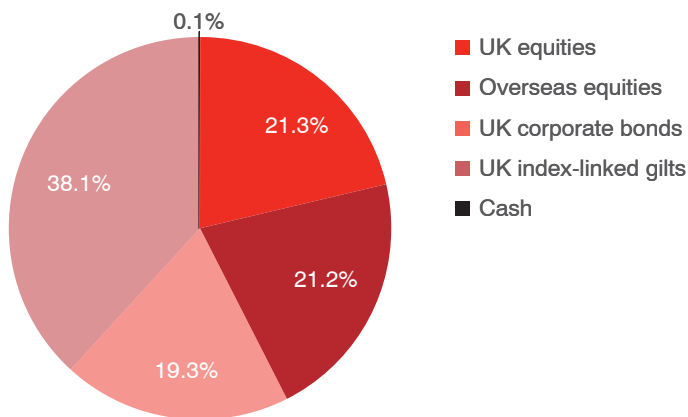


The Plan's investment policy

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. At the end of 2011 the Trustees agreed to invest in two diversified growth funds managed by Ruffer LLP and Standard Life Investments. These funds invest across a broad range of asset classes and seek to achieve equity-like returns but with lower volatility. The Trustees believe that this will diversify the Plan's return-seeking assets and help to reduce the Plan's reliance on equity markets as a source of outperformance. Over the period from January to May 2012 the Plan sold a total of £40m of equity assets to fund the allocation of £20m each to the two new funds. The chart below shows the Plan's investment allocation at 30 June 2011.

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 Ladbroke's to help us meet any funding shortfalls.

Maximum performance

Pension News

Workers face a later retirement

A recent report by the Pensions Policy Institute (PPI) estimates that, without proper provision, some people may be forced to work until the age of 77 in order to remain in the lifestyle to which they are accustomed.

In its report **Retirement income and assets: the implications for retirement income of Government policies to extend working lives**, the PPI urged pension scheme members to think about how they can fund their future lifestyles. The basic State Pension currently provides pensioners with an income of £5,587.40 a year, and for many this will not be enough for them to retire on and support the lifestyle they enjoy today.

As a member of the Plan, you can take action to make sure that you have a sufficient retirement income. The actions you can take are:

- Check the benefits that you are entitled to from the Plan, and make sure you understand the benefits the Plan provides.
- Make extra savings towards your retirement.
- Consider making additional contributions to an alternative pension arrangement to top up your pension.
- Start sooner rather than later. This may sound obvious but it's worth emphasising.

The State Pension was originally conceived at a time when many people were not expected to live beyond their sixties. However, in 2012, people can now expect to live into their 80s, and the fact that people are now living longer has put a strain on State Pensions. To address this, the Government has already introduced measures to increase the State Pension age, with the age set to rise to 68 by 2046.

Additional documents available online or 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**.
- 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 find more information?

If you have any questions, or would like more information, go to www.ladbrokepensionspost.co.uk or contact the Ladbrokes Pension Plan administration team using the following details:

✉ ladbrokesadmin@hymans.co.uk

📄 Hymans Robertson LLP
One London Wall
London
EC2Y 5EA

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.

Ladbrokes Pension Plan

Pensions Post 2012

From the Ladbrokes Pension Plan (“the Plan”) Trustees

Time has been racing by since our last issue of Pensions Post, and it's already time for us to share our latest update on the Plan's finances with you. In this issue, we also give you an update on the latest pensions news.

As you know, the Plan has recently moved to electronic communications, and will be using email to contact members more frequently in future. A form to either supply your address details or keep them up to date is available at www.ladbrokespensionspost.co.uk/email. Alternatively, you can write to the Administration Team using the details on the back page, to request hard copies of any future communications (if you haven't done so already). If you do not contact us, we will automatically update you with Plan developments via the website in the future.

We hope you continue to enjoy reading Pensions Post. 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.



Focusing on your pension

A recap on how the Plan works

The Plan is a final salary pension arrangement. With this type of Plan, members' pensions are based on service with Ladbrokes and salary before they stop building up benefits in the Plan. To pay for the cost of providing these benefits, employee members and their employers pay contributions. With the help of our investment advisers, the Trustees 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 the benefits as they fall due. 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.

Members' pensions are based on length of service and their final salary

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.





What is the Plan's funding 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 position based on a full actuarial valuation as at 30 June 2010. Since then, we have obtained a funding update as at 30 June 2011. The charts below show the Plan's funding position as at 30 June 2010 and 30 June 2011. The funding update as at 30 June 2011 showed that:

- the Plan had assets of £270 million
- it had a funding target of £290 million
- this gave it an estimated shortfall, on the "ongoing" valuation basis, of £20 million.



▀▀ The Plan's funding position goes up and down over time as market conditions change ▀▀

How has the Plan's financial position changed recently?

The shortfall on the "ongoing" basis as at 30 June 2010 valuation was £32 million. Between 30 June 2010 and 30 June 2011 the shortfall on the "ongoing" basis decreased by £12 million to £20 million. The main reasons for the improvement in the position since the 2010 valuation are:

- Favourable investment returns, which increased the value of the Plan's assets.
- Contributions from Ladbrokes of £1.6 million over the year towards making good the shortfall.

On the more conservative "solvency" basis the shortfall was £113 million as at 30 June 2010. The funding position had also improved on this basis at 30 June 2011.

Has the funding position changed again since 30 June 2011?

Since the funding update was carried out as at 30 June 2011, the Plan's funding position will have worsened, primarily as a result of significant falls in the yields on government bonds in the second half of 2011. We are obtaining an update of the Plan's financial position as at 30 June 2012 and will provide the results of this funding update in the January 2013 issue of 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 changes.

Remember: the valuation as at 30 June 2010 and the funding update as at 30 June 2011 are only snapshots 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 until April 2019, towards making good the shortfall.

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 where 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 being unable to meet its responsibilities, 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.

For further details about the Pensions Regulator you can go to www.thepensionsregulator.gov.uk

On the ball

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 Trustees have paid life assurance premiums to cover certain lump sum death benefits payable under the Plan. Ladbrokes reimburses the Trustees for these premiums. Due to an administrative error, for the period 1 July 2011 to 30 March 2012, these reimbursements were paid late. The Trustees and Ladbrokes have now corrected this error, Ladbrokes has paid all amounts due and the Trustees have notified the Pensions Regulator accordingly.