e.g. credit risk within a bond portfolio, currency risk etc. We also expect them to ensure that suitable internal operating procedures are in place to control individuals making investments for the funds.

6. Current investment mandates and fees

We currently invest in the following funds:- (for information only the asset analysis is as at 31 May 2005)

Manager: Scottish Widows Investment Partnership Ltd ("SWIP")

Fund name: Managed Fund
Proportion of our assets: 80%
Manager's fee:- 0.35% pa of fund

- UK Equities 51%
- Overseas Equities 34%
- UK Fixed Interest 5%
- Overseas Fixed Interest 3%
- Property 3%
- Cash 4%

Fund name: UK Long-Dated Corporate Bond
Proportion of our assets: 3%
Manager's fee:- 0.25% pa of fund

- The asset allocation SWIP operate for the UK Long-Dated Corporate Bond is entirely in UK Long-Dated Corporate bonds, other than a small cash balance.

Fund name: UK Bond
Proportion of our assets: 4%
Manager's fee:- 0.25% pa of fund

- The asset allocation SWIP operate for the UK Bond is entirely in UK bonds, other than a small cash balance.

Fund name: UK Equity
Proportion of our assets: 5%
Manager's fee:- 0.40% pa of fund

- The asset allocation SWIP operate for the UK Equity is entirely in UK equities, other than a small cash balance.

Fund name: Property
Proportion of our assets: 5%
Manager's fee:- 0.40% pa of fund

- The asset allocation SWIP operate for the Property Fund is entirely in Property, other than a small cash balance.

Fund name: Stock Exchange Fixed Interest Fund
Proportion of our assets: 3%
Manager's fee:- 0.25% pa of fund

- UK Fixed Interest 63%
- Overseas Fixed Interest 31%
- Property 6%

The balance between the different asset classes within each of these funds is at SWIP's discretion. They re-examine the balance on a monthly basis.

We consider SWIP to be a competent fund manager who has appropriate internal controls in place and can be expected to manage their funds in a prudent manner.

Taken together, our exposure to the main assets classes at the 1 June 2005 accounting date was broadly as follows:-

- Bonds 16%
- Equities 73%
- Property 7%
- Cash 4%

At the last actuarial valuation as at 1 June 2003, the liability for pensioners as a percentage of the assets was 25%. Taking account of retirements since then, we believe that we are broadly in line with our long term investment objective.

We currently take investment advice from Harold Wilson Financial Services Limited. Their fee structure is based on a time costed basis of £180 per hour for Director time and £90 per hour for administration plus VAT. Each 12 min. period is charged for.

7. Expected return on investments

The returns we expect over the long term follow from the funding objective we adopted at the last actuarial valuation and are, after investment expenses, as follows:-

- Bonds – returns in line with the 15-year gilt total return index
- Equities and property – returns in line with the 15-year gilt total return index plus 2.2%.

Funds that invest in combinations of assets classes are expected to produce returns in line with these, weighted in the relevant proportions.

8. Socially Responsible Investment

We have delegated Socially Responsible Investment ("SRI") aspects to our fund managers, who have made the following statements:-

- Manager: SWIP

  When investing on behalf of trustees, SWIP consider their primary objective is to achieve the best investment return while allowing for an acceptable degree of risk. In pursuing this objective, they will consider a number of factors that will impact on performance including SRI issues. If they consider that a company's social, environmental or ethical record will adversely affect its financial performance and result in poor returns, then the stock will not be held in their portfolios.

9. Corporate Governance

We have delegated Corporate Governance aspects to our fund managers, who have made the following statements:-

- Manager: SWIP

  SWIP's practice is to vote on all resolutions put forward at company meetings, whether annual or extraordinary, for the UK companies that the funds managed by SWIP invest in. As the investment managers of the funds they see voting as one of their fiduciary duties. SWIP will support the incumbent Board when voting, provided they are satisfied firstly, with its Corporate Governance stance and secondly, with its management of their investment as shareholders.

  Issues of concern to SWIP will be raised at one of their regular meetings with the senior management of the company involved. They also utilise the Investment Monitoring Service of the Association of British Insurers ("ABI") to highlight potential problems as they arise. SWIP tries to resolve matters either directly with the company or through the ABI and they believe this is usually a more effective approach than open confrontation at shareholders' meetings.

10 Adoption of Statement

The Trustees Board agreed on 12th September 2006 that this Statement should be adopted as the formal Statement of Investment Principles.

Signed:

Derek Matthews ______________

Derek Woodman	____________
Christopher Pett	____________
Robert Jackson	____________
Rebecca Gardner	____________
Anthony Albutt	____________

Appendix to the Statement of Investment Principles

Compliance with the Myners principles (appended below)

We will endeavour to comply with the ten principles in the Government's voluntary code of good investment practice, as far as we feel it is appropriate for a scheme of our size to do so. At present our compliance with the principles is as follows:-

1.	Effective decision-making	not fully compliant (see below)
2.	Clear objectives	compliant
3.	Focus on asset allocation	compliant
4.	Expert advice	not fully compliant (see below)
5.	Explicit mandates	not fully compliant (see below)
6.	Activism	not fully compliant (see below)
7.	Appropriate benchmarks	not fully compliant (see below)
8.	Performance measurement	not fully compliant (see below)
9.	Transparency	not fully compliant (see below
10.	Regular reporting	not fully compliant (see below).

Part of Principle 1 suggests that trustees should be paid. One of us is retired, provides occasional consultancy services to the Employer on pension matters and is paid for those services, the other trustees are not paid anything over their normal pay. The Employer does, however, allow these trustees whatever time is needed within the working day to carry out their trustee duties.

Principles 5 and 7 suggest that trustees should have detailed mandates with managers and take up a very detailed view on benchmarks with them. We have decided not to pursue these as we invest only in pooled funds whose aims are published by the managers.

Principle 6 suggests that trustees should incorporate the US Dept of Labor Interpretative Bulletin on activism into the managers' mandates and into the trust deed. We have decided on cost grounds that our small size does not warrant this. We have however chosen managers who operate an 'engagement' strategy – see section 9 in the SIP.

Principle 8 – while we review performance against asset benchmarks, there is no equivalent liability benchmark that we could hold asset performance against regularly (without incurring significant costs). We therefore rely in the main on advice from our investment adviser and on the three-yearly actuarial valuation to show how the assets are performing against liabilities.

We are considering how best to comply with Principles 4, 9 and 10

The Myners Principles

Defined Benefit Pension Schemes

The following is the text of the Government's voluntary code of principles of good investment practice.

1. Effective decision-making

   Decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively. Where trustees elect to take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take.

   Trustees should ensure that they have sufficient in-house staff to support them in their investment responsibilities. Trustees should also be paid, unless there are specific reasons to the contrary.

   It is good practice for trustee boards to have an investment subcommittee to provide the appropriate focus.

   Trustees should assess whether they have the right set of skills, both individually and collectively, and the right structures and processes to carry out their role effectively. They should draw up a forward-looking business plan.

2. Clear objectives

   Trustees should set out an overall investment objective for the fund that:

   - represents their best judgement of what is necessary to meet the fund's liabilities given their understanding of the contributions likely to be received from employer(s) and employees; and

   - takes account of their attitude to risk, specifically their willingness to accept underperformance due to market conditions.

   Objectives for the overall fund should not be expressed in terms which have no relationship to the fund's liabilities, such as performance relative to other pension funds, or to a market index.

3. Focus on asset allocation

   Strategic asset allocation decisions should receive a level of attention (and, where relevant, advisory or management fees) that fully reflect the contribution they can make towards achieving the fund's investment objective. Decision-makers should consider a full range of investment opportunities, not excluding from consideration any major asset class, including private equity. Asset allocation should reflect the fund's own characteristics, not the average allocation of other funds.

4. Expert advice

Contracts for actuarial services and investment advice should be opened to separate competition. The fund should be prepared to pay sufficient fees for each service to attract a broad range of kinds of potential providers.

5. Explicit mandates

Trustees should agree with both internal and external investment managers an explicit written mandate covering agreement between trustees and managers on:

- An objective, benchmark(s) and risk parameters that together with all the other mandates are coherent with the fund's aggregate objective and risk tolerances;
- The manager's approach in attempting to achieve the objective; and
- Clear timescale(s) of measurement and evaluation, such that the mandate will not be terminated before the expiry of the evaluation timescale for underperformance alone.

The mandate and trust deed and rules should not exclude the use of any set of financial instruments, without clear justification in the light of the specific circumstances of the fund.

Trustees, or those to whom they have delegated the task, should have a full understanding of the transaction-related costs they incur, including commissions. They should understand all the options open to them in respect of these costs, and should have an active strategy - whether through direct financial incentives or otherwise - for ensuring that these costs are properly controlled without jeopardising the fund's other objectives. Trustees should not without good reason permit soft commissions to be paid in respect of their fund's transactions.

6. Activism

The mandate and trust deed should incorporate the principle of the US Department of Labor Interpretative Bulletin on activism. Trustees should also ensure that managers have an explicit strategy, elucidating the circumstances in which they will intervene in a company; the approach they will use in doing so; and how they measure the effectiveness of this strategy.

7. Appropriate benchmarks

Trustees should:

- explicitly consider, in consultation with their investment manager(s), whether the index benchmarks they have selected are appropriate; in particular, whether the construction of the index creates incentives to follow sub-optimal investment strategies;

- if setting limits on divergence from an index, ensure that they reflect the approximations involved in index construction and selection;

- consider explicitly for each asset class invested, whether active or passive management would be more appropriate given the efficiency, liquidity and level of transaction costs in the market concerned; and

- where they believe active management has the potential to achieve higher returns, set both targets and risk controls that reflect this, giving the managers the freedom to pursue genuinely active strategies.

8. Performance measurement

   Trustees should arrange for measurement of the performance of the fund and make formal assessment of their own procedures and decisions as trustees. They should also arrange for a formal assessment of performance and decision-making delegated to advisers and managers.

9. Transparency

   A strengthened Statement of Investment Principles should set out:

- who is taking which decisions and why this structure has been selected;

- the fund's investment objective;

- the fund's planned asset allocation strategy, including projected investment returns on each asset class, and how the strategy has been arrived at;

- the mandates given to all advisers and managers; and

- the nature of the fee structures in place for all advisers and managers, and why this set of structures has been selected.

10. Regular reporting

    Trustees should publish their Statement of Investment Principles and the results of their monitoring of advisers and managers. They should send key information from these annually to members of these funds, including an explanation of why the fund has chosen to depart from any of these principles.