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26 May 2009

Mr Payne
63 Appleford Drive
Minster
Sheerness
ME12 2SR

our ref: EX1/WW1.04
your ref:

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.

Whilst the winding-up has been progressing the trustees main concern has been the performance of the Plan's investments that are needed to underpin the wind-up. Until the recent world-wide financial difficulties the Plan's investment base had been growing by a creditable average of about 10 per cent per year and this in turn was making worthwhile inroads into the legacy funding deficits.

Unfortunately in common with many other pooled investments the value of the Plan's assets has fallen significantly in the last year because of the impact of the credit crunch on investment values. About two-thirds of the Plan's investments are held in pooled funds of FTSE-100 shares and managed by Legal & General, a leader in fund management investment business. The rest is either invested in property or in cash deposits. The capital values of the former have fallen significantly (broadly in line with the financial markets) and although the cash element has not fallen in value it is not producing any significant return at present due to the historically low interest rates. We are continuing to monitor the situation closely with our investment advisers but in reality there is little room for manoeuvre at present.

The current turmoil in the financial markets is also making it very 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 withheld). 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

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 to offer our apology to the members concerned.

Related to the above, members periodically ask us how this will impact on their personal entitlements and expectations. Not unreasonably they want to know what level of pension they can expect to receive on reaching their retirement. This question can be difficult to answer in normal times because, although we are your pension trustees, we are not allowed to give individual members financial advice and the level of actual pension you will receive depends on a number of choices you make at the time of your retirement including

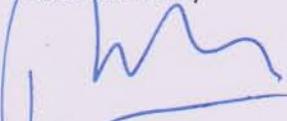
- Commuting part of your pension to a lump sum
- The level of indexation or inflation proofing you choose
- The time at which you retire

The present underfunding of the Plan, which has been increased by the recent falls in the financial markets, makes this exercise yet more difficult

In order to mitigate the loss to the members we are currently investigating the possibility that the Plan might be eligible for support from the government's Financial Assistance Scheme (FAS), following a change in the entry criteria introduced earlier this year. If the Plan is able to join the FAS 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. AVC benefits (for the small number of members affected) stand outside this regime (in relation to the AVC element only).

There is no more I can report at present and members will be kept advised of our progress in a future announcement.

Yours faithfully



Peter Rees
Director