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PRIVATE AND CONFIDENTIAL

Mr M Payne
63 Appleford Drive
Minster
Sheerness
ME12 2SR

Dear Mr Payne

The Horizon Pension Plan
Member Consultation Exercise

As you may be aware, I am the independent trustee of the above-mentioned pension scheme. I am writing to you to seek your views on the future direction of the scheme and in particular on the question of whether the scheme should continue to operate in its present mode as a Closed Scheme or if the scheme should now be wound up. In my view the issues are finely balanced and the view of the membership is one of the factors which the trustees will take into account in reaching their decision.

Background to the consultation

By way of background, I can confirm that the plan is governed in accordance with the terms of the Trust Deed dated 1996. The plan has been granted exempt approved status under the terms and provisions of the Income and Corporation Taxes Act 1988 and is contracted-out of the State Second Pension (STP) on a protected rights basis from 6 April 1997. The guaranteed minimum pension ceased to accrue as at 6 April 1997.

Horizon Exploration Limited entered into administration on 24 September 1999 and all contributions to the plan ceased on the 30 September 1999. Horizon Exploration Limited entered into a Company Voluntary Arrangement with its creditors, the trustees submitted a successful claim under the arrangement in respect of the Section 75 debt although only a proportion of the full debt amounts to a claim due to the limited company assets available and no further monies are available.

The plan retains a number of professional advisers in connection with the operation of the plan, although the majority of routine administration work is undertaken by WWH Pension Trustees and KPMG. The benefits payable by the plan are provided out of the contributions paid by both the members and the participating employer up to 30 September 1999. Contributions to the plan ceased from that date.

At present the membership of the plan totals 178. There were no active members, 9 pensioners and 169 deferred pensioners. Since I last wrote to you the funding of the scheme has improved and today the scheme is estimated to have a funding level of 98 per cent of the minimum funding requirement (MFR). However you should not take this as a prediction of your actual pension because the MFR valuation test is a theoretical test and the actual cost of providing members' pension benefits can vary widely from the MFR.

The ultimate aim of the trustees is to place the scheme into wind-up. However, at present, the trustees have deferred the wind-up of the plan pending further details of the proposed Government legislation that may possibly benefit plan members.

As the trustees understand it, the Government has set out plans for major pension reform. There are two main elements to this.