

# LADBROKES PENSION PLAN

Annual Report and Financial Statements for the year ended 30 June  
2011

SCHEME REGISTRATION NUMBER: 101328928

Prepared by:

Hymans Robertson LLP

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## SECTION 1 - TRUSTEES AND THEIR ADVISERS

### The Trustees

The Trustees of the Ladbrokes Pension Plan since 30 June 2010 are set out below.

#### Employer Nominated

Gordon Bissett (chairman)

Mike Noble

Charles McAulay

S Priday (appointed 30 November 2010)

#### Member Nominated

Chris Lynch

Paul Plowright

Matthew Sesay (resigned 9 March 2011)

D Bowen (appointed 30 November 2010)

J Hutchinson (appointed 17 May 2011)

#### Secretary to the Trustees

Hymans Robertson LLP

### Advisers

The advisers to the Trustees during the year are set out below.

#### Actuary

Aaron Punwani FIA, Lane Clark & Peacock LLP

#### Independent Auditor

Deloitte LLP

#### Legal adviser

Linklaters LLP

#### Administrator

Hymans Robertson LLP

#### Investment managers

BlackRock Advisors (UK) Limited

Legal & General Investment Management Limited

#### Bankers

Barclays Bank plc

#### Custodian

BlackRock Advisors (UK) Limited

HSBC Global Investor Services, Citibank and Euroclear

#### AVC providers

Equitable Life Assurance Society

London Life Limited

Prudential Assurance Company Limited

#### Principal Employer

Ladbrokes plc

## SECTION 2 - TRUSTEES' REPORT

The Trustees of the Ladbrokes Pension Plan ("the Plan") are pleased to present their report together with the audited financial statements and actuarial certificates of the Plan for the year ended 30 June 2011 (Plan year).  
Management of the Plan

### MANAGEMENT OF THE PLAN

#### LEGAL STATUS

The Plan is a defined benefit scheme whereby benefits are payable to members in accordance with the Plan Rules based on length of service.

The Plan is governed by two editions of Rules made on 31 December 2001, as subsequently amended on 4 January 2011.

The Plan is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004.

All members of the Plan are contracted-out of the State Second Pension (S2P) using the reference scheme test.

#### TRUSTEES

A process is in place to appoint member nominated Trustees that is in accordance with the Pensions Act 2004. The Principal Employer may appoint new Trustees and may also remove Trustees. These powers are exercised by deed executed by the Principal Employer.

The Trustees meet at least quarterly to consider matters relating to the administration and investment policy of the Plan and are also involved in other meetings and discussions relating to the Plan.

#### FINANCIAL DEVELOPMENT OF THE PLAN

The financial statements have been prepared and audited in accordance with regulations made under Section 41(1) and (6) of the Pensions Act 1995.

The Fund Account shows that the net assets of the Plan increased from £245m at 30 June 2010 to £273m, at 30 June 2011. The increase in net assets, as shown in section 5, arose from:

	£000
Net withdrawals from dealings with members	(5,215)
Net return on investments	33,027
<b>TOTAL</b>	<b>27,812</b>

## PENSION INCREASES

During the Plan year, pension increases were applied in accordance with the Plan Rules, and were generally as follows:

- pensions in payment: effective date – 1 April 2011

Guaranteed Minimum Pension (GMPs) accrued pre 6 April 1988 = nil where applicable, cost of living are provided by the State)

GMPs accrued post 5 April 1988 = 3% (in accordance with the statutory revaluation orders)

non GMP benefits accrued pre 6 April 1997 = 3% including for this year:

3% for TTL Category A and Category B Thompson T-Line

3% for TTL Category B Vernons

benefits accrued post 5 April 1997 = 3.7%

benefits accrued post 5 April 2005 = 2.5%

- deferred pensions are increased in accordance with statutory requirements.

There were no discretionary pension increases during the year.

## TRANSFER VALUES

Transfer values paid during the year in respect of transfers to other pension schemes were calculated by the Plan's Actuary in accordance with the Pension Schemes Act 1993 and the Pensions Act 1995.

No allowance for discretionary benefits is to be made in the calculation of transfer values.

## SCHEDULE OF CONTRIBUTIONS

A Schedule of Contributions must be agreed between the Trustees and the Employer and certified by the Plan Actuary. Members' contributions (including AVCs) must be paid to the Plan within 19 days of the month in which they were deducted from pay.

If contributions are not paid across to the Plan by the Employer by the due date, the Trustees must advise the Pensions Regulator, unless it is an isolated or minor breach and does not indicate a more serious underlying problem.

There were no instances of late payments during the year.

Following the actuarial valuation as at 30 June 2010, a Schedule of Contributions was agreed on 29 June 2011. It was certified by the Plan's Actuary on 1 July 2011. A copy of the latter certificate is given in section 9.

### ACTUARIAL POSITION

The Plan is subject to a full actuarial valuation at least once every three years. The most recent valuation was carried out as at 30 June 2010.

On 30 June 2010, the Plan's financial position on an ongoing basis was as follows:

- The Plan had assets of £242 million available for paying out benefits.
- The estimated amount of money required to provide the benefits for all members was £274 million.

This means that there was an estimated shortfall of £32 million as at 30 June 2010. The Plan's funding level on the ongoing basis was therefore 88%. On the more conservative solvency basis the shortfall was £113 million as at 30 June 2010 – this is an estimate of the amount that would have been needed to enable all the Plan's promised benefits (for service already completed) to be met by the purchase of insurance policies.

A copy of the Plan Actuary's certificate for the calculation of the money required by the Plan on the ongoing basis as at 30 June 2010 is given in section 9.

The Company will increase its contributions from approximately £7 million each year to approximately £11 million each year from 1 July 2011. The revised contribution rate represents 22.2% of Pensionable Salaries, an allowance for Plan expenses and £5.3 million to be paid each year for seven years and ten months, to make good the £32m shortfall as revealed by the 2010 valuation. (Over the period, interest will accrue on the shortfall, which is why the Company will pay £41.5 million in total to meet a £32 million shortfall).

The full valuation as at 30 June 2010 is a snapshot of the Plan's financial position at one point in time. The Trustees invest for the long term and the Company's contributions are normally set every three years, following each full valuation. The next full valuation is expected to have an effective date of 30 June 2013 and the Company's contribution will be reviewed at that time.

### PLAN CLOSURE

The Plan was closed to new joiners with effect from 1 August 2007.

## PLAN MEMBERSHIP

The membership of the Plan as at 30 June 2011 and as at 1 July 2010 is shown below:

Employee Members	Number
<b>As at 30 June 2010</b>	<b>1,003</b>
Prior period adjustments	(7)
<b>Restated as at 1 July 2010</b>	<b>996</b>
Retirements	(30)
Leavers with deferred pension entitlements	(57)
<b>Employee members as at 30 June 2011</b>	<b>909</b>

Pensioner Members (including spouses and dependants)	Number
<b>As at 1 July 2010</b>	<b>1,293</b>
Retirements	91
New dependants	20
Deaths of members	(33)
Death of dependants	(7)
<b>Pensioner members as at 30 June 2011</b>	<b>1,364</b>

Deferred Pensioner Members	Number
<b>As at 30 June 2010</b>	<b>1,339</b>
Prior period adjustments	(56)
<b>Restated as at 1 July 2010</b>	<b>1,283</b>
Employees leaving with deferred pensions	57
Retirements from deferred	(61)
Deaths	(2)
Transfers out	(1)
Full commutations	(5)
Status Change – No Liability	(2)
<b>Deferred pensioner members as at 30 June 2011</b>	<b>1,269</b>

The prior period adjustments are caused by late notification of membership movements to the Plan administrators.

## INVESTMENT POLICY

### INVESTMENT STRATEGY

The Trustees regularly review the Plan's investment strategy to achieve a suitable balance between cash flow, performance and risk. The Trustees have adopted a "horizon" based approach to setting investment strategy, with the target horizon being set at 15 years. Under this strategy, a bond portfolio is held to meet the next 15 years' estimated benefit payments, which varies from time to time, with the remainder of the assets invested in equities. This strategy resulted in a 58% allocation to bonds and a 42% allocation to equities as at 30 June 2011.

The Trustees have a business plan for complying with the Myners investment principles and these principles are reflected in the Statement of Investment Principles.

The Trustees continue to monitor the investment strategy and will amend the strategy as appropriate, seeking to balance the desire to achieve favourable returns on the fund while keeping the risk of the Trustees not meeting their objectives at an acceptably low level.

### INVESTMENT MANAGEMENT

The Plan's assets are invested with Legal & General Investment Management ("L&G") and BlackRock Advisors (UK) Limited ("BlackRock"). Equities and index-linked gilts are passively managed by L&G and corporate bonds are actively managed by BlackRock. The Plan invests in all of these asset classes through pooled investment vehicles. A currency hedging strategy removes broadly half of the Plan's foreign currency exposure.

Legal & General are authorised to release stock to a third party under a stock lending arrangement.

In addition, there are some annuity policies in the name of the Trustees which have been included in the net assets of the Plan as described in note 2.1 to the financial statements.

All funds are subject to a variety of risk controls which the Trustees have reviewed and believe are adequate.

### STATEMENT OF INVESTMENT PRINCIPLES

The Trustees have produced a Statement of Investment Principles as required by Section 35 of the Pensions Act 1995. This Statement sets out the Trustees' policies on investments and also includes the performance benchmark given to the managers. A copy of the Statement is available to members on request.

### EMPLOYER RELATED INVESTMENTS

The Plan did not hold any material employer related investments as at 30 June 2011.

### VALUATION

In accordance with the guidelines set out in the Statement of Recommended Practice (SORP) Financial Reports of Pension Schemes (revised May 2007), investments are valued at bid price, reflecting fair value at the year end.

## ASSET ALLOCATION

The asset allocation position of the Plan at 30 June 2011 and 30 June 2010 is summarised in the table below.

Asset Allocation				
	30 June 2011		30 June 2010	
	£m	%	£m	%
UK Equities	57.1	21.3	46.7	19.5
Overseas Equities	56.7	21.1	46.2	19.2
North America	18.8	7.1	15.3	6.4
European (ex UK)	19.3	7.3	16.1	6.7
Japanese	12.5	4.7	9.9	4.1
Pacific Rim	6.1	2.2	4.9	2.0
UK Corporate bonds	51.7	19.3	50.1	20.9
UK Index-linked Gilts	102.2	38.2	96.8	40.3
Cash	0.2	0.1	0.3	0.1
<b>Total pooled investment vehicles</b>	<b>267.9</b>	<b>100.0</b>	<b>240.1</b>	<b>100.0</b>

The Plan invests in both hedged and unhedged versions of its regional equity funds through L&G.

The Trustees consider that all of these investments are readily marketable, except the Plan has holdings in venture capital trusts at £1,640 (£1,640 – 2010). These investments are not readily marketable.

## INVESTMENT PERFORMANCE

The performance of the Plan's investments over the 12 months to 30 June 2011 is shown below.

Absolute Performance: % returns		
	Fund	Index
UK Corporate Bonds	6.1	5.2
UK Index-linked Gilts	9.7	9.7
UK Equities	25.8	25.6
European Equities	22.1	22.0
North American Equities	25.1	25.2
Japanese Equities	4.5	4.4
Pacific Rim Equities	22.3	21.9

The estimated overall Plan return over the one year and three year period ended 30 June 2011 was 14.1% and 7.2% per annum respectively.

Around 50% of the Plan's overseas equities are currency hedged. This is implemented by L&G through approximately equal investment in two versions of each regional equity fund, one currency hedged and one unhedged. For each equity region, both the hedged and unhedged funds have been combined into a single performance figure

## CUSTODIAL ARRANGEMENTS

The Plan's investments are held with HSBC and Citibank in respect of investments managed by L&G and with J P Morgan in respect of investments managed by BlackRock

The custodian is responsible for the safe keeping of the share certificates and other documents relating to the ownership of the listed investments.

## STATEMENT OF TRUSTEES' RESPONSIBILITIES

The financial statements are the responsibility of the Trustees. Pension scheme regulations require the Trustees to make available to Plan members, beneficiaries and certain other parties, audited financial statements for each Plan year which:

- show a true and fair view of the financial transactions of the Plan during the Plan year and of the amount and disposition at the end of that year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the plan year, in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice); and
- contain the information specified in the Schedule to The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement of whether the financial statements have been prepared in accordance with the Statement of Recommended Practice 'Financial Reports of Pension Schemes (Revised May 2007)'.

The Trustees have supervised the preparation of the financial statements and have agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

The Trustees are also responsible for making available certain other information about the Plan in the form of an Annual Report.

The Trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Plan by or on behalf of the employer and the active members of the Plan and the dates on or before which such contributions are to be paid. The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Plan and for monitoring whether contributions are made to the Plan by the employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and the members.

The Trustees also have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Plan and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal controls.

## FURTHER INFORMATION

### INTERNAL DISPUTE RESOLUTION PROCEDURES (IDRP)

It is a requirement of the Pensions Act 1995 that the Trustees of all occupational pension schemes must have Internal Dispute Resolution procedures (IDRP) in place for dealing with any disputes between the trustees and the plan beneficiaries. A dispute resolution procedure has been agreed by the Trustees, details of which can be obtained by writing to the contact named below:

Sandra Miles  
Ladbrokes Pension Plan  
Hymans Robertson LLP  
One London Wall  
London EC2Y 5EA  
E mail: [sandra.miles@hymans.co.uk](mailto:sandra.miles@hymans.co.uk)

### CONTACT FOR FURTHER INFORMATION

Any enquiries or complaints about the Plan, including requests from individuals about their benefits or for a copy of Plan documentation, should be sent to:

Ladbrokes Pension Plan  
Hymans Robertson LLP  
One London Wall  
London EC2Y 5EA  
Telephone: 020 7082 6454  
E mail: [ladbrokes@hymans.co.uk](mailto:ladbrokes@hymans.co.uk)  
[www.ladbrokespensionspost.co.uk](http://www.ladbrokespensionspost.co.uk)

### THE PENSIONS ADVISORY SERVICE

The Pensions Advisory Service (TPAS) exists to assist members and beneficiaries of plans in connection with difficulties which they have failed to resolve with the trustees or administrators of the plan. TPAS may be contacted at:

TPAS  
11 Belgrave Road  
London SW1V 1RB  
[www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

### PENSIONS OMBUDSMAN

The Pensions Ombudsman may investigate and determine any complaint or dispute of fact or law in relation to an occupational pension scheme. After 6 April 1997, any such complaints should firstly be addressed to the Scheme Adjudicator as identified under the dispute resolution procedures. Enquiries to the Ombudsman should be addressed to:

The Pensions Ombudsman  
11 Belgrave Road  
London SW1V 1RB  
[www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)

## FURTHER INFORMATION (CONTINUED)

### THE PENSIONS REGULATOR

The Pensions Regulator (tPR) has the objectives of protecting the benefits of members, promoting good administration and reducing the risk of claims on the Pension Protection Fund. tPR has the power to investigate schemes, put things right and act against employers avoiding their pension obligations. tPR may be contacted at the following address:

The Pensions Regulator  
Napier House  
Trafalgar Place  
Brighton BN1 4DW  
[www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

### PENSION TRACING SERVICE

Responsibility for compiling and maintaining the register of occupational pension schemes has been passed to The Pensions Regulator.

Contact details for the services are as follows:

Pension Tracing Service  
The Pension Service  
Tyneview Park  
Whitley Road  
Newcastle upon Tyne NE98 1BA  
[www.pensions-tracing-service.com](http://www.pensions-tracing-service.com)

### APPROVAL OF THE REPORT BY THE TRUSTEES

The investment report included in this annual report and financial statements forms part of the Trustees' report.

Signed for and on behalf of the Trustees of the Ladbrokes Pension Plan by:

..... **Trustee**

..... **Trustee**

..... **Date**

## SECTION 3 - INVESTMENT REPORT

### INVESTMENT REPORT PROVIDED BY LEGAL & GENERAL

The assets of the Plan are invested in an insurance policy with Legal & General Assurance (Pensions Management) Limited, part of the Legal & General Group, which is one of the largest financial institutions in the United Kingdom.

The policy is designed for corporate and public sector Pension Schemes and takes full advantage of the tax exemptions available to an insurance policy of this type. It is a unitised policy and the value of the units fluctuates directly in relation to the value of the underlying assets. All units are redeemable at bid prices that are calculated from independent, external pricing sources. The assets underlying the units are held by independent corporate custodians which are regularly reviewed by external auditors.

### PERFORMANCE PORTFOLIO

Legal & General's investment objective is to maintain the Plan's distribution close to the benchmark and within the ranges shown below. Changes to the distribution of the funds (which are sections within the policy) are achieved by the application of cash flows and, if necessary, by switches between the funds.

The value of the units held under the policy at the beginning and end of the reporting period, on a bid price basis were as follows

Asset Value and Distribution Investment Sector Fund	Value and Distribution		Value and Distribution		Benchmark
	on 1 July 2010		on 1 July 2011		Distribution
	GBP	%	GBP	%	%
UK Equity Index	46,725,477	50.2	57,074,464	50.2	50.0
North America Equity Index	7,851,799	8.5	9,460,237	8.3	8.3
N America Equity Index-GBP Hedged	7,461,440	8.0	9,368,194	8.2	8.3
Europe (ex UK) Equity Index	7,801,778	8.4	9,846,914	8.7	8.3
Europe (ex UK) Index-GBP Hedged	8,285,841	8.9	9,467,094	8.3	8.3
Japan Equity Index	4,902,886	5.3	6,287,683	5.5	5.6
Japan Equity Index-GBP Hedged	4,981,606	5.4	6,244,397	5.5	5.6
Asia Pac ex-Jap Dev Equity Index	2,409,487	2.6	3,094,731	2.7	2.8
A/Pac ex-Jap Dev Index-GBP Hedged	2,491,048	2.7	2,912,407	2.6	2.8
<b>Total Assets</b>	<b>92,911,362</b>	100.0	<b>113,756,121</b>	100.0	<b>100.0</b>

The unit prices for these valuations were based on market closing prices on the previous working day. The values shown include any activity that took place on the valuation days

## INVESTMENT REPORT PROVIDED BY LEGAL AND GENERAL (CONTINUED)

## DEFENSIVE PORTFOLIO

Legal & General's investment brief is to apply cash flows in accordance with instructions received from the Trustees or their authorised Administrators.

Asset Value and Distribution Investment Fund	Value and Distribution at 1 July 2010		Value and Distribution at 1 July 2011	
	GBP	%	GBP	%
	Over 5y Index-Linked Gilts	96,803,867	100	102,241,098

## CASH PORTFOLIO

Asset Value and Distribution Investment Fund	Value and Distribution at 1 July 2010		Value and Distribution at 1 July 2011	
	GBP	%		%
	Liquidity Fund	244,584	100	182,642

The unit prices for these valuations were based on market closing prices on the previous working day. The values shown include any activity that took place on the valuation days

## PERFORMANCE

## PERFORMANCE PORTFOLIO

Asset Value and Distribution Investment Sector Fund	Last 12 Months		Since 31 March 2010	
	Fund	Index	Fund	Index
	% pa	% pa	% pa	% pa
UK Equity Index	25.8	25.6	8.7	8.6
North America Equity Index	21.6	21.6	7.3	7.2
N America Equity Index-GBP Hedged	28.6	28.7	11	11
Europe (ex UK) Equity Index	29.2	28.9	8.4	8
Europe (ex UK) Index-GBP Hedged	15.5	15.3	5.2	4.8
Japan Equity Index	5.5	5.4	-2.9	-3.1
Japan Equity Index-GBP Hedged	3.5	3.3	-10.3	-10.4
Asia Pac ex-Jap Dev Equity Index	28.3	27.9	11.8	11.4
A/Pac ex-Jap Dev Index-GBP Hedged	16.7	16.1	5.7	6.4
<b>Total Assets</b>	<b>22.4</b>	<b>22.4</b>	<b>6.7</b>	<b>6.7</b>

## DEFENSIVE PORTFOLIO

Asset Value and Distribution Investment Fund	Last 12 Months		Since 31 March 2010	
	Fund	Index	Fund	Index
	% pa	% pa	% pa	% pa
Over 5y Index-Linked Gilts	9.7	9.7	9	9.1

## INVESTMENT REPORT PROVIDED BY BLACKROCK

## COMMENTARY FOR THE YEAR ENDING 30 JUNE 2011

**Quarter 3 2010:** US equities finished the quarter very strongly as expectations of further quantitative easing from the Federal Reserve before the end of 2010 grew. This followed comments from the central bank that it would take whatever monetary policy action was necessary to counter low growth levels or deflation risks. While the recovery in US growth became more entrenched, economic data was mixed. European and emerging market equities also finished the quarter in buoyant mood as prospects of a double-dip recession receded and some encouraging economic data emerged in both regions. A substantial depreciation in the US dollar exchange rate against the euro, yen and other currencies was a significant factor in market sentiment during the period. For instance, the price of gold and other commodities moved higher as the dollar weakened. The yen also reached a 15-year high against the dollar, prompting the Japanese central bank to intervene in the currency markets in a vain attempt to stem the currency's appreciation. In the UK, Gilt yields followed Treasuries and Bund yields lower in 'a flight to safety' by investors as strains in peripheral eurozone sovereign debt markets persisted after the area's sovereign debt crisis of the previous quarter. Corporate bonds were supported by robust fundamentals in the third quarter, with companies reporting better than expected earnings for the previous quarter. UK equities followed other markets higher during the quarter. While the improvement in equity valuations was broad based, bank stocks received a boost from better-than-expected EU bank stress test results and the eagerly awaited publication of the Basel III capital regulations. The Japanese equity market weakened significantly during the quarter as the stronger yen hindered export prospects for Japanese companies to the US and Europe in particular. The election of the Liberal Democratic Party to govern Japan for the first time in over 50 years did little to affect market sentiment.

**Quarter 4 2010:** Fears of renewed sovereign weakness in peripheral Europe dominated the quarter, after Ireland requested a €85bn bail-out in November. Global equity markets finished the month down, but US markets were flat on improving macro-economic data and further quantitative easing. Capital controls in emerging markets were also a concern. Further, China raised its ratio requirements for the fifth time that year, while Hong Kong and Korea implemented similar measures. However, equity markets finished the year in a bullish mood as the FTSE and S&P reached its highest level since mid 2008, thanks to supportive macro data particularly from Germany and the US, Korean tensions easing, and the resolution of uncertainty over the extension of the Bush tax cuts. Germany continued to lead the recovery in the developed world, evidenced by higher than expected PMI and IFO data. In the US, key manufacturing surveys yielded positive surprises and jobless claims continue to decline, although GDP data in October was weaker than expected. UK PMI and retail sales were solid while both unemployment and inflation remained stubbornly high. Public sector borrowing in November reached a record high suggesting that the effects of UK austerity are still a long way from feeding into public finances. Government bonds suffered in the climate of sovereign uncertainty with the European periphery being particularly badly hit in November. Treasuries sold off and in Europe peripheral CDS reflected the fears in the market as Greece and Ireland widened. In December, bond yields rose over the month, with US ten-year yields rising due to upgrades in future growth estimates and partly due to concerns that the extension of the Bush tax cuts would place downwards pressures on US credit rating. After a month of dollar weakness in October, November saw dollar strength as the greenback appreciated against all currencies to end the month 3.9% higher. Unsurprisingly the euro sold off as sovereign concerns undermined robust German data. In December, USD / JPY barely traded outside of the 83 / 84 range.

**INVESTMENT REPORT PROVIDED BY BLACKROCK (CONTINUED)**

**Quarter 1 2011:** A tumultuous quarter saw headlines dominated initially by unrest in the Middle East and North Africa ('MENA'), and ongoing concerns on the issue of sovereign debt in the European periphery. Both were eclipsed by the tragic events which occurred in Japan. In the immediate aftermath of the tsunami, shares on the Nikkei fell significantly. The Yen hit record highs against the US Dollar, prompting intervention from both the Bank of Japan and the G7 to stabilise levels. Against this backdrop, global markets proved remarkably resilient, suggesting that the recovery remains broadly on track despite the increased risk of periodic setbacks. Growth appears to be slowing somewhat, albeit from an admittedly high level, whilst inflation levels have steadily risen, particularly in Emerging Markets. This has been partly as a result of the continued turmoil in the MENA region. However, even before this had begun to drive oil prices up, non-discretionary staples such as food were already bearing the brunt of an increasingly inflationary global environment. Prior to the tsunami, China had already surpassed Japan as the second largest global economy. Japan suffered as a result of faltering exports and a fall in consumer demand, whilst China benefitted from a boom in manufacturing. Nevertheless, the Chinese economy had its own in-house issues to deal with. Inflation rose to 4.9%, driven by higher food and fuel prices, whilst March saw the posting of a surprise trade deficit – China's first in twelve months – as exports slowed. Data from the US was mixed, with jobless claims and the trade deficit increasing by more than expected in January, while US economic growth for Q4 was revised upwards. Retail sales and consumer spending also increased in February. The picture was similarly mixed in the UK, as disappointing Q4 GDP numbers were somewhat tempered by a seasonally adjusted PMI Index of 57.1. In Europe, the sovereign debt crisis continued to simmer as Spanish debt was downgraded by Moody's in March, while growth in the region's periphery contracted in the final quarter of 2010. In Portugal, the implementation of tough austerity measures were not enough to prevent two ratings downgrades by Moody's and one by S&P in less than one month.

**Quarter 2 2011:** The second quarter of 2011 saw weak economic data releases, further worrying developments relating to ongoing sovereign debt issues in peripheral Europe, and sustained inflationary pressures in many countries. Having already demonstrated their resilience in the wake of the tragic events which beset Japan during March, equity markets maintained their upwards momentum at the start of the quarter. M&A activity continued to pick up during April, whilst the earnings season was generally perceived to exceed market expectations. However, May provided evidence that the slowdown in global growth, the early signs of which were seen in the first quarter of the year, has spilled over into the second. Conditions supportive of investor risk appetite began to change, and we witnessed monetary tightening by the ECB and fiscal tightening by the British Government. Evidence of this slowdown was most pronounced in the United States, where regional manufacturing surveys rolled over and the Institute for Supply Management (ISM) manufacturing survey declined from above 60 to 53.5. The Citigroup economic surprise index also fell, particularly in the US. Of more concern was the emergence of some evidence that the slowdown may have started to impact the labour market. Data from May and June were weak, with only a nominal increase in nonfarm employment and levels of unemployment touching 9.2%. In China, growth continued to slow, consistent with tightening measures instituted by the central government starting in 2010. May's inflation figures marked a 34-month high and the very recent rise in interest rates in July 2011 was China's fifth since October. The Chinese central bank also decreased access to credit and made it more difficult for people to buy multiple homes. Data emerging from the UK economy was somewhat concerning, suggesting that persistently high inflation and unemployment is resulting in retrenchment by the UK consumer. In its May release of the Quarterly Inflation Report, the Bank of England raised its forecast for inflation and lowered the forecast for growth. The report notes that overall they expect GDP growth to be below its historic average 'over the next year or so'. Although the economy grew 0.5% in the first quarter this means that growth over the last two quarters has merely been flat. In the eurozone, the long-standing debt issue continued to dominate news flow. Greece's second bailout was shadowed by the spectre of a potential second rescue package for Portugal, while the market became increasingly concerned that the fallout could yet reach Italy.

## SECTION 4 - INDEPENDENT AUDITOR'S REPORT

### INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF LADBROKES PENSION PLAN

We have audited the financial statements of Ladbrokes Pension Plan for the year ended 30 June 2011 which comprise the fund account, net assets statement and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Trustees, as a body, in accordance with The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Plan and the Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

### RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS

As explained more fully in the Trustees' Responsibilities Statement, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the plan's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report, which comprises the Trustees' Report, the Actuarial Certificates and the Recovery Plan to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF LADBROKES PENSION PLAN (CONTINUED)

OPINION

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Plan for the year ended 30 June 2011, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

**Deloitte LLP**

Chartered Accountants and Statutory Auditor  
St Albans, United Kingdom  
Date

## SECTION 5 - FINANCIAL STATEMENTS

Financial Statements for the year ended 30 June 2011

### FUND ACCOUNT

	Note	2011 £000	2010 £000
<b>CONTRIBUTIONS AND BENEFITS</b>			
Contributions	3	7,664	8,338
Other income	4	342	303
		<u>8,006</u>	<u>8,641</u>
Benefits	5	(10,726)	(9,755)
Leavers	6	(823)	(856)
Term assurance premiums	7	(389)	(321)
Administrative expenses	8	(1,283)	(985)
		<u>(13,221)</u>	<u>(11,917)</u>
<b>Net withdrawals from dealings with members</b>		<u>(5,215)</u>	<u>(3,276)</u>
<b>RETURNS ON INVESTMENTS</b>			
Investment income	9	1	1,203
Change in market value of investments	10	33,306	26,297
Investment management expenses	11	(280)	(279)
<b>Net returns on investments</b>		<u>33,027</u>	<u>27,221</u>
<b>Net increase in the fund during the year</b>		<b>27,812</b>	23,945
<b>Net Assets of the Plan at start of year</b>		<b>244,874</b>	220,929
<b>Net Assets of the Plan at end of year</b>		<u><b>272,686</b></u>	<u>244,874</u>

The notes on pages 20 to 26 form part of these financial statements.

## Financial Statements for the year ended 30 June 2011

## NET ASSETS STATEMENT

		30 June 2011	30 June 2010
	Note	£000	£000
<b>Investment assets</b>	<b>10</b>		
Pooled investment vehicles		267,859	240,057
AVC investments		2,618	2,547
Other – annuity policies		1,312	1,414
		<u>271,789</u>	<u>244,018</u>
<b>Current assets</b>	<b>12</b>	1,903	1,416
<b>Current liabilities</b>	<b>13</b>	(1,006)	(560)
		<u>272,686</u>	<u>244,874</u>
<b>Net assets of the Plan at end of year</b>			

The financial statements summarise the transactions of the Plan and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Plan year. The actuarial position of the Plan, which does take account of such obligations, is dealt with in the Actuary's certificates in Section 9 and the Trustees Report on page 2 and these financial statements should be read in conjunction with them.

Signed for and on behalf of the Trustees of the Ladbrokes Pension Plan by:

..... **Trustee**

..... **Trustee**

..... **Date**

The notes on pages 20 to 26 form part of these financial statements.

## SECTION 6 - NOTES TO THE FINANCIAL STATEMENTS

### Notes to the Financial Statements for the year ended 30 June 2011

#### 1. Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, and with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes (revised May 2007).

#### 2. Accounting policies

The principal accounting policies are set out below and have been applied consistently with the previous year.

##### 2.1 Investments

Investments in Pooled investment vehicles are stated at bid value, reflecting fair value at the year end date. Where not held in Pooled investment vehicles, investments in Fixed Interest and Index-Linked securities are valued using the single price value at the year end date as advised by the investment manager.

The changes in investment market values are accounted for in the period in which they arise and include profits and losses on investments sold as well as unrealised gains and losses in the value of investments held at the period end.

Annuity policies which are in the name of the Trustees have been included as assets of the Plan. The stated value of these policies is an estimate of the amount required to buy out the corresponding pensions with an insurer at the year end date, as calculated by the Plan's actuarial advisers.

##### 2.2 Additional voluntary contributions (AVCs)

AVCs are accounted for on an accruals basis, in the same way as other contributions, and the resulting investments are included in the net assets statement.

##### 2.3 Contributions and benefits

Contributions and benefits are accounted for in the period they fall due. Contributions relate to earnings in the Plan year and benefits are based on claims during the same Plan year.

##### 2.4 Transfers

Transfer values in respect of individual members are included in the financial statements on the basis of when the member liability is accepted or discharged.

Transfer values relating to groups of individuals (bulk transfers) are accounted for in accordance with the terms of the agreement as and when the liability for past benefits is assigned.

## Notes to the Financial Statements for the year ended 30 June 2011

**2 Accounting policies (continued)****2.5 Income**

Pooled investment vehicles' distributions and income from fixed income securities are accounted for on an accrual basis. Interest on bank deposits is also accounted for as it accrues.

**3. Contributions**

	<b>2011</b>	2010
	<b>£000</b>	£000
Employer's		
Normal	<b>4,081</b>	4,582
Deficit funding and expenses	<b>2,350</b>	2,350
Employees'		
Normal	<b>1,154</b>	1,308
Additional Voluntary Contributions	<b>79</b>	98
	<b>7,664</b>	8,338

Employer deficit contributions, of £133,333 per month, are being paid from January 2009 to December 2015 in respect of the shortfall in funding in accordance with the recovery plan dated 1 October 2008. The Employer has also been making monthly payments of £62,500 since January 2009 towards the regular expenses of maintaining the Plan.

**4. Other income**

	<b>2011</b>	2010
	<b>£000</b>	£000
Claims in respect of death in service benefits	<b>311</b>	303
Reinstatements	<b>31</b>	-
	<b>342</b>	303

## Notes to the Financial Statements for the year ended 30 June 2011 (continued)

**5. Benefits**

	<b>2011</b>	2010
	<b>£000</b>	£000
Pensions	<b>7,033</b>	6,365
Commutations and lump sum retirement benefits	<b>3,227</b>	3,077
Lump sum death benefits	<b>466</b>	313
	<b>10,726</b>	9,755

**6. Leavers**

	<b>2011</b>	2010
	<b>£000</b>	£000
Refunds to members leaving service	<b>1</b>	4
Payments for members joining state scheme	<b>-</b>	8
Individual transfers to other schemes	<b>822</b>	792
Annuities purchased	<b>-</b>	52
	<b>823</b>	856

**7. Other payments**

	<b>2011</b>	2010
	<b>£000</b>	£000
Premiums on term assurance policies	<b>389</b>	321

Lump sum death in service benefits are secured by a policy of assurance underwritten by Legal & General Assurance Society Limited.

## Notes to the Financial Statements for the year ended 30 June 2011 (continued)

**8. Administrative expenses**

	<b>2011</b>	2010
	<b>£000</b>	£000
Administration and processing	<b>367</b>	341
Actuarial	<b>457</b>	284
Investment consultancy	<b>153</b>	202
Legal and other expenses	<b>276</b>	162
Pension Regulator fees	-	(33)*
Audit	<b>19</b>	19
Other fees	<b>11</b>	10
	<b>1,283</b>	985

\*The 2009 PPF levy of £32,857 was accrued in the 2009 financial statements, however this was paid by the Principal Employer as agreed under the Schedule of Contributions. The 2010 levy of £37,156 has also been settled by the Principal Employer.

**9. Investment income**

	<b>2011</b>	2010
	<b>£000</b>	£000
Fixed interest securities	-	311
Index-linked securities	-	887
Interest on cash deposits	<b>1</b>	5
	<b>1</b>	1,203

## Notes to the Financial Statements for the year ended 30 June 2011 (continued)

**10. Investment assets**

The movements in investments during the period were:

	Opening value £000	Purchases during year £000	Sales proceeds £000	Change in market value £000	Closing value £000
Pooled investment vehicles					
– UK managed funds other	240,057	4,565	(9,814)	33,051	267,859
AVC investments	2,547	77	(185)	179	2,618
Other – annuity policies (see note 2.1)	1,414	-	(178)	76	1,312
<b>TOTAL</b>	<b>244,018</b>	<b>4,642</b>	<b>(10,177)</b>	<b>33,306</b>	<b>271,789</b>

The change in the market value of investments during the period comprises all increases and decreases in the market value of investments held at any time during the period, including profits and losses realised on sales of investments during the period.

Costs are borne by the plan in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable.

The company managing the pooled investment vehicles is registered in the United Kingdom.

	2011 £000	2010 £000
<b>AVC Investments</b>		
Prudential Assurance Company Limited	2,455	2,388
Equitable Life Assurance Society	76	70
London Life Limited	87	89
	<b>2,618</b>	<b>2,547</b>

The Trustees hold assets invested separately from the main fund in the form of insurance policies. These secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement made up to 30 June confirming the amounts held to their account and the movements in the year. The aggregate amounts of AVC investments are shown above.

## Notes to the Financial Statements for the year ended 30 June 2011 (continued)

**10. Investment assets (continued)**

The following investments had a market value in excess of 5% of the total net assets of the Plan as at 30 June 2010:

Investment	2011		2010	
	% of Assets	Value £000	% of Assets	Value £000
Legal & General Over 5yr Index-linked Gilts	37.5	102,241	39.5	96,804
Legal & General UK Equity index	20.9	57,074	19.1	46,725
BlackRock Ascent UK All Stock Corporate Bond	19.0	51,677	20.4	50,095

**11. Investment management expenses**

	2011	2010
	£000	£000
Administration, management and custody	<b>280</b>	279

**12. Current assets**

	30 June 2011	30 June 2010
	£000	£000
Balance at bank	<b>643</b>	196
Contributions receivable - Employer	<b>504</b>	555
- Employee	<b>87</b>	104
Sundry debtors	<b>58</b>	9
Prepaid benefits	<b>611</b>	552
	<b>1,903</b>	1,416

Outstanding contributions were received in accordance with the timings set out in the Schedule of Contributions.

## Notes to the Financial Statements for the year ended 30 June 2011 (continued)

**13. Current liabilities**

	<b>30 June 2011</b>	30 June 2010
	<b>£000</b>	£000
Unpaid benefits	<b>589</b>	174
State Scheme premiums	<b>52</b>	66
Fee accruals	<b>365</b>	320
	<b>1,006</b>	560

**14. Related Party Transactions**

The Plan has received contributions in respect of all Trustees who are contributing members of the Plan. These have been paid in accordance with the Schedule of Contributions.

## SECTION 7 - INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS

### INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEES OF LADBROKES PENSION PLAN

We have examined the summary of contributions to Ladbrokes Pension Plan for the year ended 30 June 2011 on page 28.

This statement is made solely to the Trustees, as a body, in accordance with regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Trustees those matters we are required to state to them in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustees for our work, for this statement, or for the opinion we have formed.

### RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITOR

As explained more fully in the Statement of Trustees' Responsibilities, the plan's trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions which sets out the rates and due dates of certain contributions payable towards the plan by or on behalf of the employer and the active members of the plan. The trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the plan and for monitoring whether contributions are made to the plan by the employer in accordance with the schedule of contributions.

It is our responsibility to provide a Statement about Contributions paid under the schedule of contributions and to report our opinion to you.

### SCOPE OF WORK ON STATEMENT OF CONTRIBUTIONS

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached summary of contributions have in all material respects been paid at least in accordance with the schedule of contributions and to report our opinion to you.

### STATEMENT ABOUT CONTRIBUTIONS PAYABLE UNDER THE SCHEDULE OF CONTRIBUTIONS

In our opinion contributions for the plan year ended 30 June 2011 as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedule of contributions certified by the scheme actuary on 3 December 2008.

#### **Deloitte LLP**

Chartered Accountants and Statutory Auditor  
St Albans, United Kingdom  
Date

## Summary of Contributions

**SUMMARY OF CONTRIBUTIONS PAYABLE IN THE YEAR TO 30 JUNE 2011**

During the year, the contributions payable to the Plan were as follows:

	Employee	Employer	Total
	£000	£000	£000
<b>Required by the Schedule of Contributions</b>			
Normal contributions	1,154	4,081	5,235
Deficit funding and expenses	-	2,350	2,350
	<b>1,154</b>	<b>6,431</b>	<b>7,585</b>
<b>Other contributions payable</b>			
Additional Voluntary Contributions	79	-	79
	<b>1,233</b>	<b>6,431</b>	<b>7,664</b>

Employer deficit contributions, of £133,333 per month, were being paid from January 2009 to December 2015 in respect of the shortfall in funding in accordance with the recovery plan dated 1 October 2008. However, from 1 July 2011 the Employer deficit contributions will increase to £441,667 per month be paid from July 2011 to April 2019 in accordance with the recovery plan dated 29 June 2011. The employer has also been making monthly payments of £62,500 since January 2009 towards the regular expenses of maintaining the Plan

Signed for and on behalf of the Trustees of the Ladbrokes Pension Plan by:

..... **Trustee**

..... **Trustee**

..... **Date**

## SECTION 8 – RECOVERY PLAN

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### *Ladbrokes Pension Plan (“the Plan”)*

Page 1 of 2

### *Recovery Plan*

The actuarial valuation of the Plan as at 30 June 2010 revealed a deficit of £32.2m.

In accordance with Section 226 of the Pensions Act 2004, the Trustees of the Plan (“the Trustees”) have prepared this recovery plan, after obtaining the advice of Aaron Punwani, the Plan Actuary.

The Principal Employer of the Plan is Ladbrokes plc. All other employers with active members in the Plan have nominated the Principal Employer to agree the recovery plan on their behalf.

#### **1. Steps to be taken to ensure that the statutory funding objective is met**

The Trustees and the employers have agreed to eliminate the funding shortfall by the payment of additional contributions (in addition to the agreed contributions to meet accruing benefits) by Ladbrokes plc of £5.3 million a year (payable monthly) for a period of 7 years and 10 months from 1 July 2011.

#### **2. Period in which the statutory funding objective should be met**

The deficit is expected to be eliminated by 30 April 2019. This is based on the following assumptions:

- technical provisions are calculated according to the method and assumptions set out in the Plan’s statement of funding principles dated 29 June 2011;
- the return on existing assets and new contributions during the period are as adopted for the calculation of the technical provisions.

#### **3. Progress towards meeting the statutory funding objective**

It is expected that 50% of the above additional contributions will have been paid by 31 May 2015.

#### **4. Agreement by the Trustees and the employers**

This recovery plan was prepared on 29 June 2011.

2065666 for example if, having considered advice from the Plan Actuary, we are of the opinion that events have made it unsafe to continue to rely on the results of the previous valuation as the basis for future contributions.

Page 3 of 8

This statement replaces the previous statement, which was signed on 1 October 2008.

We will review and, if necessary, revise this statement as part of each valuation. We may review it at other times; for example, if the Plan's investment strategy were to change.

This statement of funding principles was prepared on 29 June 2011.

Signed on behalf of the Trustees of the Plan

Name: .....  .....  
Position: ..... TRUSTEE CHAIRMAN .....  
Date: ..... 29.06.2011 .....

Signed on behalf of Ladbrokes plc and the participating employers

Name: .....  .....  
Position: ..... FINANCE DIRECTOR .....  
Date: ..... 28/6/2011 .....





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*Actuary's certification of the calculation of technical provisions*

Page 1 of 1

This certificate is provided for the purpose of Section 225(1) of the Pensions Act 2004 and Regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: Ladbrokes Pension Plan

Calculation of technical provisions

I certify that, in my opinion, the calculation of the scheme's technical provisions as at 30 June 2010 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the trustees of the scheme and set out in the Statement of Funding Principles dated 29 June 2011.

Signature:  Date: 1 July 2011

Name: Aaron Punwani Qualification: FIA

Address: 30 Old Burlington Street Name of employer: Lane Clark & Peacock LLP  
London W1S 3NN

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