

Another very good year for investment returns

Review by John Payne, Chairman of the Trustees



For the third year on the run, FundXtra's three main equity-based funds (in which around 97% of FundXtra members' monies are invested each month) achieved double-digit investment returns for the year ending 31 March 2006:

Fidelity Long Term Growth Fund 27.1%

Fidelity Global Equity Fund 28.8%

BGI Aquila Life Global Equity Fund 30.7%

Our three bond/gilt funds also had a particularly good year, as the table below shows.

Members venture into new funds

As most of you will know, the Trustees introduced six new investment funds plus a Lifestyle Strategy in July 2005 – all run by Barclays Global Investors – to complement the two equity-based funds run by Fidelity. I'm pleased to report that, whilst many of you are continuing to contribute to the Fidelity funds, many members have also ventured into one or more of the new funds on offer.

You'll find much more information on the various investment options on the next few pages and I'd recommend that you keep your investment choice under regular review. Don't forget that you can make two switches, free of charge, in any twelve month period ending 31 March – any additional switches are charged at £50 per switch.

Increasingly complex pensions

Despite the Government's recent simplification of the tax position on pension contributions and benefits, pension schemes are becoming increasingly complex and, as a result, we rely heavily for guidance on our professional advisers – in particular, our actuaries, investment consultants and lawyers. Having said that, it is the Trustees themselves who are responsible for setting the overall policy and direction of our Schemes

and for ensuring that we remain at the forefront of best practice.

We are lucky to have a group of men and women on our Trustee Board who are absolutely committed to delivering the highest possible level of service to you, the Scheme members, and I'd like to thank them for their commitment and hard work. I would also like to thank all our specialists in Xerox Pensions, under the leadership of Paul Hopkins, for their skill and dedication.

A leaflet to keep

And finally, I'd like to draw your attention to the enclosed leaflet, which combines an explanation of technical terms and a table comparing the eight self-select funds. I hope you'll find this useful to refer to as you read this Report. You may also wish to keep it for future reference.

Period to 31 March 2006		1 year	3 years	5 years	Notes
Fidelity	Long Term Growth Fund	27.1%	20.8%	6.0%	1. The figures for the Scottish Widows Unitised With-Profits Fund include the terminal bonus payable if the money was withdrawn on 31 March 2006 and assumes that no Market Value Reduction was applied (see page 6).
	Global Equity Fund	28.8%	23.5%	5.2%	
Barclays Global Investors	Ascent Life Global Equity Fund	30.1%	24.2%	N/A	
	Aquila Life Global Equity Fund	30.7%	24.4%	N/A	
	Aquila Life Over 5 Years UK Index-Linked Gilt Fund	8.9%	7.0%	6.9%	
	Aquila Life Over 15 Years UK Gilt Fund	10.6%	6.2%	5.9%	
	Aquila Life Corporate Bond Fund (All Stocks)	7.6%	6.2%	6.9%	
	Aquila Life Cash Fund	4.5%	4.1%	4.1%	
Scottish Widows	With-Profits Fund (see Note 1)	1.5%	6.2%	1.8%	3. All investment returns are shown net of fees.

How to make the most of FundXtra

How FundXtra works

Before looking at how you can maximise your pension, here's a quick reminder of how FundXtra works:

- Payments from you and the Company go into your FundXtra account, which is your own "pension pot".
- The money going into your FundXtra account is invested in an investment fund or funds which you choose.
- When you retire, you will have a sum of money from your investments which you will use to buy a pension. You'll do this by taking the money from your FundXtra account to an insurance company and exchanging it for a pension.

Three steps to a good pension

As a member of FundXtra, the key steps for you if you want to maximise your pension are:

- 1 Make sure you put as much as you can into your FundXtra account.
- 2 Understand how different investment strategies can impact on your pension and choose the right strategy for you.
- 3 Be realistic about the age at which you expect to retire and keep your investment strategy under regular review.

I'm making FundXtra work for me

Ruth West, Instructional Designer at GKLS, is someone who is taking her pension seriously:

When I first joined FundXtra, I paid 4% of my pay to ensure I took advantage of the maximum contribution from the Company – also 4%. However, I'd read in the press that, if you wanted a significant pension in retirement, you'd need to contribute rather more than that for someone of my age, and so I decided to increase my contribution to 11%.



Pensions are obviously a tax-effective way of saving for retirement and so I'm paying as much as I can afford at the moment.

1 Pay as much as you can

The Company pays a basic amount into FundXtra for all members. It pays an extra amount for the benefit of those members who also pay into FundXtra themselves. The Company's maximum payments are 4% and this amount is payable if the member also pays 4%.

If you're not already paying at the 4% level – and over 300 members are not – you're missing out on money from the Company.

2 Make the right investment choice

As we saw on the front page, FundXtra now offers a choice of 8 "self-select" funds plus the Lifestyle Strategy. You will find more information on these various funds on the next three pages and in the enclosed leaflet.

Since July 2005, the Lifestyle Strategy has been designated by the Trustees as the FundXtra "default option". This means that, if you joined FundXtra after that date, the payments going into your FundXtra account are invested in this fund if you do not indicate any other investment choice.

However, the default option may not be suitable for all members (see the Lifestyle Strategy Comment on page 5) and you should think carefully about what is the right investment strategy for you.

Furthermore, you should try and maintain a long-term perspective. Once you have decided on a choice of fund(s) that meets your needs, you should normally stay with it and try and avoid too many switches, unless your circumstances change.

3 Be realistic about your retirement age

Whatever funds you are invested in, it's important to be realistic about when you expect to retire and start drawing your FundXtra pension. Keep your expected retirement age under review and choose the investment fund which matches your latest expected retirement age.

Cost of buying a pension increasing

As we are constantly being told these days, we are all living longer which means that our pensions need to be paid for longer. That in turn adds up to a bigger bill for pension schemes. In addition, long-term interest rates have fallen over recent years, which has also led to the cost of buying a pension at retirement increasing significantly.

What this means is that, if we are to accumulate a reasonable income in retirement, we all need to pay more into our pension accounts.

Investment Review

Broad range of investments to choose from

The Trustees believe it is important to provide members with a broad range of investments, which is why they introduced six new funds in July last year, as well as a lifestyle strategy.

Making your investment choice

Before deciding which of the funds offered under FundXtra you wish to invest in, you should consider the following four important decisions:

DECISION 1

Do you want to have your investments managed for you (**Lifestyle Strategy**) or do you want to have the flexibility of managing your own investments (**self-select funds**)?

DECISION 2

If you choose the self-select route, **which asset class** should you invest in – equities, bonds or cash?

DECISION 3

Do you want to invest in what are known as **active** funds or **index** funds?

DECISION 4

If you choose an active fund, how do you choose between **Fidelity** and **Barclays Global Investors (BGI)**?

Your choice of fund

The table opposite lists all the available funds (eight self-select and one lifestyle strategy) and shows the investment manager, whether the fund is an active fund or an index fund and the asset class and investment split of each fund.

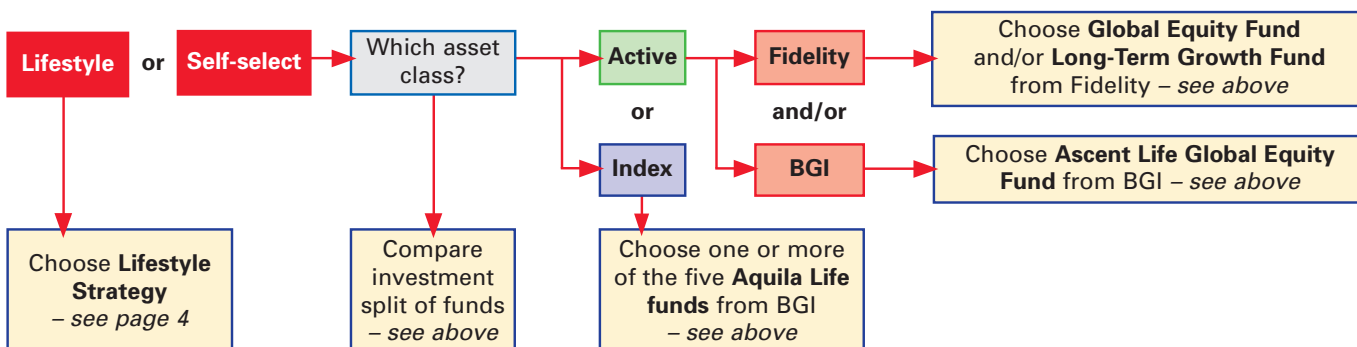
Funds	Asset class/investment split
ACTIVE	
Fidelity Long-Term Growth Fund	Aims to match portfolio of average UK pension fund (48% UK equities, 36% overseas equities, 10% bonds, 6% cash as at 31st October 2006)
Fidelity Global Equity Fund	70% UK, 30% overseas (split between US, Europe – excluding UK – the Far East and Emerging Markets)
BGI – Ascent Life Global Equity Fund	50% UK, 50% overseas (split equally between US, Europe – excluding UK – and the Far East)
INDEX	
BGI – Aquila Life Global Equity Fund	50% UK, 50% overseas (split equally between US, Europe – excluding UK – the Far East)
BGI – Aquila Life Over 5 Years UK Index-Linked Gilt Fund	100% in UK Government index-linked gilts with a maturity period of 5 years or more
BGI – Aquila Life Over 15 Years UK Gilt Fund	100% in UK Government gilts with a maturity period of 15 years or more
BGI – Aquila Life Corporate Bond Fund (All Stocks)	100% in investment grade corporate bonds denominated in sterling
BGI – Aquila Life Cash Fund	100% in wholesale money market investments
Lifestyle Strategy	See page 4 of this report

You will find a fuller version of this table in the enclosed leaflet.

You'll find the information you need to help you make your investment choice on the Xerox Pensions Website – www.xeroxpensions.co.uk – click on *Employed member*, then *FundXtra*, then *Your questions answered* and then *Investment*.

Investment decision process

The following diagram summarises your investment choices:



Investment Review cont'd

LIFESTYLE STRATEGY

The Lifestyle Strategy, introduced at the same time as the six self-select funds in July 2005, is FundXtra's default option. This means that any members joining FundXtra after that date, who do not indicate another investment choice, will have their monies automatically invested in the Lifestyle Strategy.

How does it work?

The Lifestyle Strategy uses the following three BGI index funds at different times in your working life:

- Aquila Life Global Equity Fund
- Aquila Life Over 5 Years UK Index-Linked Gilt Fund
- Aquila Life Cash Fund

If you choose the Lifestyle Strategy, your money will be invested wholly in the **Global Equity Fund** in the early years in order to try to maximise long-term returns. As you get closer to normal retirement age (65), an increasing proportion of your investment will be transferred, firstly into the **Over 5 Years UK Index-Linked Gilt Fund** and then into the **Cash Fund** in order to protect both the purchasing power of your pension and your tax-free cash sum.

The chart below shows how the Lifestyle Strategy implements this gradual transfer of assets over the 10 years before normal retirement age – starting with 100% in **equities** more than 10 years from normal retirement age and moving to 75% **index-linked gilts** and 25% **cash** one year before normal retirement age.

Recent investment performance

After a year of substantial growth up to 31 March 2006, stock markets started to yoyo in response to concerns over the outlook for growth and inflation. The volatility began in mid-May and lasted for a month. The markets then started to re-coup their losses so that by the end of

September they were roughly where they had been back in early April. Over the past two months, the markets have continued to perform positively.

What do the future markets hold?

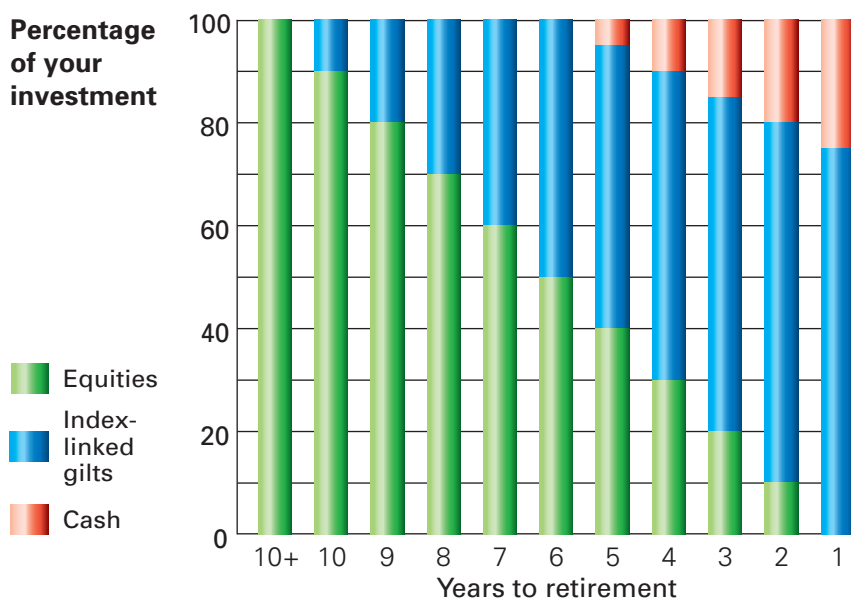
We asked **Iain Simpson**, Client Director with BGI, for his view on the future outlook for the various investment markets:



Over the long term, we expect equities to be the best performing type of investment. A global economic slowdown is currently underway which means that we are unlikely to see equity returns as high as they have been over the last year or so. The European economy, however, continues to look favourable and we expect

European equities to perform better than those in Japan and the US. UK equities also offer good value.

Bonds and cash should offer greater investment certainty than equities over the short term. However, UK interest rates look set to rise due to concerns over rising inflation and this is likely to lead to lower returns on bonds.



Important notes

Paying money into a pension scheme is one way of saving for retirement. But there are others, including ISAs, property, company share schemes and other savings and investment plans. You may wish to discuss the full range of options with an Independent Financial Adviser.

It is also important to stress that the value of pension funds can go down as well as up and that nothing in this Annual Report constitutes investment or other advice. You should take independent financial advice before making any decisions which affect your pension situation.

Two FundXtra members who switched

When the Trustees stopped members from investing future contributions in the Scottish Widows With-Profits Fund in July last year, members took the opportunity to switch their monies into the existing Fidelity Funds and/or the new BGI funds that were introduced at that time. Here are two members who made a switch.

Martin Wasley, Partner Manufacturing & Quality Manager, at Welwyn, chose the Lifestyle Strategy:



I don't spend as much time on the investment side of my pension scheme as I ought to. By choosing the Lifestyle Strategy option, the long-term investment of my pension pot is managed for me, but I can monitor its progress and change it to one of the other funds if need be.

Martin went on to say: *I don't want to end up with a small pension when I retire and so I'm paying as much as I can afford via additional contributions.*

LIFESTYLE STRATEGY COMMENT

Investment commentators often regard investing in equities in the early part of your career and then a gradual move to bonds and cash as you approach retirement as a reasonable investment strategy.

As a FundXtra member, you can follow this strategy either by selecting the appropriate investment funds at different parts of your career or, if you expect to retire around age 65, another option is to choose the Lifestyle Strategy which will automatically switch your monies between the appropriate funds.

Even if you are not sure when you will retire, the Lifestyle Strategy may still be appropriate, but you must remember that, if you decide to retire much before age 65, you will need to take over responsibility for switching your investments. If you do not, you may find that you have the wrong mix of investments when you retire.

Nicoline Brandligt,

Purchase Ledger Clerk at Slough, chose the Fidelity Global Equity Fund:



Retirement for me is still quite a long way off and I'm prepared to take some risk. I decided to switch my FundXtra contributions and my accumulated fund from Scottish Widows to Fidelity's Global Equity Fund so that I could earn as good a return as possible. I chose Fidelity over BGI simply because it was one of FundXtra's existing funds.

Nicoline went on to say: *I haven't built up a very large pension at the moment and I'm planning to increase my contributions to FundXtra.*

SELF-SELECT COMMENT

Fidelity Global Equity Fund, as we saw on page 3, is one of three "actively" managed funds on offer from FundXtra. Both passive and active management are credible approaches for long-term equity investors.

Passive funds have the advantage of lower fees and the expectation of matching the investment return of their particular market. Active funds, by contrast, charge higher fees and, in return, aim to out-perform their market, although there may be periods when they under-perform (as the Fidelity funds have done recently).

Membership

The following changes took place in the membership during the year ended 31 March 2006 – the last year for which we have audited figures:

	Employed members	Deferred pensioners*	Total
Total at 1 April '05	939	3,166	4,105
PLUS 'IN'	230	97	327
LESS 'OUT'	150	33	183
Total at 31 March '06	1,019	3,230	4,249

* former employees with a FundXtra account

Scottish Widows – concern about future returns

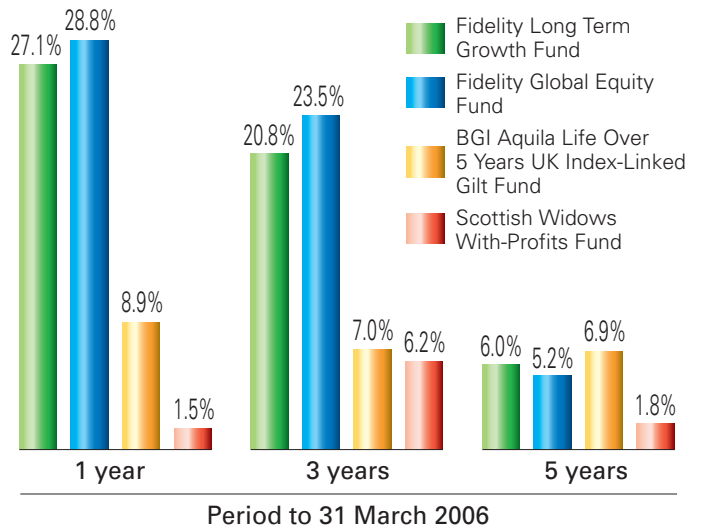
For a number of years, the Trustees and their advisers, Mercer Investment Consulting, have been concerned about the ability of the Scottish Widows With-Profits Fund to deliver competitive investment returns and, in July 2005, the Trustees stopped FundXtra members from paying future contributions into that Fund. However, many members still have an accumulated fund invested with Scottish Widows and **the Trustees are keen that members should review their investment:**

- The limited information provided by Scottish Widows on the underlying performance of its With-Profits Fund, how this translates into investment returns passed on to members and the financial security of the With-Profits Fund mean that it is difficult for the Trustees to be confident that in future this Fund will provide members with competitive returns.
- The range of investment funds available from BGI and Fidelity means that members can arrange their investments in a way that meets their specific needs.

Commenting on this, **Tim Gardener**, Global Head of Mercer Investment Consulting, had this to say:

The increased demands for transparency and value bring the appropriateness of with-profits investments into question. Members are likely to be better served by transparent investments structured to meet their individual needs, such as the funds managed by BGI and Fidelity.

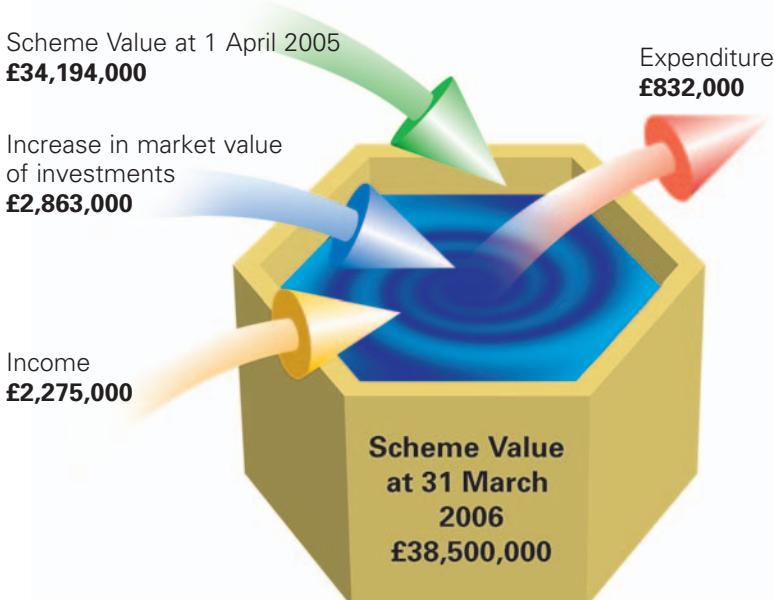
The Trustees' concern is borne out by the investment results over the past few years:



Although there is still a penalty (known as a 'market value adjustment') that will affect some people who switch their accumulated monies out of the With-Profits Fund, the size of the average penalty has reduced since the Trustees last wrote to you in 2005. If you would like to know more, or you would like to switch your accumulated fund into one or more of the other FundXtra investments, please contact **Linda Yeardley** on **01494 615166** or email **linda.yeardley@xerox.com**.

Summary of the Accounts

The figures below summarise the accounts (to the nearest thousand pounds) for the year ending 31 March 2006 – the last year for which we have audited figures.



INCOME

Employee contributions (incl. AVCs)	£359,000
Company contributions	£1,698,000
Company contributions to admin costs	£218,000
Total paid in	£2,275,000

EXPENDITURE

Transfers to Xerox Final Salary Scheme	£284,000
Transfers to other schemes	£197,000
Admin costs	£197,000
Contribution refunds	£96,000
Retirement payments	£39,000
Death benefits	£19,000
Total paid out	£832,000

Feedback from the Trustees

In April 2006, the Trustees established four new Committees with a view to streamlining their decision-making processes. They are:

Governance

**Investment
& Funding**

**Administration &
Communications**

**Sponsorship
Risk**

Here are brief reports from the chairs of two of these committees:

John Payne – Chair, Governance Committee



Running a pension scheme has many of the same challenges as running a business and, with any business, it's important to understand the internal and external risks that could affect its efficiency. The Trustees have undertaken a thorough analysis of the main risks to the Company's Pension Schemes and have ranked them in order of likelihood and severity. For each high risk item, an action plan has been developed and these action plans are monitored regularly at Trustee meetings. By taking these steps, we believe we are better placed to respond to any issues that may arise in the future.

Carole Palmer – Chair, Administration & Communications Committee



The Committee meets quarterly with Nick Walker and his team at Xerox Pensions, with monthly conference calls in between. Working closely with the pensions specialists in this way gives us as Trustees a better understanding of the issues and priorities of members.

Over the coming months, the Administration Committee team will be working closely with the A2B project, specifically around the communication of the pension schemes to new recruits.

Toby Pettinger – Member Trustee for the FundXtra constituency – joined the Trustee Board just over 18 months ago and so has been involved in the thinking behind the new committee structure. We asked him for his thoughts on how the new structure is working.

Restructuring our approach to managing and administering the Pension Schemes has enabled us to make the most of our time and provide the best service to our members. As a committee of trustees, we need to demonstrate real proficiency in each of the disciplines that contribute towards successful pension schemes, such as investment, governance, communication and administration. Our new sub-committees are aligned to these disciplines so that the members of each Committee can specialise and matters relating to each of the disciplines can, as a result, be dealt with more efficiently.



Trustee Directors

Here are the current Trustee Directors:

John Payne

Chairman, former Company Secretary, Rank Xerox Ltd (now Xerox Ltd)

Tom Corne

Head of European Real Estate & Facilities

Clive Gilchrist

Independent Trustee Director, BESTrustees plc

Darren Hooker*

Financial Controller, Xerox Europe Customer Service Organisation

Kevin Horrobin* Pensioner

Carole Palmer

Director, Group Resources, Xerox UK

Toby Pettinger*

Client Account Manager, XGS

Chris Pinney* Pensioner

Rhonda Seegal

Vice President & Treasurer, Xerox Corporation

Lewis Stringfellow

Finance Director, Nordic

Brian Thompson

Change Manager, A2B Program, Xerox Europe

David Visick*

Customer Engagement Manager

**Member Trustee Director*

Paul Hopkins

Secretary to the Trustee Directors

Advisers

The Trustee Directors call on the services of the following:

Actuary

Richard Akroyd of Watson Wyatt Limited

Auditors Horwath Clark Whitehill LLP

Bankers HSBC Bank plc

Communication consultant

Clive Beaumont

Investment consultants

Mercer Investment Consulting

Investment managers

*Barclays Global Investors
Fidelity Investments Life
Insurance Ltd
Scottish Widows*

Solicitors

Simmons & Simmons

Communication Update



Report from Nick Walker, Pensions Administration & Communications Manager, Xerox Pensions

On the communication front, 2006 proved to be as busy as the previous year, with a number of new products coming on stream:

- **Benefits Statements** for both employed members and deferred pensioners were produced in a new livery and in a way that allowed greater personalisation.
- **New Joiners Leaflets** were produced under the theme of **"The BUT stops here"**
- **Thinking pensions** is the new vehicle for announcing pension news to employees.
- **A-Day changes** – All members were sent a leaflet to inform them of the changes introduced as part of the Finance Act 2004 – including the new Annual Allowance and Lifetime Allowance.
- **The formal Report & Accounts** was re-structured and refreshed.
- **Pension surgeries** were run the length and breadth of the country for our service engineers and other employees – mainly by Olwyn Smith, our Communications & Special Projects Administrator.

If there's anything you think we should be doing better or anything we're not doing which you think we ought to be, please let me know.

Your day-to-day contacts

If you have any queries on FundXtra – general or personal – please contact:



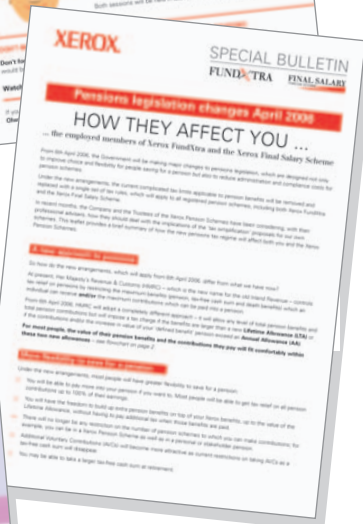
Linda Yeardley
FundXtra Team Leader
Tel **01494 615166**
Email
linda.yeardley@xerox.com



Colin Bourke
FundXtra Administrator
Tel **01494 615155**
Email
colin.bourke@xerox.com

Any comments or questions?

If you have any comments or questions on this Report, or if you would like a copy of the full Report & Accounts, please contact: **Nick Walker**, Pensions Administration and Communications Manager, Xerox Pensions, Compton Court, 20-24 Temple End, High Wycombe, Buckinghamshire HP13 5DR. Tel 01494 615161. Email nick.walker@xerox.com



SUPPLEMENTARY INFORMATION

This year's Annual Report to Members devotes several pages to the investment options available under FundXtra. Investment is, however, a complex area and we thought it would be useful to provide you with an explanation of some of the investment terms used in the Report together with a summary of each of the eight self-select funds on offer from FundXtra.

You may find it useful to keep this sheet in a safe place for future reference.

You will find more information on how to make your investment choice on the Xerox Pensions website – www.xeroxpensions.co.uk – click on *Employed member*, then *FundXtra*, then *Your questions answered* and then *Investment*.

Glossary

Active investment management

The management of an investment fund where the manager selects individual assets within the fund and aims to beat the return on a given index.

Annuity

If your account is still invested with FundXtra at retirement, an annuity will normally be purchased from an insurance company. The annuity then pays out a specified amount to you each month (or year) – this will be your pension.

Benchmark

A standard against which the rate of return on an investment fund is measured. It is usually based on a notional investment portfolio comprising one or more relevant market indices, reflecting the investment split of the investment fund whose performance is being measured.

Bonds

Bonds are loans to UK or overseas governments or companies. Bonds issued by the UK Government are usually referred to as "gilts". Bonds normally pay a fixed rate of interest over a given period of time. The value of bonds tends to fluctuate less than equities.

Cash

Cash is put on deposit with a bank or other financial institution and earns a variable rate of interest. In general,

wholesale money market rates are higher than retail rates, such as deposit rates offered to individuals by banks and building societies. Cash is a low-risk investment and so has historically offered low rates of return over the long term. However, it provides stability and security over the short term.

Equities

These are company shares, either in established stock markets such as those in the United Kingdom, Europe, the United States and Japan, or in emerging markets such as those in Thailand, Chile and Turkey. The value of equities can fall as well as rise but, over the long term, equities have generally performed better in the past than other investment types and have produced real growth ahead of inflation.

Gilts

Bonds issued by the UK Government.

Index-linked bond/gilt

A bond whose maturity value is adjusted in line with a specified index, most commonly an inflation measure. The interest paid on UK Government index-linked gilts is linked to the Retail Prices Index, which measures inflation in the United Kingdom.

Index-tracking

The management of an investment fund where the manager does not exercise judgement in the selection of individual

assets within the fund but aims to produce a return matching the return on a given index.

Investment grade corporate bonds

A bond whose issuer has a credit rating given by the recognised credit-rating agencies of BBB- or higher (Standard & Poors) or Baa3 or higher (Moody's).

Lifestyle Strategy

An investment strategy which is designed to take you through your working life, reducing investment risk as retirement approaches. You do not need to make any investment decisions as, typically, a lifestyle strategy invests in equities when you are young, then moves automatically to bonds and cash as you approach retirement.

Maturity period

The length of time before final payment on a bond is made.

Real return

Return after adjusting for inflation.

Return

The income on an asset plus the increase in capital value (or minus the decrease in capital value), usually expressed as an annual percentage rate.

Target return

The objective set in relation to the return earned by an investment fund.

Investment funds offered by FundXtra

ACTIVE FUNDS

FUND	TYPES OF INVESTMENT	INVESTMENT SPLIT	TARGET RATE OF RETURN	COST#	SUITABILITY
Fidelity Global Equity Fund	UK and overseas equities	70% UK, 30% overseas (split between US, Europe – excluding UK – the Far East and Emerging Markets)	1% or more per year (over rolling 3-year periods) above benchmark*	0.5% p.a.	This option may be appropriate for members investing over the medium to long term who are looking for long-term capital growth and who want a 100% equity fund which is actively managed
Ascent Life Global Equity Fund	UK and overseas equities	50% UK, 50% overseas (split equally between US, Europe – excluding UK – and the Far East)	1% or more per year (over rolling † 3-year periods) above benchmark	0.75% p.a.	This option may be appropriate for members investing over the medium to long term who are looking for long-term capital growth and who want a 100% equity fund which is actively managed
Fidelity Long-Term Growth Fund	UK and overseas equities , UK and overseas bonds , gilts and cash	Aims to match portfolio of average UK pension fund (48% UK equities, 36% overseas equities, 10% bonds, 6% cash as at 31st October 2006)	1% or more per year (over rolling 3-year periods) above benchmark (median CAPS Balanced Pooled Fund)	0.5% p.a.	This option may be appropriate for members investing over the medium to long term who are looking for long-term capital growth but who do not feel comfortable with 100% equity exposure

INDEX FUNDS

Aquila Life Global Equity Fund	UK and overseas equities	50% UK, 50% overseas (split equally between US, Europe – excluding UK – and the Far East)	In line with benchmark †	0.15% p.a.	This option may be appropriate for members investing over the medium to long term who are looking for long-term capital growth and who want a 100% equity fund
Aquila Life Over 5 Years UK Index-Linked Gilt Fund	100% in UK Government index-linked gilts with a maturity period of 5 years or more		In line with benchmark (FTSE UK Gilts Index-Linked Over 5 Years Index)	0.1% p.a.	This option may be appropriate for members close to drawing their FundXtra benefits who want a lower-risk option which will protect the value of their pension after taking account of inflation
Aquila Life Over 15 Years UK Gilt Fund	100% in UK Government gilts with a maturity period of 15 years or more		In line with benchmark (FTSE UK Gilts Over 15 Years Index)	0.1% p.a.	This option may be appropriate for members close to drawing their FundXtra benefits who want a lower-risk option which will protect the value of their pension
Aquila Life Corporate Bond Fund (All Stocks)	100% in investment grade corporate bonds denominated in sterling		In line with benchmark (iBoxx £ Non-Gilts Index)	0.15% p.a.	This fund may be appropriate for members close to retirement who want to protect the value of their pension. While not as secure as cash or gilts , this fund should offer a lower-risk option than equities for members close to retirement
Aquila Life Cash Fund	100% in wholesale money market investments		In line with the Seven Day Sterling London Interbank Bid Rate	0.15% p.a.	This fund may be appropriate for members close to retirement who wish to protect the value of their tax-free cash sum at retirement

Note: Investing in overseas equities carries an additional currency risk.

* 70% FTSE All-Share Index
 10% FTSE All-World Developed Europe (excl UK) Index
 10% FTSE All-World US Index
 5% FTSE All-World Japan Index
 3.3% FTSE All-World Developed Asia Pacific (excluding Japan) Index
 1.7% MSCI Global Emerging Markets Index

† 50% FTSE All Share Index
 16.7% FTSE All-World Developed Europe (excluding UK) Index
 16.7% FTSE All-World US Index
 8.3% FTSE All-World Japan Index
 8.3% FTSE All-World Developed Asia Pacific (excluding Japan) Index

The cost is the fee charged by the investment manager for managing your investment. The percentage fee shown in the **Cost** column is applied to the value of your investment in the relevant fund and this amount is deducted annually from the value of your investment.