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Ladbrokes Pension Plan Report on actuarial valuation as at 30 June 2013

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Ladbrokes Pension Plan
Report on actuarial valuation as at 30 June 2013

As instructed, we have carried out an actuarial valuation of the Ladbrokes Pension Plan ("the Plan") as at 30 June 2013, and I now present my report which is addressed to the Trustees of the Plan.

The main purpose of the report, required by the Pensions Act 2004, is to set out the results and outcomes from the valuation. It also summarises some of the key risks faced by the Plan, as shown in Appendix 1. Plan members will receive a summary funding statement relating to the valuation in due course.

The Trustees have agreed the assumptions for the valuation and an appropriate level of future contributions with Ladbrokes plc ("the Company"). The main results and agreed contributions are summarised in Chart 1 and Table 1, with further detail in the following sections, appendices and attached key documents.

Chart 1: Summary of main results as at 30 June 2013

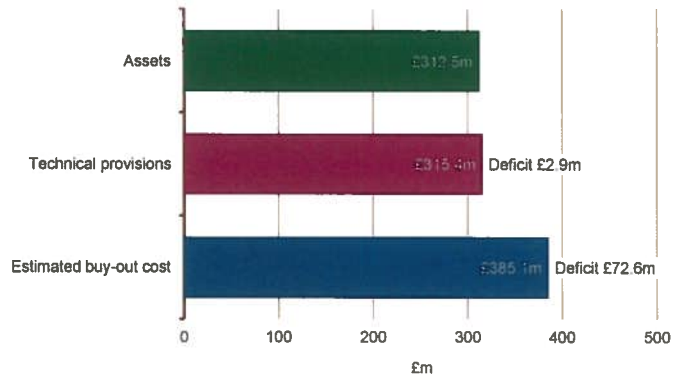

Table 1: Summary of agreed employer contributions

In respect of	
Deficit against technical provisions of £2.9m	£441,667 each month between July 2013 and June 2014 inclusive.
Future service accrual	27.1% of Pensionable Salaries each month
Expenses	Contributions of £62,500 each month plus reimbursement of any PPF levies or insurance premiums paid by the Plan
Other	£125,000 each month between July 2014 and June 2017 inclusive

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Appendices

Key documents

1. Benefits, contributions, data and assets

For the valuation we have relied on various sources of information, as shown in Table 2. We have relied on the membership data provided by the Plan's administrators and, taking into account the inclusion of an additional reserve of £2.5m referred to in section 3, have no reason to doubt the overall accuracy of the data provided.

Over the period since the last valuation, there have been two material changes to the Plan's benefits:

- The definition of Pensionable Salary for Executive members of the Plan was changed so that it is set on 1 March each year, to bring it into line with the Company's current policy for reviewing Executive's basic salaries; and
- The death-in-service benefit was removed from the Plan rules and is now provided as a separate benefit (outside of the Plan) to employees of the Company.

The current benefits are summarised in Appendix 2.

The Trustees hold annuities with an insurance company in respect of certain pensions in payment. These benefits and annuity contracts are included in the assets and technical provisions. Assets relating to members' money purchase AVCs have, for the purposes of the valuation, been excluded from the Plan's assets and the corresponding liabilities excluded from the technical provisions.

There have been no material discretionary benefits granted or discretionary increases made to benefits since the previous valuation other than increases to pre-6 April 1997 pensions in payment in excess of GMP relating to added years on individual transfer into the Plan in line with RPI inflation up to a maximum of 3% pa. These discretionary increases are provided for within the Plan's technical provisions.

In the period after the valuation date the Company consulted with active members regarding changes to the Plan's benefit structure. The outcome of that consultation process is:

- The Plan will be closed to future accrual from 31 August 2015 by means of varying employment contracts, with all active members becoming deferred members from that date and the salary link being removed for past benefits.
- There will be an uplifted final pensionable salary definition applied for members who sign up to the new terms within a set timescale. Final Pensionable Salary will be taken as the average of Pensionable Salary over the previous 12 months for Employee Section service, rather than the usual 36 month average.

Overall these changes reduce the Plan's technical provisions; however, the valuation calculations are based on the benefit structure in force at the valuation date.

Table 2: Sources of information

Item	Source	Summarised
Benefit and contribution structure	Trust Deed and Rules dated 1 January 2013	Appendix 2
Membership data	Plan administrators, Hymans Robertson LLP	Appendix 3
Audited accounts for three years to the valuation date	Plan administrators, Hymans Robertson LLP	Revenue account: Appendix 4 Assets: Appendix 5

Since the previous valuation, the Company has paid regular contributions, as set out in my report on that valuation, as follows:

Contributions paid

In respect of:	
Deficit of £32.2m as at 30 June 2010	£133,333 each month between July 2010 and June 2011 inclusive £441,667 each month between July 2011 and June 2013 inclusive
Future service accrual and death-in-service insurance premium	20.5% of Pensionable Salaries each month between July 2010 and June 2011 inclusive 22.2% of Pensionable Salaries each month between July 2011 and June 2013 inclusive
Expenses	£62,500 each month for regular expenses, plus agreed expenses of other projects that arise that are not deemed to be covered by the £62,500 each month
Other	Payment or reimbursement of PPF levies and death-in-service premiums

2. Funding objective and actuarial assumptions

The Plan's statutory funding objective is to hold sufficient and appropriate assets to cover its technical provisions.

The Trustees considered advice from me and have determined the method and assumptions to use for this valuation with the agreement of the Company.

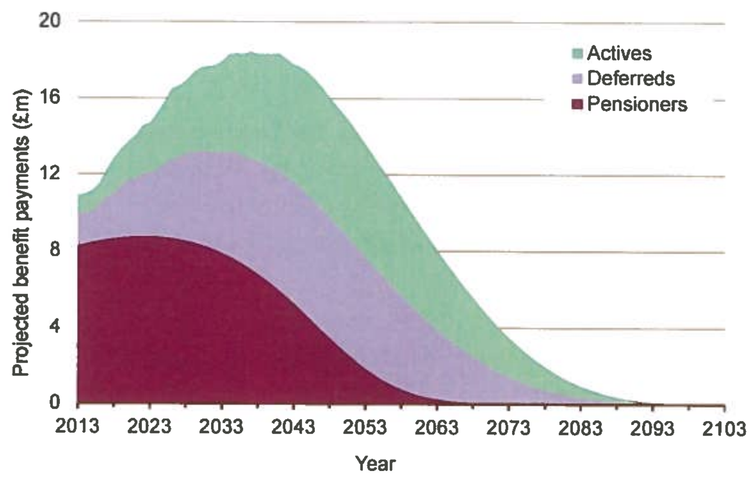
The valuation adopted the "projected unit method", under which the technical provisions are calculated as the amount of assets required as at the valuation date to meet the projected benefit cashflows, based on benefits accrued to the valuation date and the various assumptions made.

The benefit cashflows, which are primarily linked to price inflation projected from the valuation date, are illustrated in Chart 2.

The valuation includes an assumption about future investment strategy. This assumption is that at any time, a bond portfolio consisting of gilts, corporate bonds and/or other low-risk assets, will be held to back the benefit payments expected to arise in the next 15 years. It is assumed that the balance of the assets will be held in equities and other return seeking assets. This is broadly consistent with the Trustees' actual investment strategy as at the valuation date and as summarised in appendix 5.

Since the valuation date the Trustees have updated the Plan's investment strategy to move funds from index linked gilts to Liability Driven Investments and Diversified Growth Funds. The Trustees considered this change as part of the valuation and decided not to update their actuarial assumptions. This decision was made on the understanding that the investment changes were with a view to benefitting from market opportunities; they were not a long-term strategic decision to increase risk within the Plan's funding strategy.

Chart 2: Projected benefit cashflows



The assumptions are set out in the Trustees' Statement of Funding Principles, which is attached as Appendix 9 and a summary of the key financial assumptions is shown in Table 3.

The Plan faces a number of risks, as described in Appendix 1.

In particular, the actual returns on the Plan's assets may prove to be higher or lower than the advance credit taken in the calculation of the technical provisions for returns above the return on gilts. The greater the advance credit taken, the greater is the chance that actual returns will be lower than the advanced credit taken, leading to the need for additional employer contributions in the future.

Similarly, there is the risk that the other assumptions adopted are not borne out by future experience.

Therefore, in determining the assumptions, the Trustees took account of their assessment of the strength of the Company's covenant, and in particular its likely ability to pay additional contributions in the future if future experience proves to be less favourable than the assumptions.

The key differences in the assumptions compared with the previous valuation are as follows:

- The rate of return anticipated from gilts has reduced from 4.3% pa to 3.6% pa as a result of the fall in the yields on fixed interest gilts.
- The mortality assumption used for this valuation, as described in Appendix 8, results in shorter assumed life expectancy than the assumption adopted at the previous valuation. This reflects the results of the Trustees' analysis of the Plan's mortality experience as well as market practice.
- The reserve of £5m for data uncertainties has been reduced to £2.5m. This is to reflect the fact that significant work investigating incomplete data has completed since the 2010 valuation.

Table 3: Key financial assumptions

	% pa
Rate of price inflation	
RPI	3.50
CPI	2.75
Rate of return from gilts	3.60
Rate of return above gilts from	
corporate bonds	0.40
equities and other return seeking assets	1.75
Resultant discount rates	
pre-horizon	5.35
post-horizon	3.70
Rate of increases in salaries	5.00
Rate of pension increases	
RPI capped at 3%	2.60
CPI capped at 5%	2.70
CPI capped at 2.5% pa	2.10

3. Technical provisions and future service contribution rate

As at the valuation date the calculated technical provisions were £315.4m and resulting deficit was £2.9m, as shown in chart 3.

The deficit as at the previous valuation was £32.2m.

The projected deficit at this valuation, had experience been in line with the assumptions made and allowing for contributions paid of £14.0m (in excess of benefit accrual) over the period, would have been £24.4m, The actual deficit at the current valuation is therefore £21.5m lower, and the main reasons for this are shown in Chart 4.

"Change in financial conditions" refers to the change in the yields on fixed interest and index-linked gilts over the period.

The future service contribution rate calculated to be sufficient to meet the increase in the technical provisions arising from the accrual of additional pensionable service (over the 3 years from the valuation date), after allowing for member contributions, is 27.1% of Pensionable Salaries.

Appendix 6 shows the effect on the valuation of changing some of the key assumptions.

Chart 3: Assets and technical provisions

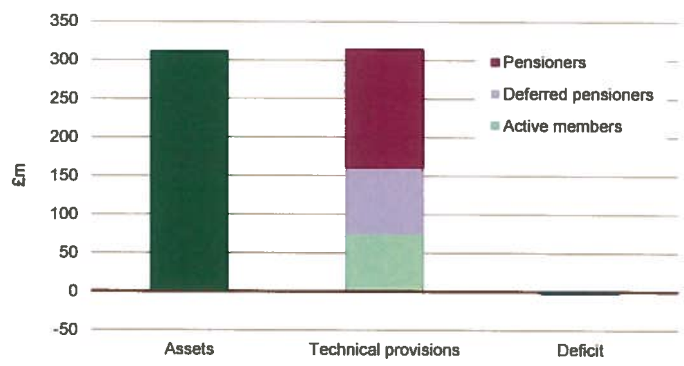
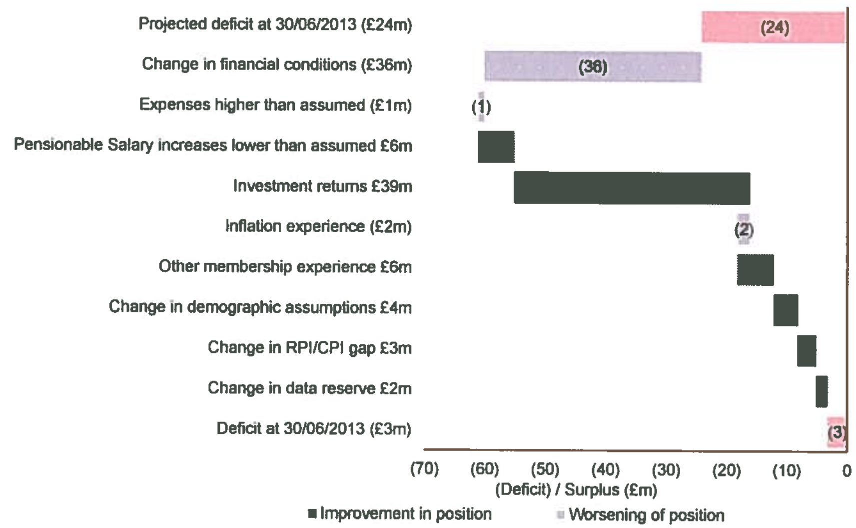


Chart 4: Experience over the three years



4. Discontinuance

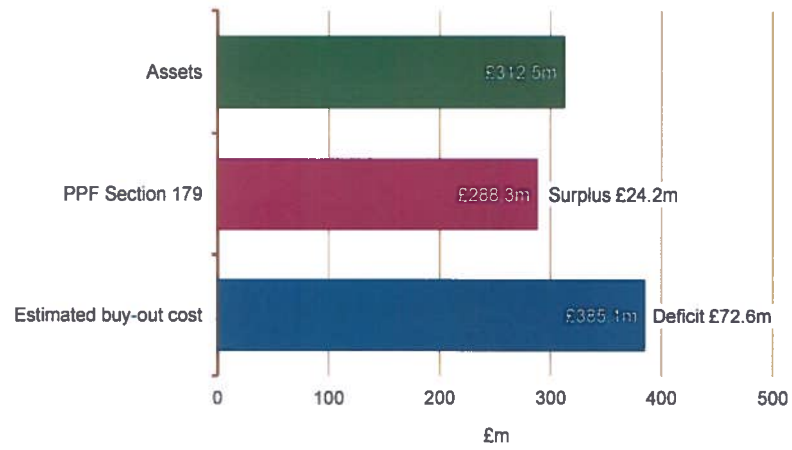
This section considers the position were the Company to have ceased sponsoring the Plan on the valuation date. In this situation, the pensionable service of active members would cease and they would become entitled to leaver benefits. The results are shown in Chart 5.

We have considered the solvency of the Plan by estimating the "buy-out" cost as at the valuation date, ie the cost of securing the benefits for all members by the purchase of annuity policies from an insurance company and winding up the Plan.

We have not obtained quotations, but have produced our estimate using the assumptions described in Appendix 7. These assumptions differ from those set out in the statement of funding principles and they result in an estimated buy-out cost that is higher than the technical provisions.

In practice, the actual buy-out cost can be determined only by running a selection process and completing a buy-out with an insurer.

Chart 5: Discontinuance measures



The ultimate shortfall on buy-out could be very different from our estimate for various reasons, including:

- additional funding may be available from the Company;
- market conditions will be different from those applying at the valuation date;
- the insurers will set their terms taking into account their view of the life expectancy of the Plan's members;
- there may have been changes in the level of competition in the insurance market; and
- the actual expenses of winding-up are likely to be different from the allowance made.

The deficit on buy-out compares with £113.1m as at the previous valuation. This movement is the result of similar factors to those described in section 3, together with changes in the insurance market.

Where a scheme is discontinued because of the insolvency of the Company, the Pension Protection Fund ("PPF") is required to assess whether the scheme is eligible to enter the PPF. This includes assessing whether the scheme is insufficiently funded.

In broad terms, if the PPF is satisfied that the Plan's assets are insufficient to buy out benefits equal to PPF compensation with an insurance company then the assets would be transferred to the PPF which would then pay members PPF compensation in place of Plan benefits. If the assets are sufficient, the Plan can be wound up outside the PPF with the assets first used to secure benefits equal in value to PPF compensation, with the balance being applied to secure benefits above that level in accordance with the Plan's rules.

As a proxy for the financial assessment that would be required by the PPF in these circumstances, we have taken the results of the separate statutory "section 179" valuation of the Plan as at the valuation date, as shown in Chart 5.

On this basis, it seems likely that, had the Plan discontinued at the valuation date, the Plan would not have entered the PPF and instead the Plan's assets would have been sufficient to secure benefits equal in value to PPF compensation and, in addition, approximately 25% of benefits above that level.

5. Contribution policy and implications for funding

The Trustees have determined with the agreement of the Company that the Company will pay contributions as shown in the Recovery Plan and Schedule of Contributions (attached in Appendix 8) and summarised in Table 1 above.

Although the agreed position as per Table 1 is that the deficit contributions of £441,667 per month would cease in June 2014 and other contributions of £ 125,000 per month would start from 1 July 2014, in practice the Company has continued to pay £441,667 per month up to December 2014 pending completion of the valuation process. The Company has therefore paid £1,900,000 more than envisaged, and so the start date of the payments of £125,000 per month will be deferred until 1 April 2016.

The projected funding levels three years after the valuation date are shown in Table 4. These projections are on the basis that:

- contributions are paid as set out in the Schedule of Contributions;
- future experience is in line with the assumptions set out in the Statement of Funding Principles; and
- there is no change in the annuity market.

Experience from the valuation date is likely to be different from the assumptions made. Therefore, the actual funding level in 2016 is likely to be higher or lower than projected.

Table 4: Approximate projected funding levels

Measure	30 June 2013	30 June 2016
Technical provisions	99%	101%
Solvency (ie buy-out)	81%	83%

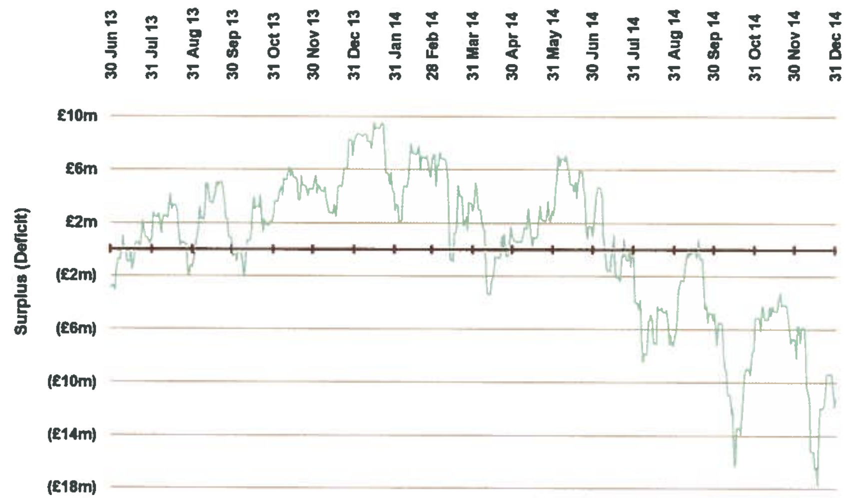
6. Experience since the valuation date

The valuation considers the financial position of the Plan as at the valuation date. Since that time there have been significant fluctuations in investment markets which have affected the value of the assets and the technical provisions.

Chart 6 shows an approximate projection of how the deficit or surplus against the technical provisions has varied since the valuation date.

This projection does not take account of the benefit changes from 31 August 2015 announced by the Company – as summarised in Section 1.

Chart 6: Estimated deficit



7. Certification

Under the Pensions Act 2004, I am required to certify that the technical provisions have been calculated in accordance with the legislation, and my certificate is attached in Appendix 8.

I am also required to certify that the statement of funding principles and that payment of contributions at the agreed rates can be expected to lead to the Plan having sufficient assets to cover its technical provisions by the end of the recovery period.

There is provision under the legislation for me to have regard to the position as at the valuation date (rather than at the date of signing) when providing this certificate, and I have adopted this approach.

My certificate forms part of the schedule of contributions attached in Appendix 8.

Aaron Punwani FIA
Partner
Appointed Scheme Actuary

22 January 2015

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The use of our work

Our work (including any calculations) has been provided to assist you and is only appropriate for the purposes described. Unless otherwise indicated, it is not intended to assist any other party nor should it be used to assist with any other action or decision.

Our work is provided for your sole use. It is confidential to you, although we acknowledge that you are required to pass it to the employer sponsoring the scheme. You should not provide our work, in whole or in part, to any other third party unless you are legally obliged to do so by statute or regulation (eg in relation to the disclosure of information to scheme members).

We accept no liability to any third party to whom our work has been provided (with or without our consent), unless the third party has asked us to confirm our liability to them, and we have done so in writing.

Professional Standards

This report is part of the work in connection with the valuation of the scheme. The report has been produced for the information of interested readers and not with the intention that it should support any decision that they may make. The work in preparing this report is subject to and complies with those principles set out in the Technical Actuarial Standard on reporting actuarial information (version 2), on data (version 1), on modelling (version 1), together with the Pensions Technical Actuarial Standard (version 2).

Appendices

Some risks faced by the Plan

Risk	Comments
Company	The Company is not able to make the required contributions, and in particular is not able to pay increased contributions if experience is unfavourable. If this happened, then it is currently unlikely that the Plan would be able to pay the benefits in full.
Investment strategy	Changes in asset values are not matched by changes in the technical provisions. The technical provisions are linked to gilt yields, but the Plan assets include a substantial holding in return-seeking assets, so the two may move out of line as investment conditions change. For example, if equity values fall with no changes in gilt yields, the deficit would increase.
Investment returns	Future investment returns are lower than anticipated. The greater the allowance made in the technical provisions for returns on assets other than gilts, the greater the risk that those returns are not achieved.
Gilt yields	Asset values and the technical provisions do not move in line as a result of changes in the yields available on fixed interest and index-linked gilts. This may arise because of a mismatch between the Plan's holding in gilts and its technical provisions in terms of their nature (ie fixed or inflation-linked) and/or their duration.
Inflation	Actual inflation is higher, and so benefit payments are higher, than anticipated.
Mortality	Plan members live longer, and so benefits are paid longer, than anticipated.
Regulatory	In future the Plan may have backdated claims or liabilities arising from equalisation or discrimination issues or from future legislation or court judgments. In particular, the actual impact of any adjustment to benefits that may be required to remove any inequalities arising from Guaranteed Minimum Pensions may well be different to any allowance made.

Benefits and contributions

The following brief summary is based on our understanding of the benefits provided to active members of the Plan as at 30 June 2013 and should not be relied upon as a definitive summary. Special provisions for individual members and some closed groups of members have not been summarised for brevity. Full details can be found in the Plan Rules described in section 2.1.

Employee Section

Benefit or defined term	Description
Pensionable Salary	Basic Salary as at 6 April each year less the Lower Earnings Limit on that 6 April. This is subject to the Plan-specific earnings cap (£141,000 at the valuation date) for those members that joined on or after 1 June 1989. A different definition applies for pre 1 July 2002 Pensionable Service for pre 6 April 1984 joiners and Vernons and TTL section members.
Final Pensionable Salary	Final Pensionable Salary is the highest average of Pensionable Salary over any consecutive three year period during the last ten years of Pensionable Service.
Pensionable Service	The number of complete years and months of service since joining the Plan. Membership of former plans and prior service is also included for members who joined on 1 April 1973.
Normal Retiring Age	60 or 65
Member contributions at valuation date	Accrual Rate / Normal Retiring Age / Member Contribution Rate 80ths / 65 / 4.5% 60ths / 65 / 6% 60ths / 60 / 9%

Benefit or defined term	Description
Normal retirement pension	For those who joined on or after 1 July 2002 the basic pension calculation is 1/80th of Final Pensionable Salary for each year of Pensionable Service with completed months counting proportionately. A Reference Scheme Test underpin applies to all 80th section members for Pensionable Service after 1 July 2002. For most members who joined prior to 1 July 2002 the basic pension calculation is 1/60th of Final Pensionable Salary for each year of Pensionable Service with completed months counting proportionately. A Reference Scheme Test underpin applies to members earning benefits that are not payable without reduction for early retirement before age 65 for Pensionable Service from 23 February 2006.

Executive Section

Benefit or defined term	Description
Pensionable Salary	Basic Salary as at 1 March each year.
Final Pensionable Salary	Final Pensionable Salary is the highest Pensionable Salary during the last five Plan Years of Pensionable Service. Final Pensionable Salary is subject to the Plan-specific earnings cap (£141,000 at the valuation date) for those members who joined on or after 1 June 1989.
Pensionable Service	The number of complete years and months of service since joining the Executive Section.
Normal Retiring Age	60 or 65
Member contributions at valuation date	Accrual Rate / Normal Retiring Age / Member Contribution Rate: 40ths / 65 / 5% 30ths / 60 / 9%

Benefit or defined term	Description
Normal retirement pension	For those who joined on or after 1 July 2002 the basic pension calculation is 1/40th of Final Pensionable Salary for each year of Executive Section Pensionable Service with completed months counting proportionately. For most members who joined prior to 1 July 2002 the basic pension calculation is 1/30th of Final Pensionable Salary for each year of Executive Section Pensionable Service with completed months counting proportionately. For those Executive Section members who have former Employee Section Pensionable Service, the Employee Section pension (calculated as described above) is payable in addition. A limit of two-thirds of the Executive Section Final Pensionable Salary applies to the total normal retirement pension, including any Employee Section normal retirement pension (as set out under the "Employee Section" above and, in some cases, benefits from other schemes).

Employee and Executive Sections

Benefit or defined term	Description
Early retirement pensions	Members can retire from service, subject to the Company's consent, between ages 55 and Normal Retiring Age, or at any time in the circumstances of ill-health. Employee members admitted to membership before 1 April 2001 can retire from service at their own option from age 60. Early retirement reductions will apply from the unreduced pension age appropriate to each period of service in proportion to the number of complete years and months that retirement is before the unreduced pension age.
Late retirement pensions	A member may remain in service after their Normal Retiring Age and continue to accrue benefits up to age 75.
Tax free lump sum option at retirement	Members may surrender a part of their pension at retirement for a cash lump sum, which is currently tax-free. The rate of exchange varies by age and is subject to regular review.

Benefit or defined term	Description
Benefits on death after retirement	
- Spouse's pension and lump sum	On death after retirement, a spouse's pension is payable equal to 50% of the pre-commutation pension that would have been payable to the deceased at the date of death. On the death of a pensioner within five years after retirement a lump sum is paid equal to the discounted value of the remaining instalments of the member's pension for the balance of the five year term (any spouse's pension payable is in addition to this).
- Children's pensions	Children's pensions are payable to any eligible children of Executive Section members and to any eligible children of Employee Section members if there is no surviving spouse or when the spouse dies.
Benefits on death in service	
- Spouse's pension	On death in service, a spouse's pension is payable equal to 50% of the pension that the member would have been entitled to on their Normal Retiring Date. This is based on total Pensionable Service to their Normal Retiring Date.
- Children's pensions	Children's pensions are payable to any eligible children of Executive Section members and to any eligible children of Employee Section members if there is no surviving spouse or when the spouse dies.
- Lump sum	None
Leaving service	The qualifying rule is a minimum of two years' Pensionable Service; members leaving with less than two years' Pensionable Service receive a refund of their own contributions or a cash transfer sum. For members with at least two years' Pensionable Service a pension is payable from Normal Retiring Age; dependants' pensions are payable on death both before and after retirement.

Benefit or defined term	Description
Pension increases	
- In payment	Pensions in respect of service after 5 April 2005 increase at the rate of 2.5% pa or, if less, the increase in the Consumer Prices Index (CPI), which is in line with the regulations introduced by the Pensions Act 2004 and the Government's announcement in July 2010. Pensions in respect of service between 6 April 1997 and 5 April 2005 increase at the rate of 5% pa or, if less, the increase in the Consumer Prices Index (CPI), which is in line with the regulations introduced by the Pensions Act 1995 and the Government's announcement in July 2010. For service prior to 6 April 1997, pensions in excess of Guaranteed Minimum Pensions (GMPs) increase at the following rates: ▪ Employee & Executive Sections: 3% pa or, if less, the increase in the Retail Prices Index (RPI) ▪ TTL Section Category A: 3% pa ▪ TTL Section Vernons: 2.5% pa or, if greater, the increase in the RPI, subject to a maximum of 3% pa GMPs increase at statutory rates, namely 3% pa or, if less, the increase in the CPI for service between 6 April 1988 and 5 April 1997, and nil for service between 6 April 1978 and 5 April 1988. In addition, the Company must review pensions in payment on a regular basis and may instruct the Trustees to increase pensions in payment.
- In deferment	Statutory increases

Benefit or defined term	Description
Contracting-out	Members of the Plan are contracted-out of the earnings-related component of the State Second Pension (formerly the State Earnings Related Pension Scheme). From 6 April 1997, the Plan has contracted-out on a salary related basis. GMPs no longer accrue to members, but the Plan satisfies the Reference Scheme Test and, as such, members still receive in lieu a pension that is deemed to be in excess of the pension that would otherwise have accrued, as an employed member of the Plan, through full membership of the State scheme. If a contracted-out member leaves service before completing the minimum period necessary to qualify for a deferred pension under the Plan's Rules, a premium is paid to the State scheme to reinstate the full State scheme accrual of benefit. Otherwise, deferred pension benefits as described above are preserved in the Plan. GMPs are revalued at the fixed rate of 4.75% pa for recent leavers, although in the past different sections of the Plan have been contracted-out on both fixed and limited GMP revaluation.
Potential benefit changes	The Trustees have instructed us not to allow for any additional costs arising from a requirement to remove inequalities in members' GMPs, by way of an expense reserve. We have made no allowance for any discretionary increases in benefits or discretionary benefits except for increases in payment to pension from transferred-in added years. Where these are discretionary, these have been assumed to receive 3% pa or, if less, the increase in the RPI.

Benefit or defined term	Description
Winding up	The Rules provide that in the event that, on winding up, the assets cover the cost of buying out the benefits by purchasing annuities and deferred annuities, any surplus could be used by the Trustees to augment benefits, or to provide additional benefits. Any surplus then remaining would be payable to the employers. The Pensions Act 2004 introduced a new Statutory Priority Order with effect from 6 April 2005 which overrides the Plan Rules if the assets are insufficient. Under the new Statutory Priority Order, priority is given to those benefits which would be covered by the Pension Protection Fund (PPF). If any assets are available once the PPF benefits have been secured, then all benefits in excess of PPF benefits have equal ranking with regard to the remaining funds.

Note: It is possible that the technical provisions may prove to be too low on account of any backdated claims which may arise from equalisation or discrimination issues, court judgements or from future legislation.

Membership details

The following table shows the membership details as at 30 June 2013. Figures as at 30 June 2010 are shown in brackets.

	Number		Average age		Pensionable Salaries / Pensions £'000 pa	
Active members	718	(997)	48.9	(46.8)	15,227	(21,109)
Deferred members	1,212	(1,260)	50.7	(50.7)	2,999	(2,813)
Pensioners and dependants	1,491	(1,295)	70.1	(69.7)	8,155	(6,708)
Total	3,421	(3,552)				

Note: The average annual increase in Pensionable Salary (as used for our valuation) for those who were active members on 30 June 2010 and 30 June 2013 was 4.5% pa over the three years.

Note: The pension figures for deferred members have been obtained by totalling members' deferred pensions as at the date of leaving service. The figures exclude 8 members (91 as at 30 June 2010) for whom full pension data was not available.

Note: The pension figures for pensioners and dependants have been obtained by totalling members' pensions in payment at the valuation date.

Note: There have been no discretionary benefits granted or discretionary increases made to benefits since the previous valuation. Pensions in payment (in excess of GMP's) were increase as required under the Rules at 1 April 2011, 2012 and 2013 as summarised in the table below:

Summary of main pension increases granted

	2011	2012	2013
RPI (min 0%, max 3%)	3.0%	3.0%	3.0%
CPI (min 0%, max 5%)	3.7%	5.0%	2.2%
CPI (min 0%, max 2.5%)	2.5%	2.5%	2.2%

Consolidated revenue account

	£'000	£'000
Opening fund at 30 June 2010		244,874
Income		
- Employer's normal contributions	11,474	
- Employer's special contributions (including expense contributions)	15,101	
- Members' contributions (excluding voluntary)	3,058	
- Member's AVCs	190	
- Transfer values received	5	
- Other income	541	
Total income		30,369
Expenditure		
- Pensions	(22,676)	
- Lump sum commutations	(7,700)	
- Lump sum death benefits	(796)	
- Transfer values paid	(2,007)	
- Other expenditure	(4,866)	
Total expenditure		(38,045)
Change in value of investments		77,731
Closing fund at 30 June 2013		314,929

Note: The opening and closing fund figure above includes £2.5m in respect of members' AVCs.

Investment strategy and composition of assets

The table below sets the actual holdings as at the valuation date.

	Market value at 30 June 2013	
Asset type	£'000	%
Equities		
– UK	40,293	12.8
– Overseas	41,487	13.2
Bonds		
– Index-linked gilts	123,349	39.2
– Corporate bonds	61,473	19.5
Diversified growth funds	43,202	13.7
Insured pensions	1,063	0.3
AVC investments	2,472	0.8
Cash and net current assets	1,590	0.5
Net assets shown in accounts	314,929	100.0
***Less* AVC investments**	(2,472)	
Total assets	312,457	

Sensitivity to assumptions

The valuation results are sensitive to the assumptions chosen and we illustrate here effects of changes to some of the key assumptions.

The results are particularly sensitive to the advance credit for future investment returns. By way of illustration, the effect of changing this assumption is shown in the table opposite.

The results are also sensitive to the pensioner mortality assumption in terms of both life expectancy at the valuation date and how life expectancy may change in the future. To the extent that the mortality assumption under-estimates life expectancies, the technical provisions will be too low, all other things being equal.

As an illustration, if it were assumed that life expectancies were one year longer than implied by the mortality assumption adopted, the technical provisions would be broadly 2-3% higher.

Advance credit for returns above gilts on return-seeking assets	% pa	Deficit/(Surplus) £m	Total future service contribution rate %
Actual rate used	1.75	2.9	32.7
Higher rate	2.25	(6.1)	31.0
Lower rate	1.25	12.9	34.5
No credit	0.00	43.0	40.3

Key assumptions used for assessing solvency

We have based our estimate of the Plan's solvency on our in-house insurer buy-out pricing model. The model is based on similar but simplified principles to those adopted by insurance companies to set their prices. It is calibrated against actual quotations and final transaction prices for other pension schemes.

The main financial assumptions for our buy-out estimate as at the valuation date are shown in the table opposite.

The demographic assumptions are the same as those adopted for the calculation of the technical provisions, except as shown below.

We have included a provision of £7.3m for expenses that would be incurred by the Trustees in winding up the Scheme.

Financial assumptions

Assumption	% pa
Non-pensioners	
Discount rate	3.3
Rate of RPI inflation	3.6
Rate of CPI inflation	3.2
Revaluation in deferment	CPI
Pension increases in payment	
- RPI capped at 3% pa	2.6
- CPI capped at 5% pa	3.4
- CPI capped at 2.5% pa	2.3
Pensioners	
Discount rate	3.4
Pension increases in payment	
- RPI capped at 3% pa	2.6
- CPI capped at 5% pa	3.4
- CPI capped at 2.5% pa	2.3

This basis has no relevance beyond establishing an estimate of the hypothetical buy-out cost and my statutory estimate of solvency as at the valuation date.

Key documents

Actuary's certification of the calculation of technical provisions

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 2013 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 22 January 2015.

Signature: .... **Date**: 22 January 2015

Name: Aaron Punwani **Qualification:** FIA

Address: 95 Wigmore Street
London W1U 1DQ

Name of employer: Lane Clark & Peacock LLP

Ladbrokes Pension Plan ("the Plan") Statement of Funding Principles

The Trustees of the Plan ("the Trustees") have produced this statement of funding principles and it is designed to comply with Section 223 of the Pensions Act 2004.

It sets out:

- our policy for assessing the "technical provisions" – that is the amount of money the Plan should aim to hold, from time to time, in order to have a reasonable expectation of being able to pay all the benefits as they fall due; and
- how we intend to achieve the objective of holding this amount of money in the Plan (this is known as meeting the "statutory funding objective").

This statement has been prepared as part of the Plan's actuarial valuation as at 30 June 2013. We have taken advice from the Plan Actuary, Aaron Punwani, when drawing up this statement and have agreed its provisions with Ladbrokes plc ("the Company"), on behalf of all the employers who participate in the Plan.

1. Technical provisions

We have decided that the technical provisions should be calculated using the method and assumptions set out in the Appendix to this document.

We chose this method and these assumptions with the agreement of the employers, as required by law. In arriving at them, we took advice from the Plan Actuary and took account of various relevant factors (in particular the ability of the employers to support the Plan).

2. Recovery plan

We have set a recovery plan that is designed to eliminate any difference between the actual money in the Plan and the technical provisions by the payment of additional "deficit" contributions.

Since the valuation date, whilst discussions on the valuation have been on-going, the employers have continued to pay contributions in accordance with the Schedule of Contributions agreed between the Trustees and the Company at the previous valuation. Based on the result of the valuation as at 30 June 2013, these contributions were projected to be sufficient to eliminate the deficit within 7 months from the valuation date, that is, before the date of this document.

In addition, since the valuation date the Principal Employer has announced the following changes:

- The Plan will be closed to future accrual from 31 August 2015 by means of varying employment contracts, with all active members becoming deferred members from that date and the salary link being removed for past benefits.
- There will be an uplifted final pensionable salary definition applied for members who sign up to the new terms within a set timescale. Final Pensionable Salary will be taken as the average of Pensionable Salary over the previous 12 months for Employee Section service, rather than the usual 36 month average.

Overall these changes reduce the deficit, but this has not been taken into account in our calculations.

In calculating the necessary contributions allowance is made for expected returns from the Plan's investments at the same rates as for calculating the technical provisions, as set out in the Appendix.

When assessing the deficit contributions at future valuations the Principal Employer and Trustees will agree the terms to apply on the basis of legislation and guidance from the Pensions Regulator at that time.

3. Discretionary benefits

Under rule 17 of the Plan's rules, if the Company so directs and the employers pay any additional contributions that may be required by the Trustees, the Trustees will increase benefits or provide additional benefits.

Other than as described in the next paragraph, in setting the technical provisions we make no allowance for such discretionary awards. To the extent that any were to be granted in future, appropriate arrangements would need to be made at that time to meet the cost of doing so.

Increases in payment on pension (in excess of GMP) in respect of service credits granted on the individual transfer into the Plan of pre-6 April 1997 benefits are discretionary. There is a practice of granting increases in line with the increase in the Retail Prices Index subject to a maximum of 3% pa. The Trustees have a stated policy that these increases will be awarded except to the extent that it is necessary to use the reserve for such increases to cover any costs arising from the sex equalisation of transferred in GMP. The increases are allowed for in the technical provisions.

4. Payments to the employers

Rule 19.5 of the Plan's rules permits payments to the employers under specific circumstances, and such payments are not permitted under the terms of the Pensions Act 1995 unless very stringent conditions are met. The Trustees do not anticipate making any payments to the employers.

5. Contributions other than from the employers who sponsor the Plan or the members

There are no arrangements in place for any contributions to be paid to the Plan other than from the employers and members.

6. Cash equivalent transfer values

Cash equivalent transfer values are calculated on the basis of advice received from the Plan Actuary. The Trustees do not currently expect to reduce transfer values, even if the funding level in the Plan would permit this. However, the position will be kept under review with the Plan Actuary if the need arises.

7. Reviewing the valuation position and this statement

We will normally commission a full actuarial valuation every three years. Under rule 19.4 we can request full valuations more frequently than every three years and we may do so, 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.

This statement replaces the previous statement, which was signed on 29 June 2011.

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 22 January 2015.

Signed on behalf of the Trustees of the Plan

Name: [illegible]

Position: DIRECTOR & AUTHORISED SIGNATORY FOR THE TRUSTEES LTD

Date: 22/1/15

Signed on behalf of Ladbrokes plc and the participating employers

Name: [illegible]

Position: DIRECTOR

Date: 22/1/15

Actuarial method and assumptions

The method and assumptions for calculating the technical provisions are set out below. The assumptions based on market conditions as at each valuation date will be recorded in the relevant section (shown in italics below).

Actuarial method

Projected unit method with a three-year control period for determining the rate of contributions for future service.

Assumptions

The technical provisions are calculated on the following key assumptions.

Investment return assumptions

Future benefit payments are discounted on rates derived from the following assumptions:

- the future investment strategy will be at any time to hold a portfolio of bonds (invested in a mixture of gilts and corporate bonds) to back benefit payments over the next 15 years and a portfolio of return-seeking assets (such as equities) for other benefit payments;
- the future return from gilts is taken as the yield on gilts of appropriate duration as at the valuation date;
- advance credit is taken for an additional return on the bond portfolio over the return from gilts of 0.1% pa (net of investment management expenses); and
- advance credit is taken for an additional return on the return-seeking portfolio over the return from gilts of 1.75% pa (net of investment management expenses).

As at 30 June 2013 the yield on fixed interest gilts of appropriate duration was 3.6% pa. Therefore, the discount rates were:

	Discount rate
For the first 15 years' cash flows	*3.7% pa*
For subsequent years' cash flows	*5.35% pa*

Other assumptions

Future benefit payments are projected using the assumptions set out below.

- Retail Price Inflation ("RPI") as implied by the yields on fixed interest and index-linked gilts of appropriate duration as at the valuation date.

As at 30 June 2013, RPI as implied by the yields on fixed interest and index-linked gilts of appropriate duration was 3.5% pa.

- Consumer Price Inflation ("CPI") is taken as RPI less 0.75% pa.
  As at 30 June 2013, assumed CPI was 2.75% pa.

- Pension increases in payment:

Increase	Assumption
Fixed	At the rate specified in the Plan's rules
Inflation-linked	At a rate reflecting the provision of the rules, the expected average RPI/CPI and the volatility of RPI/CPI

As at 30 June 2013, the assumed rates of pension increase were:

Pension increases relating to RPI	*Assumption*
RPI	*3.5% pa*
RPI (min 0%, max 5% pa)	*3.4% pa*
RPI (min 0%, max 3% pa)	*2.6% pa*
RPI (min 2.5% pa, max 3% pa)	*2.8% pa*
5% pa restricted to Inland Revenue maximum	*3.9% pa*
RPI (min 4% pa, max 5% pa)	*4.3% pa*
Pension increases relating to CPI	***Assumption***
CPI (min 0%, max 2.5% pa)	*2.1% pa*
CPI (min 0%, max 3% pa)	*2.4% pa*
CPI (min 0%, max 5% pa)	*2.75% pa*

- Pension increases in deferment:

Increase	Assumption
Inflation-linked	At CPI
Fixed rate GMP revaluation	At the relevant rate
Limited rate GMP revaluation	At RPI plus 1.5% pa

- No allowance for discretionary pension increases, other than RPI increases up to a maximum of 3% pa on pensions in payment (in excess of GMP) in respect of service credits granted on individual transfers into the Plan of pre-6 April 1997 benefits.
- General increases in pensionable salaries at RPI plus 1.5% pa.
- Increases in the Plan-specific Earnings Cap at RPI.

- A promotional salary scale, examples of which are shown below.

Age	Additional average salary increase arising from promotions each year at each age (% pa)
20	1.00
30	0.75
40	0.50
50	0.25
60	0.00

- Annual withdrawal rates of active members according to a scale, examples of which are shown below.

Age	Percentage of members leaving each year at each age (% pa)
20	15.00
30	11.25
40	7.50
50	3.75
60	0.00

- Members who have the option to take all of their benefits (relating to both past service and future service) unreduced from age 60 are assumed to do so. Those members who do not have the option to take any of their benefits unreduced before age 65 are assumed to retire at age 65. For all other members, retirements are assumed to occur as follows:

Age	Number (out of every 100 retirements)
60	50.00
61	6.25
62	6.25
63	6.25
64	6.25
65	25.00

The Plan's early retirement factors are assumed to be updated, consistently with the current factors, to reflect conditions at the valuation date.

Members who are already older than the date at which they are entitled to take all their benefits unreduced are assumed to retire immediately.

- Non-pensioners are assumed to commute 16% of their pension at retirement for a lump sum (restricted, where necessary, so that the residual pension is not less than the Guaranteed Minimum Pension), on terms updated to reflect conditions at the valuation date. Allowance is made for the terms to improve over time to reflect the increase over time in the life expectancy of members retiring in the future.

  In order to calculate the spouse's pension payable on the death of current pensioners, it is assumed that they commuted 25% of their pension for a lump sum on retirement, except in the case of the pensioner with largest pension for whom actual data has been used.

- S1NA tables for post-retirement mortality with:
  - the proportion of members dying at each age being 80% of the proportion in the S1NA Light tables for high earners and 100% of the proportion in the S1NA tables for all other members;
  - allowance being made for future improvements from 2003 in line with the CMI 2012 core projections based on each member's actual date of birth, and a long term rate of improvement of 2.0% pa.
  - High earners are those members whose pension, or projected pension at retirement at the 2010 valuation, was in excess of one-third of the Plan-specific Earnings Cap.
- AC00 tables for pre-retirement mortality.
- 80% of pensioners are assumed to be married (or otherwise qualify for dependants' pensions) at retirement, or earlier death, with the exception of the pensioner with the largest pension who was known to be married at the valuation date. For this purpose, current pensioners are assumed to have retired at age 65.
- Spouses are assumed to be four years younger (male members) or four years older (female members) than the member.
- An allowance of £2.5 million is made in the technical provisions for data uncertainties. This allowance is subject to review at future valuations, having regard to Plan experience and data cleansing that has taken place since the previous valuation.
- No allowance is made for any additional liabilities arising from the removal of GMP inequalities, pending further clarification from the Government.
- An allowance for expenses is made as an addition to the annual contribution requirements of £750,000 pa.
- Pension Protection Fund levies, and the cost of insuring lump sum multiple of salary benefits on death in service for all eligible employees, are either met directly by the employers or reimbursed to the Plan as additional contributions.

Ladbrokes Pension Plan ("the Plan")
Recovery Plan

The actuarial valuation of the Plan as at 30 June 2013 revealed a deficit of £2.9m.

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

Since the valuation date, whilst discussions on the valuation have been on-going, the employers have continued to pay contributions in accordance with the Schedule of Contributions agreed between the Trustees and the Principal Employer at the previous valuation. Based on the result of the valuation as at 30 June 2013, these contributions were projected to be sufficient to eliminate the deficit within 7 months from the valuation date, that is, before the date of this document.

In addition, since the valuation date the Principal Employer has announced the following changes:

- The Plan will be closed to future accrual from 31 August 2015 by means of varying employment contracts, with all active members becoming deferred members from that date and the salary link being removed for past benefits.
- There will be an uplifted final pensionable salary definition applied for members who sign up to the new terms within a set timescale. Final Pensionable Salary will be taken as the average of Pensionable Salary over the previous 12 months for Employee Section service, rather than the usual 36 month average.

Overall these changes reduce the deficit, but this has not been taken into account in our calculations.

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

Based on the result of the valuation as at 30 June 2013, the statutory funding objective was projected to be fully met by 1 February 2014. 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 22 January 2015;

- 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

50% of the contributions required to meet the statutory funding objective were paid by 31 October 2013.

4. Agreement by the Trustees and the employers

This recovery plan was prepared on 22 January 2015.

Signed on behalf of the Trustees of the Plan

Name: ....Matten.... (authorised signatory)

Position: DIRECTOR AUTHORISED SIGNATORY FOR THE TRUSTEES LTD.

Date: ....22/1/15....

Signed on behalf of Ladbrokes plc and the participating employers

Name: ....[signature].... (authorised signatory)

Position: ....DIRECTOR....

Date: ....22/1/15....

Ladbrokes Pension Plan ("the Plan")
Schedule of Contributions

Name of Employers: ("the Employers")	Ladbrokes plc ("the Principal Employer") Ladbrokes Betting & Gaming Limited Ladbrokes E-Gaming Limited Ladbrokes Contact Centre Limited Ladbroke Group Properties Limited

This schedule of contributions has been prepared in accordance with Part 3 of the Pensions Act 2004 and the Occupational Pension Schemes (Scheme Funding) Regulations (SI 2005/3377). It sets out the contributions, other than the members' additional voluntary contributions, payable to the Plan over the period from the date that the Actuary certifies the schedule until 30 June 2017.

The Trustees of the Plan ("the Trustees") and the Principal Employer have agreed this schedule, as indicated below by authorised signatories (all other employers with active members in the Plan having nominated the Principal Employer to agree the schedule of contributions on their behalf).

Contributions are based on Pensionable Salaries for Members in Service as defined in the Plan's Rules.

The Principal Employer has announced benefit changes such that all Members in Service will become Deferred Members from 31 August 2015.

The following contributions are payable to the Plan:

Contributions from Members in Service until 31 August 2015

Accrual rate and Normal Retiring Age	% of Pensionable Salary
Employee Section – 80ths and NRA 65	4.5%
Employee Section – 60ths and NRA 65	6%
Employee Section – 60ths and NRA 60	9%
Executive Section – 40ths and NRA 65	5%
Executive Section – 30ths and NRA 60	9%

Contributions from Employers until 31 August 2015

	% of Pensionable Salary
For Members in Service	27.1% *

* in respect of the ongoing accrual of defined benefit pension benefits

In addition, the Principal Employer will pay contributions of £125,000 in respect of each month from April 2016 to June 2017 in order to further improve the Plan's financial position.

The Principal Employer will pay contributions of £62,500 per month from January 2015 towards the regular expenses of maintaining the Plan. The Principal Employer will also pay the expenses of other projects, as agreed between the Trustees and the Principal Employer, that arise that are not deemed to be covered by the regular expense contributions.

Contributions from the Employers are payable monthly and are due within 19 working days of the end of each calendar month.

Contributions from the Plan Members are payable monthly and are due within 19 days of the end of each calendar month.

Where any benefit augmentations are directed by the Principal Employer, the Employers will pay any additional contributions as decided by the Trustees, having regard to the advice of the Advising Actuary, and in accordance with the Plan's Rules, to meet benefit augmentations. Such contributions will be paid within 60 days of the agreement between the Employer and Trustees to augment the benefits. The augmentation will take effect once the funds are received by the Trustees.

The Principal Employer will in addition make payments to the Plan to reimburse any Pension Protection Fund levies and death in service insurance premiums paid by the Plan. Such contributions will be paid within 60 days of the payments made by the Plan.

This schedule of contributions replaces the schedule of contributions dated 29 June 2011 with effect from the date of certification.

This schedule of contributions is agreed:

on behalf of the Trustees of the Plan

Name: M Afer .... authorised signatory

Position: DIRECTOR & AUTHORISED SIGNATORY FOR THE TRUSTEES LTD.

Date: 22/1/15

on behalf of the Employers

Name: .... authorised signatory

Position: DIRECTOR

Date: 22/1/15

Actuary's certification of schedule of contributions

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme Ladbrokes Pension Plan

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 30 June 2013 to be met by the end of the period specified in the recovery plan dated 22 January 2015.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 22 January 2015.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature: .... **Date: 22 January 2015**

Name: Aaron Punwani **Qualification: FIA**

Address: 95 Wigmore Street
London W1U 1DQ

Name of employer: Lane Clark & Peacock LLP

Notes not forming part of the certification

In giving the above opinion I have interpreted the phrase "could have been expected to be met" as being satisfied by consideration of the proposed contributions under the economic and demographic scenario implied by the trustees' funding assumptions as set out in their statement of funding principles and their recovery plan both dated 22 January 2015 and without any further allowance for adverse contingencies that may arise in the future. My opinion does not necessarily hold in any other scenarios.

Furthermore, I have taken no account of either adverse or beneficial outcomes that have become known to me since the effective date of the valuation, including the benefit changes announced by the Principal Employer set out below

- The Plan will be closed to future accrual from 31 August 2015, with all active members becoming deferred members from that date and the salary link being removed for past benefits.
- There will be an uplifted final pensionable salary definition applied for members who sign-up to the new terms within a set timescale. Final Pensionable Salary will be taken as the average of Pensionable Salary over the previous 12 months for Employee Section service, rather than the usual 36 month average.

Overall these changes reduce the deficit, but this has not been taken into account in our calculations.

However, I have taken account of contributions that are payable to the Plan between the effective date of the valuation and the date that I have certified this Schedule as documented in the Schedule of Contributions.