

24 September 2010

Dear Mr Payne

The Horizon Pension Plan

This is the latest in the series of communications from ourselves intended to advise you on the progress of the winding-up of the Plan, following the resolution to wind-up passed in March 2007. It follows our previous announcement to you, issued just over 1 year previously. In our last announcement we reported primarily on the financial position of the plan and on the measures the trustees were taking to address the historic funding shortfall, including contemplating making application to the Financial Assistance Scheme¹.

We are pleased to report a modest improvement in the scheme's finances since the date of our last report. The majority of the Plan's investments remain held in pooled funds of FTSE-100 shares and managed by Legal & General, a leader in fund management investment business. The rest is invested in fixed-interest type investments, including property-backed investment or in cash deposits. Capital values have appreciated during the course of the year (broadly in line with the financial markets). The fixed interest elements do not rise or fall in capital value, but useful interest returns are received. Overall the investment aims of the portfolio are to achieve a balance of growth potential without undue taking undue investment risk².

As we reported last year it remains difficult for our advisers to calculate interim pensions for those who are about to retire (or in some cases already have reached retirement age and whose pensions are currently being paid temporarily on a reduced basis). The principal difficulty is in placing a value on the pension which is neither too high (in which event over-payments would need subsequently to be clawed-back) or too low and thus disappointing the members' expectations and other retirement financial planning which

¹ The Financial Assistance Scheme is a Government sponsored body that supports under-funded occupational pension schemes

² In accordance with the Plan's statement of investment principles

they may be undertaking. All I can say at this time is that we are aware of the problems this is causing to some members and in the meantime continue to offer our apology to the members concerned.

In order to mitigate the losses to the members we are pleased to be able to report that the scheme has now filed an application for support from the government's Financial Assistance Scheme (FAS), following a change in the entry criteria introduced last year. The Scheme's application has been acknowledged and the Plan is now undergoing the formal acceptance processes. If the Plan's entry is in due course confirmed (as we expect will be the case) this will result in a considerable improvement in the pensions that are able to be offered to the members, compared with the present projections. The FAS would guarantee to pay pension benefits at 90 per cent of contracted levels, up to a cap which presently stands at £26,400 per year. Most members contracted benefits are below this ceiling with the consequence that the FAS guarantee would produce a pension benefit some way in excess of what the Plan would otherwise be able to pay.

Please note that AVC benefits (for the small number of members affected) stand outside this regime (in relation to the AVC element only). AVC entitlements will not be affected by this process.

I intend to report again to the members as significant milestones are passed in the course of the FAS entry and acceptance process.

Although this report is intended to address most of the member queries that have been received recently, if you feel that your particular query has not been sufficiently addressed then we would welcome hearing from you further and will do our best to answer your particular questions. I cannot however say at this stage how long the FAS acceptance procedures will take, because this matter is not within our control and we must work at the rate of progress required by the FAS itself.

Yours faithfully



Peter Rees
Director