Ladbrokes
Pension Plan

Pensions Post online

From the Ladbrokes Pension Plan ("the Plan") Trustees

Welcome to your first online edition of Pensions Post! Thank you to all of our members who have supplied their email address and who are now receiving the newsletter electronically. This move to electronic communications has been made to reduce our printing costs in the future, and the Trustees thank you for your support in this move. To further help us with our move to electronic communications, we would be grateful if you would remind your friends to tell us their email address. A form to supply, or to keep your address details up to date is available at **www.ladbrokespensionspost.co.uk/email**

If you have received a postcard telling you that this issue of Pensions Post was available to view online, we would urge you to let us know your email address, or to request a hard copy if you do not have an email address. If you do not contact us, we will update you with Plan developments automatically in the future via the website. To all of you who have told us that you do not have access to email, thank you for requesting a hard copy of this newsletter, and we hope you continue to enjoy reading Pensions Post.

In this issue of Pensions Post we explain how we fund the Plan to pay for your benefits. It answers some common questions we receive so please take time to read it through. If you have any feedback about Pensions Post, such as improvements you'd like to see or additional information you would find helpful, please let us know.

July 2011

Delivering a winning pension

A recap on how the Plan works

The Plan is a final salary pension arrangement. With this type of Plan, employee members and their employers pay contributions. With the help of our investment advisers, we invest these contributions in funds, which are expected to provide income and to increase in value over the long term - see investments on page 5. The combination of contributions, investment income and growth is then used to pay members' pensions, which are based on service with Ladbrokes and salary before you stop building up benefits in the Plan. The assets of the Plan are held in a trust fund out of which all Members' pensions are paid by the Trustees. The fund is a common fund for all Members. Assets are not held in separate funds for each individual Member.

How do we work out how much money is needed to pay pensions?

The Plan Actuary advises the Trustees on how much money is likely to be needed in the Plan to pay for all the pensions as they fall due. This estimate is called an "ongoing valuation". This valuation is usually prepared and reviewed every three years, with approximate updates each year in between.

In preparing this "ongoing" valuation, the Trustees and Ladbrokes, with the assistance of the Plan Actuary, decide upon a number of assumptions about what might happen in the future, in particular:

- how long the Members are anticipated to live;
- what inflation (future price increases) will be; and
- what investment returns the Plan will earn on its assets.

The Trustees also check how much it would cost if the Members' benefits were transferred to an insurance company who would then pay the pensions. This is called a "solvency valuation" and is more conservative than the "ongoing" valuation.

What do we mean?

Plan Actuary
Actuaries are qualified professionals who use their knowledge and experience to advise on how long pensions are likely to be paid for, and the costs of providing them.

Assets
These are all the monies that the Trustees hold for the Plan. They include investments, such as shares, bonds and bank balances.

Funding target
This is the amount of assets that, in the Trustees' opinion, the Plan should hold in order to pay all pension benefits that have been built up to date, having taken the advice of the Plan Actuary.

Funding position
The funding position of the Plan is a comparison of the assets and the funding target on a specific date.

Shortfall
This is where the value of the Plan's assets is less than the funding target.

"choosing the right strategy"

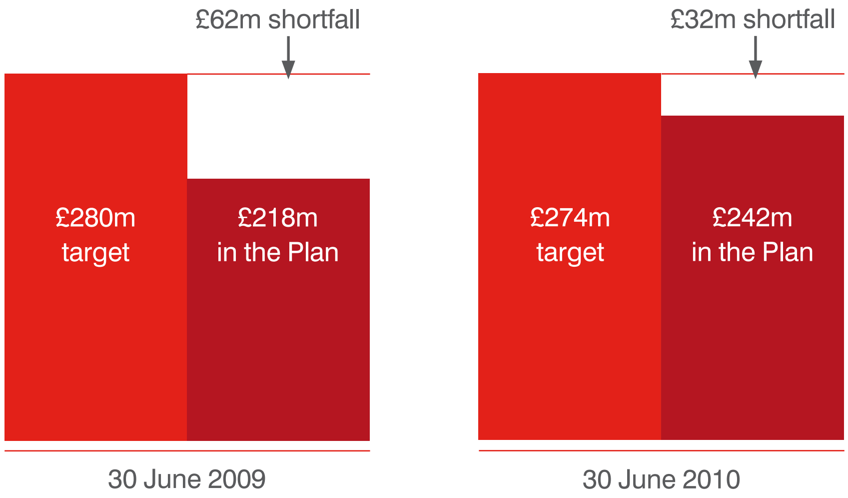
checking the score

What is the Plan's financial position?

The Plan's funding position goes up and down over time as market conditions change. The issue of Pensions Post that we sent you in July last year showed the positions based on a full actuarial valuation as at 30 September 2007 and updates as at 30 June 2008 and 30 June 2009. Since then, we have obtained a full actuarial valuation of the Plan as at 30 June 2010. The charts below show the Plan's funding position at 30 June 2009 and 30 June 2010.

The actuarial valuation as at 30 June 2010 showed that:

- the Plan had assets of £242 million
- it had a funding target of £274 million
- this gave it an estimated shortfall, on the "ongoing" valuation basis, of £32 million.



How has the Plan's financial position changed recently?

The shortfall on the "ongoing" basis as at 30 June 2009 funding update was £62 million. Between 30 June 2009 and 30 June 2010 the shortfall on the "ongoing" basis decreased by £30 million to £32 million.

The main reasons for the improvement in the position since the 2009 funding update are:

- The recovery of the global financial markets over the year, which increased the value of the Plan's assets.
- Contributions from Ladbrokes of £1.6 million each year towards making good the shortfall.
- Lower expectations in June 2010 for the rate of price increases (inflation) over the long term compared with expectations in June 2009. This reduces the expected amount of money needed to pay benefits and therefore has acted to improve the funding position.
- Lower expectations for statutory pension increases in future following the change to the way the Government measures inflation for this purpose, from RPI to CPI. Further details of the Government's change are available at www.ladbrokespensionspost.co.uk.

On the more conservative "solvency" basis the shortfall was £113 million as at 30 June 2010.

Has the funding position changed again since 30 June 2010?

Since the actuarial valuation was carried out as at 30 June 2010, the Plan's funding position will have improved, primarily as a result of good performance of global stock markets in the second half of 2010. We are obtaining an update of the Plan's financial position as at 30 June 2011 and will provide the results of this funding update in the next Pensions Post.

The shortfall and your benefits

It is important to remember that the Trustees' aim is to continue to pay pensions in full to all members, even if there is a shortfall in assets. We expect that the Plan's funding level will go up and down over time as the value of the Plan's investments varies and the estimate of how much money is needed varies.

Remember: The valuation as at 30 June 2010 is only a snapshot of the Plan's financial position at a particular point in time. The Trustees invest for the long term and Ladbrokes' contributions are normally set every three years, following each full valuation. The next full valuation will take place as at 30 June 2013 and Ladbrokes' contributions will be reviewed at that time.

Company contributions to remove the shortfall

Following the 30 June 2010 valuation, Ladbrokes has agreed to pay contributions from 1 July 2011 of approximately £11 million each year, which includes £5.3 million each year for seven years and ten months towards making good the shortfall.

"looking for an equaliser"

"our supporters"

How are my benefits protected?

Pension Protection Fund

The purpose of the Pension Protection Fund ("PPF") is to ensure that members of defined benefit schemes receive pensions even if their company goes out of business. The PPF is not intended to replicate a member's pension, but aims to ensure that, in the event of a scheme's sponsoring employer getting into difficulties, members will receive a minimum level of benefits, although this minimum may be less than members would have otherwise received from the Plan. For further details about the PPF, you can read the introductory guide at: www.ppf.gov.uk/index/scheme-member.htm

The Pensions Regulator

The Pensions Regulator aims to help protect members' benefits. The Regulator acts as a watchdog, ensuring that employers and trustees are fulfilling their responsibilities and schemes are being run effectively. The Pensions Regulator is also able to help trustees and administrators run their schemes where necessary.

Legal notice

The Trustees are required to confirm that:

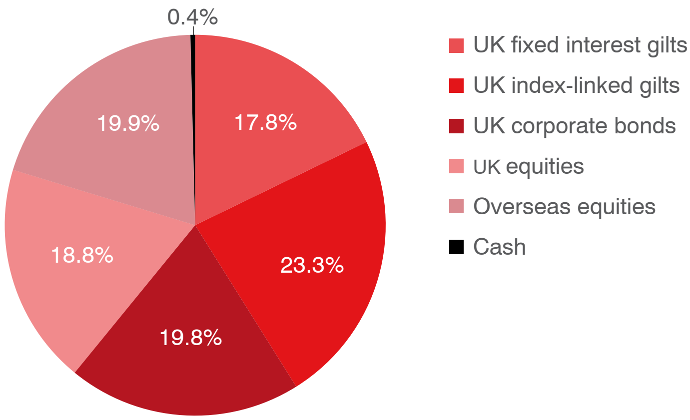
- The Regulator has not imposed any directions on the Plan, modified future benefits provided by the Plan or imposed a schedule of contributions on the Plan.
    - There has not been a payment to Ladbrokes out of the Plan funds over the twelve months since the date of the last Pensions Post.

The Plan's investment policy

The Plan's assets are invested with the aim of increasing their value and providing income that is used to pay for promised benefits. The Trustees regularly review the Plan's investment strategy to make sure that the Plan's assets continue to be invested appropriately. The Trustees are currently reviewing this investment strategy following completion of the actuarial valuation as at 30 June 2010.

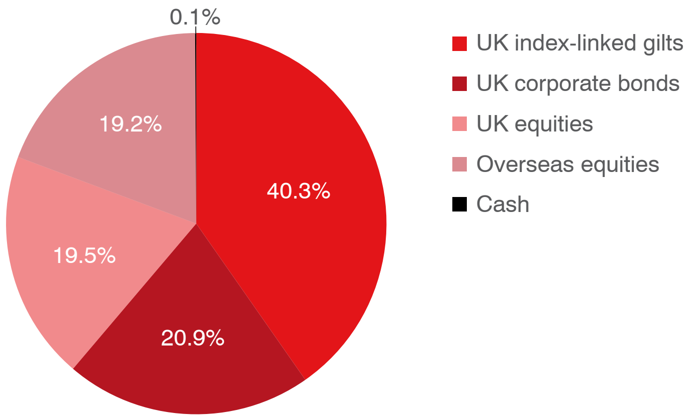
The charts below show the Plan's investment allocation at 30 June 2010 and 30 June 2011. Although the Plan's investment policy did not change between these dates, the value of the Plan's equities has increased significantly and so they now make up a slightly larger proportion of the total assets.

The Plan's investment allocation as at 30 June 2010



" working together "

The Plan's investment allocation as at 30 June 2011



How the Plan's investments affect your pension

Global investment markets affect pension arrangements like ours because we invest our assets in different markets. However, it is important to remember that your pension in the Plan is linked directly to your salary before you stop building up benefits in the Plan and years of service rather than the underlying performance of markets or the Plan's investments. The key issue for us is the future support of Ladbrokes to help us meet any funding shortfalls.

Pension News

Changes to pension increases

In the past, the measure used to set the minimum increases required by law to pensions in payment and revaluation of deferred pensions was the Retail Prices Index (RPI) subject to certain caps. However, the Government has now changed this to the Consumer Prices Index (CPI) subject to the same caps for all increases except where scheme rules directly provide for RPI. Your pension increases are based on the annual change in the index used from 1 October to 30 September each year as set out by orders published by the Government.

What does this means for Plan benefits?

There are two changes for the Plan.

1. For members who leave (or have left) the Plan before retirement, they will generally have their deferred pension increased between when they leave and when they retire at the rate of increase in RPI for the period of deferment up to 31 December 2010 and at the rate of increase in CPI for periods of deferment after this, subject to certain caps.
2. For increases to pensions in payment, generally these will be based on CPI for pensions earned from 6 April 1997 onwards and RPI for pensions earned before this date, subject to certain caps. Increases to your guaranteed minimum pension provided by the Plan wil generally be based on CPI going forward subject to certain caps. Details of how increases to pensions in payment are calculated are available at www.ladbrokespensionspost.co.uk

Additional documents available on request

- The Statement of Investment Principles. This explains how the Trustees invest the money paid into the Plan.
- The Schedule of Contributions. This shows how much money is being paid into the Plan.
- The Annual Report and Accounts of the Plan. This shows the Plan's income and expenditure over each Plan year.
- The actuary's full report on the Actuarial Valuation of the Plan as at 30 June 2010.
- The Statement of Funding Principles. This sets out the Trustees' policy for making sure the Plan can pay for all the pensions as they fall due.
- The Recovery Plan. This sets out how the Trustees and Ladbrokes are going to make good the shortfall revealed by the actuarial valuation.
- The Plan booklet (you should have been given a copy when you joined the Plan, but you can request another copy by contacting Human Resources or the administration team, or by visiting the website, www.ladbrokespensionspost.co.uk).
- An Annual Benefit Statement. If you are not getting a pension from the Plan (and have not received a benefit statement in the previous 12 months), you can ask for a statement that provides an illustration of your likely pension.

Where can I get more information?

If you have any questions, or would like more information, please contact the Ladbrokes Pension Plan administration team using the following details:

Hymans Robertson LLP
One London Wall
London
EC2Y 5EA
ladbrokesadmin@hymans.co.uk

Important: If you are thinking of leaving the Plan for any reason, we recommend that you get advice first. For a list of independent financial advisers local to you simply go to **www.unbiased.co.uk**

Please help us to keep in touch with you by telling us if you change address.