

The FTSE 250 and their pension disclosures

A Quarterly Report from JLT Pension Capital Strategies
August 2012

Strategies to Solutions



JLT PENSION CAPITAL STRATEGIES

FTSE 250



In association with **J.P.Morgan CAZENOVE**

Executive Summary

- The total deficit in FTSE 250 pension schemes at 31 March 2012 is estimated to be £11 billion. This is a deterioration of £6 billion from the position 12 months ago.
- Only 68 FTSE 250 companies are still providing more than a handful of current employees with DB benefits (i.e. ignoring companies who are incurring ongoing DB service costs of less than 1% of total payroll). Of these, only 12 companies (i.e. just 5% of the FTSE 250) are still providing DB benefits to a significant number of employees (defined as incurring ongoing DB service cost of more than 5% of total payroll).
- There continues to be significant funding of pension deficits – and this at a time when most companies have precious little spare cash. Last year saw total deficit funding of £1.5 billion, up from £1.3 billion the previous year. Balfour Beatty led the way with a deficit contribution of £102 million, but 40 other FTSE 250 companies also reported significant deficit funding contributions in their most recent annual report and accounts.
- The significant decline in ongoing DB pensions continues. We estimate that after allowing for the impact of changes in assumptions and market conditions, the underlying reduction in ongoing DB pension provision is approximately 5% in the last 12 months alone.
- The average pension scheme asset allocation to bonds is 52%, a slight increase on last year's figure of 50%. This compares to 49% the previous year and 42% three years ago. But this disguises some significant changes. In 10 companies, pension scheme asset allocation to bonds has changed by more than 20%.
- There are a significant number of FTSE 250 companies where the pension scheme represents a material risk to the business. Eighteen FTSE 250 companies have total disclosed pension liabilities greater than their equity market value. For Invensys, Phoenix Group and First Group, total disclosed pension liabilities are more than triple their equity market value.
- Only 29 companies disclosed a pension surplus in their most recent annual report and accounts; 115 companies disclosed pension deficits. However, we estimate that only 24 companies would disclose a surplus if they had a year-end of 31 March 2012.
- In the last 12 months, the total disclosed pension liabilities of the FTSE 250 companies have risen from £67 billion to £69 billion. A total of 18 companies have disclosed pension liabilities of more than £1 billion, the largest of which is Invensys with disclosed pension liabilities of £5.5 billion. A total of 157 companies have disclosed pension liabilities of less than £100 million, of which 106 companies have no defined benefit pension liabilities.
- If pension liabilities were measured on a "risk-free" basis rather than using a AA bond discount rate, the total disclosed pension liabilities of the FTSE 250 would increase from £69 billion to around £90 billion, and the total deficit at 31 March 2012 would be around £30 billion.

The appendix at the end of this report contains a full list of all the FTSE 250 companies analysed and their relevant pension disclosures.

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www.cazenove.com



Charles Cowling
JLT Pension Capital Strategies
0161 242 5388
charles_cowling@jltpcs.com



David Bor
JLT Pension Capital Strategies
0161 242 5329
david_bor@jltpcs.com

Funding Position

The overall funding position of pension schemes of FTSE 250 companies has worsened over the year covered by their latest annual report and accounts.

Including all pension arrangements, both UK and overseas, whether funded or unfunded, the FTSE 250 companies with the best-funded pension schemes overall were as follows:

Name	Rank	Assets £m	Liabilities £m	Surplus/(Deficit) £m	Funding Level
Henderson	1	704	469	235	150%
Tullett Prebon	2	184	148	36	124%
Investec	3	124	104	20	119%
London Stock Exchange	4	282	245	38	115%
Ladbrokes	5	281	243	37	115%
Phoenix Group	6	3,451	3,043	408	113%
Cape	7	136	121	16	113%
Alliance Trust	8	32	29	3	111%
Rentokil Initial	9	1,274	1,149	125	111%
Ashtead	10	64	58	6	111%

The FTSE 250 companies with the worst funded pension schemes overall were as follows:

Name	Rank	Assets £m	Liabilities £m	Surplus/(Deficit) £m	Funding Level
Ultra Electronics Holdings	241	149	232	(83)	64%
Yule Catto & Co	242	204	322	(118)	63%
Chemring	243	40	65	(25)	61%
TUI Travel	244	1,250	2,045	(795)	61%
Avocet Mining	245	0	0	(0)	43%
Aegis	246	4	10	(6)	42%
Ferrexpo	247	1	44	(42)	3%
AZ Electronic Materials	248	0	6	(6)	0%
Lamprell	248	0	26	(26)	0%
New World Resources	248	0	74	(74)	0%

In 2007, IFRIC14* provided new guidance on irrecoverable surpluses. Within the FTSE 250, nine companies have reported an irrecoverable surplus. The total reported irrecoverable surplus for FTSE 250 companies is now £257 million. The largest reported irrecoverable surpluses in the FTSE 250 were as follows:

Name	Rank	Irrecoverable Surplus £m
FirstGroup	1	82
Inchcape	2	73
Invensys	3	30
Electrocomponents	4	25
Stagecoach	5	17
Cape	6	16
Genus	7	7
Laird	8	4
Segro	9	3
Derwent London	10	0

Commentary
Adjusting these figures up to the quarter-end, we estimate that the total pension deficit in the FTSE 250 as at 31 March 2012 was £11 billion. This is a deterioration of £6 billion from the position 12 months ago.

* For more information on IFRIC14, see PCS publication – IAS19: A Quarterly Guide for Finance Directors, at 30 June 2012.

Investment Mismatching

Legislation over a number of years has clarified that pension liabilities are a form of corporate debt. Despite the fact that there is an increasing weight of opinion from academics and analysts that mismatched investment strategies in pension schemes reduce shareholder value, many companies are still running very large mismatched equity positions in their pension schemes. This has the impact of creating balance sheet volatility which some academic evidence might suggest flows through to share price volatility. Inevitably, analysis of mismatching is limited to the information disclosed in the annual report and accounts. Given the bond-like nature of pension liabilities, the allocation of pension assets to bonds gives an indication of the level of investment mismatching that exists. This report refers to investment mismatching in terms of the IAS19 accounting position, where liabilities are being valued using AA corporate bonds; therefore assets other than these bonds will lead to a mismatch.

The FTSE 250 companies with the highest allocation to bonds were:

Name	Rank	Assets £m	% of Assets in Bonds
Aegis	1	4	100%
Avocet Mining	1	0	100%
Catlin	1	18	100%
Hunting	1	238	100%
Petra Diamonds	1	12	100%
WH Smith	6	785	96%
Cape	7	136	91%
Phoenix Group	8	3,451	87%
Regus	9	2	87%
BTG	10	95	83%

The FTSE 250 companies with the lowest allocation to bonds were:

Name	Rank	Assets £m	% of Assets in Bonds
Greene King	241	235	22%
Inmarsat	242	46	22%
Debenhams	243	552	21%
Go-Ahead	244	1,492	21%
Electrocomponents	245	326	21%
Wood Group (John)	246	104	17%
Homeserve	247	18	8%
RIT Capital Partners	248	15	8%
Tullett Prebon	249	184	7%
Renishaw	250	101	2%

The FTSE 250 companies with the greatest change in bond allocation were:

Name	Rank	Current Bond Allocation	Previous Bond Allocation	Switch to Bonds
Petra Diamonds	1	100%	25%	+75%
Mondi	2	80%	19%	+60%
Catlin	3	100%	50%	+50%
Kentz	4	78%	42%	+36%
Debenhams	5	21%	49%	-28%
Premier Farnell	6	48%	75%	-27%
RPC Group	7	58%	31%	+27%
Scottish Investment Trust	8	56%	34%	+22%
Synergy Health	9	65%	43%	+21%
Hiscox	10	35%	55%	-21%

Commentary

Several companies and trustees are continuing to switch pension assets out of equities into bonds. Petra Diamonds is the latest company to report a big switch, with bond allocations increasing by 75%. A total of 63 FTSE 250 companies have more than 50% of pension scheme assets in bonds. Moreover, company disclosures reveal little of the extensive activity there has been by a number of companies to use LDI (liability-driven investment) strategies, which frequently make use of derivatives and other financial instruments. Overall though, the average pension scheme asset allocation to bonds is now 52%, a slight increase on last year's figure of 50%. This compares to 49% the previous year and 42% three years ago.

We can also expect IFRIC14 to impact on pension scheme investment strategies. If shareholders see none of the upside of pension scheme investment in equities and all of the downside, there will inevitably be further pressure on company management to encourage moves towards lower volatility investments in pension schemes. In addition, a further cause of movement towards bond-based assets could be one of the recently announced changes to IAS19 due to be implemented from 1 January 2013, subject to EU endorsement. In the P&L the expected return on assets will effectively be replaced by the discount rate applied to the assets, so there will be no benefit in the P&L from holding outperforming assets.

Size of Pension Scheme

In recent years, pension schemes have grown significantly. Attempts by many companies to stem the growth of their pension liabilities by closing defined benefit pension schemes to new entrants have had little impact. Changes in economic conditions and increasing life expectancy have contributed to the spiralling growth in pension liabilities. Following the credit crunch, high spreads on corporate bonds prevailed over 2009, which countered the effects of rising inflation and increasing life expectancy, stifling the growth of pension liabilities. Over 2010, spreads on corporate bonds returned closer to historically normal levels and this significantly inflated pension liabilities reported in 2010 year-end accounts. Over 2011, the Euro crisis has depressed bond yields, but this has been countered to some extent by falling inflation expectations, so the net effect being that pension liabilities have risen.

The FTSE 250 companies with the largest pension scheme liabilities (all those over £1 billion) are as follows:

Name	Rank	Total Pension Liabilities £m	Equity Market Value* £m
Invensys	1	5,452	1,605
FirstGroup	2	3,450	1,145
Phoenix Group	3	3,043	986
Balfour Beatty	4	2,915	1,962
Babcock International	5	2,795	2,860
Carillion	6	2,204	1,284
Stagecoach	7	2,050	1,470
TUI Travel	8	2,045	2,195
Daily Mail & General Trust	9	1,921	1,739
Taylor Wimpey	10	1,887	1,652
Go-Ahead	11	1,568	536
Mitchells & Butlers	12	1,509	1,100
Cable & Wireless Worldwide	13	1,470	911
Atkins (WS)	14	1,282	738
Cable & Wireless Communications	15	1,212	816
Rentokil Initial	16	1,149	1,545
Qinetiq	17	1,106	1,042
Melrose	18	1,077	1,654

* as at 31 March 2012

Commentary

In the last 12 months, the total disclosed pension liabilities of the FTSE 250 companies have risen from £67 billion to £69 billion. A total of 18 companies have disclosed pension liabilities of more than £1 billion, whilst 157 companies have disclosed pension liabilities of less than £100 million.

The possibility of measuring pension liabilities on a "risk-free" basis (i.e. using gilt-based discount rates rather than AA bond discount rates) has been debated at length, including in a detailed discussion paper from the Accounting Standards Board. In the UK, a company can no longer default on its promises to pension scheme members unless it goes into liquidation; however, last year the government changed the index linkage for many inflation-linked benefits which has had the effect of reducing the expected benefit outgo. If pension liabilities were to be measured on a "risk-free" basis, with no allowance for default or further reduction in benefits, we estimate that it would add around 30% to the total pension liabilities, increasing the total disclosed pension liabilities from £69 billion to around £90 billion. The total deficit at 31 March 2012 on a "risk-free" basis would be around £30 billion.

Significance of the Pension Scheme in the Boardroom

The impact of the pension liabilities on corporate decision-making and its importance in the boardroom depends on the relative size of the pension scheme. In the analysis below, the pension scheme deficit and liabilities are expressed as a percentage of the equity market value of the company.

The FTSE 250 companies with the most significant pension scheme liabilities are as follows:

Name	Rank	Equity Market Value* £m	Surplus / (Deficit) as a % of Equity Market Value	Liabilities as a % of Equity Market Value
Invensys	1	1,605	(27%)	340%
Phoenix Group	2	986	41%	309% <i>299%**</i>
FirstGroup	3	1,145	(14%)	301%
Go-Ahead	4	536	(14%)	293%
Kier	5	440	(7%)	198%
Interserve	6	364	(15%)	191%
Dairy Crest	7	444	(14%)	175% <i>115%**</i>
Atkins (WS)	8	738	(46%)	174%
Carillion	9	1,284	(24%)	172%
Cable & Wireless Worldwide	10	911	(10%)	161% <i>126%**</i>
Balfour Beatty	11	1,962	(14%)	149%
Cable & Wireless Communications	12	816	(1%)	148% <i>59%**</i>
Dixons Retail	13	676	(36%)	140%
Stagecoach	14	1,470	(5%)	139%
Mitchells & Butlers	15	1,100	(3%)	137%

* as at 31 March 2012

** These companies' pension schemes have purchased contracts which insure part of their liabilities; the figures in italics represent the impact of the liabilities without these insured sections.

A further sign of the significance of pensions in the boardroom is the extent of continuing DB provision to employees. This can be measured by looking at the ongoing spend on DB pensions (the service cost) before any allowance for deficit spending. The FTSE 250 companies with the highest ongoing spending is shown in the table below, together with the previous year's spend for comparison.

Name	Rank	Current DB Service Cost £m	Previous DB Service Cost £m
FirstGroup	1	88	57
Stagecoach	2	56	42
Go-Ahead	3	55	50
Balfour Beatty	4	52	53
Babcock International	5	46	23
TUI Travel	6	35	40
Qinetiq	7	23	20
Daily Mail & General Trust	8	23	30
Invensys	9	19	18
Pennon	10	18	12

Commentary

Eighteen FTSE 250 companies have total disclosed pension liabilities greater than their equity market value. For Invensys, Phoenix Group and First Group, total disclosed pension liabilities are more than triple their equity market value. Dixons Retail and Atkins (WS) have pension deficits more than a third their equity market value, and a further 17 companies have disclosed pension deficits bigger than 10% of their equity market value.

Increasingly companies are reacting to the combination of difficult economic conditions, rising pension costs and increasingly aggressive pension regulations by closing pension schemes to future and even current employees. This decline in total DB pension provision is now apparent in the accounts of FTSE 250 companies, with several companies closing their scheme to future accrual or freezing pensionable salaries. We estimate that after allowing for the impact of changes in assumptions and market conditions, the underlying reduction in ongoing DB pension provision is approximately 5% in the last 12 months alone. We believe that the majority of FTSE 250 companies will cease DB pension provision to all employees within two years.

Impact of the Pension Scheme on the Company's Share Price

As already mentioned, there is some evidence that balance sheet volatility caused by pension schemes flows through to share price volatility. Changes in the balance sheet position resulting from pensions can be separated into expected changes and unexpected changes. Expected balance sheet changes arise largely from the contributions paid by the company and the costs shown in the company's income statement. Unexpected balance sheet changes arise largely from actuarial gains and losses (due to stock market volatility) and changes to actuarial assumptions.

In the analysis below, the unexpected change in balance sheet position (net of change in irrecoverable surplus) is expressed as a percentage of the equity market value of the company. We are not suggesting that the balance sheet impact will translate into a £ for £ impact on a company's share price (not least because of the impact of deferred tax), but this analysis gives a good indication of those companies most positively (and negatively) affected by their pension schemes in their last financial year.

The FTSE 250 companies most positively affected by their pension schemes were:

Name	Rank	Equity Market Value* £m	Unanticipated Balance Sheet Gain (£m)	Impact as a % of Equity Value
Phoenix Group	1	986	282	29%
Dairy Crest	2	444	61	14%
Atkins (WS)	3	738	86	12%
Stagecoach	4	1,470	149	10%
KCOM Group	5	377	34	9%
Rentokil Initial	6	1,545	135	9%
Henderson	7	1,392	121	9%
Debenhams	8	1,040	76	7%
Britvic	9	931	64	7%
Go-Ahead	10	536	36	7%

* as at 31 March 2012

The FTSE 250 companies most negatively affected by their pension schemes were:

Name	Rank	Equity Market Value* £m	Unanticipated Balance Sheet Gain (£m)	Impact as a % of Equity Value
Elementis	241	824	-32	-4%
Howden Joinery	242	786	-31	-4%
Savills	243	497	-20	-4%
Morgan Crucible Co	244	895	-46	-5%
Daily Mail & General Trust	245	1,739	-90	-5%
Yule Catto & Co	246	845	-62	-7%
Devro	247	503	-38	-8%
Carillion	248	1,284	-107	-8%
Interserve	249	364	-33	-9%
Home Retail Group	250	936	-121	-13%

* as at 31 March 2012

Commentary

Over the year covered by their latest report and accounts, 71 companies felt the benefit of an unexpected gain to their balance sheet as a result of their pension schemes, whilst 73 companies suffered an unexpected loss to their balance sheet as a result of their pension schemes.

Contributions Paid Into Pension Schemes

This analysis compares the pension scheme contributions actually paid by companies with the cost of pension benefits accrued during the year. Surplus pension contributions paid in excess of the cost of benefits will reduce pension scheme deficits. However, where the contributions paid are less than the cost of benefits, this will increase pension scheme deficits (or reduce pension scheme surpluses).

The large increases in the contributions seen in the last couple of years have ended, with the amount contributed in the most recent accounting year being £0.1 billion higher than the amount contributed the previous year.

Only contributions actually paid in the relevant accounting year are included in the analysis below.

The FTSE 250 companies who have made the largest surplus contributions to their pension schemes were as follows:

Name	Rank	Pension Contributions	Cost of Benefits	Surplus Contributions
		£m	£m	£m
Balfour Beatty	1	152	50	102
Cable & Wireless Communications	2	106	5	101
Taylor Wimpey	3	85	0	85
Phoenix Group	4	58	-23	81
Invensys	5	70	19	51
Cobham	6	41	-8	49
3i	7	54	6	48
De La Rue	8	50	8	43
Mitchells & Butlers	9	44	4	40
Kier	10	24	-15	39
Carillion	11	44	7	38
Babcock International	12	83	46	37
Howden Joinery	13	42	9	33
Persimmon	14	36	3	33
Atkins (WS)	15	37	6	31

Commentary

In total, the amount contributed to FTSE 250 company pension schemes was £2.1 billion, up from £2.0 billion in the previous accounting year. This is more than the £0.6 billion cost of benefits accrued during the year. It therefore represents £1.5 billion of funding towards reducing pension scheme deficits. This is an increase on the previous year's deficit funding of £1.3 billion.

Balfour Beatty injected an additional £102 million into its pension schemes in 2011, on top of its regular contributions, which totalled £50 million. The decision was in response to the deficit of £441 million at 31 December 2010 – the second highest deficit in the FTSE 250 at the time.

The huge cash contributions paid by Balfour Beatty came at a time when most companies have precious little spare cash. Widening deficits, and perhaps weaker perceived sponsor covenants, will inevitably lead to trustees requesting larger deficit-correcting contributions from sponsoring employers. This year we expect to see a trend towards companies looking at alternative sources to fund their pension schemes, such as property partnership deals.

Appendix

Name	Year End	Equity Market Value £m	Pension Assets £m	Pension Liabilities £m	Surplus / (Deficit) £m	Funding Level	% Bonds	Surplus / (Deficit) as % of Market Value	Liabilities as % of Market Value	Unanticipated Balance Sheet Impact £m	Balance Sheet Impact as % of Market Value	Current Funding £m	Previous Funding £m	Surplus / (Deficit) Funding £m
3i	31-Mar-2011	2,078	670	626	44	107%	47%	2%	30%	19	1%	54	67	48
Aegis	31-Dec-2011	2,167	4	10	(6)	42%	100%	(0%)	0%	2	0%	0	0	0
Alliance Trust	31-Dec-2011	2,142	32	29	3	111%	49%	0%	1%	1	0%	2	4	1
Amlin	31-Dec-2011	1,629	421	446	(25)	94%	68%	(2%)	27%	(18)	(1%)	6	5	3
Ashtead	30-Apr-2011	1,301	64	58	6	111%	31%	0%	4%	13	1%	2	1	1
Atkins (WS)	31-Mar-2011	738	944	1,282	(338)	74%	41%	(46%)	174%	86	12%	37	39	31
Aveva	31-Mar-2011	1,118	48	51	(3)	94%	29%	(0%)	5%	8	1%	4	2	2
Avocet Mining	31-Dec-2011	367	0	0	(0)	43%	-	(0%)	0%	0	0%	0	0	0
AZ Electronic Materials	31-Dec-2011	1,101	0	6	(6)	0%	-	(1%)	1%	0	0%	0	0	(0)
Babcock International	31-Mar-2011	2,860	2,580	2,795	(215)	92%	48%	(8%)	98%	56	2%	83	46	37
Balfour Beatty	31-Dec-2011	1,962	2,640	2,915	(275)	91%	35%	(14%)	149%	67	3%	152	121	102
Barratt Developments	28-Jan-2012	458	83	83	(0)	100%	50%	(0%)	18%	(9)	(2%)	4	4	5
Bart (A.G.)	30-Jun-2011	1,360	239	251	(12)	95%	50%	(3%)	18%	22	2%	13	13	13
BBA Aviation	31-Dec-2011	1,018	443	475	(32)	93%	47%	(3%)	47%	(20)	(2%)	10	6	9
Beazley	31-Dec-2011	723	17	18	(1)	97%	48%	(0%)	2%	(0)	(0%)	1	1	1
Bellway	31-Jul-2011	988	36	44	(8)	81%	34%	(1%)	4%	1	0%	0	2	0
Berendsen	31-Dec-2011	897	251	279	(28)	90%	60%	(3%)	31%	(34)	(4%)	9	10	7
Berkeley	30-Apr-2011	1,733	13	12	0	104%	59%	0%	1%	(0)	(0%)	1	1	1
Bodycote	31-Dec-2011	738	90	104	(14)	86%	64%	(2%)	14%	(1)	(0%)	2	2	0
Booker	25-Mar-2011	1,318	542	550	(8)	99%	41%	(1%)	42%	(1)	(0%)	11	12	11
Bovis Homes	31-Dec-2011	641	77	79	(2)	97%	45%	(0%)	12%	(3)	(1%)	4	2	3
Brewin Dolphin Holdings	30-Sep-2011	431	54	62	(7)	88%	68%	(2%)	14%	3	1%	3	6	3
Britvic	02-Oct-2011	931	527	571	(44)	92%	47%	(5%)	61%	64	7%	15	24	10
Brown (N.)	03-Mar-2012	658	82	83	(1)	99%	52%	(0%)	13%	(6)	(1%)	3	6	2
BTG	31-Mar-2011	1,091	95	97	(2)	98%	83%	(0%)	9%	4	0%	4	4	4
Cable & Wireless Communications	31-Mar-2011	816	1,203	1,212	(9)	99%	79%	(1%)	148%	9	1%	106	60	101
Cable & Wireless Worldwide	31-Mar-2011	911	1,379	1,470	(91)	94%	50%	(10%)	161%	56	6%	28	12	14
Caledonia Investments	31-Mar-2011	853	64	69	(5)	93%	37%	(1%)	8%	1	0%	3	2	2
Cape	31-Dec-2011	487	136	121	16	113%	91%	3%	25%	(1)	(0%)	0	0	0
Capital & Counties Properties	31-Dec-2011	1,312	15	14	1	107%	30%	0%	1%	(1)	(0%)	4	0	4
Carillion	31-Dec-2011	1,284	1,898	2,204	(306)	86%	52%	(24%)	172%	(107)	(8%)	44	43	38
Carpetright	30-Apr-2011	461	17	21	(4)	81%	43%	(1%)	5%	0	0%	0	1	0
Catlin	31-Dec-2011	1,466	18	17	1	108%	100%	0%	1%	0	0%	0	0	0
Cheamring	31-Oct-2011	792	40	65	(25)	61%	31%	(3%)	8%	(2)	(0%)	2	2	0
Close Brothers	31-Jul-2011	1,152	35	40	(5)	88%	28%	(0%)	3%	(6)	(1%)	3	3	3
Cobham	31-Dec-2011	2,471	529	600	(71)	88%	56%	(3%)	24%	(39)	(2%)	41	24	49
Colt Group SA	31-Dec-2011	934	20	24	(4)	83%	67%	(0%)	3%	1	0%	2	3	(1)
Cookson	31-Dec-2011	1,906	640	690	(50)	93%	70%	(3%)	36%	41	2%	20	20	15
Cranswick	31-Mar-2011	381	14	17	(3)	82%	40%	(1%)	4%	1	0%	2	1	2
Daily Mail & General Trust	02-Oct-2011	1,739	1,585	1,921	(336)	82%	36%	(19%)	110%	(90)	(5%)	35	35	13
Dairy Crest	31-Mar-2011	444	719	779	(60)	92%	71%	(14%)	175%	61	14%	22	30	22
De La Rue	26-Mar-2011	894	639	742	(103)	86%	43%	(12%)	83%	(18)	(2%)	50	25	43
Debenhams	03-Sep-2011	1,040	552	548	4	101%	21%	0%	53%	76	7%	8	8	8
Derwent London	31-Dec-2011	1,774	13	15	(2)	90%	27%	(0%)	1%	(3)	(0%)	1	0	1
Devro	31-Dec-2011	503	197	243	(46)	81%	52%	(9%)	48%	(38)	(8%)	5	5	4
Dignity	31-Dec-2011	445	85	83	1	102%	47%	0%	19%	(8)	(2%)	1	2	0
Diploma	30-Sep-2011	510	18	24	(5)	77%	24%	(1%)	5%	(1)	(0%)	0	1	0
Dixons Retail	30-Apr-2011	676	706	950	(244)	74%	28%	(36%)	140%	13	2%	12	21	12
Drax	31-Dec-2011	1,987	145	182	(37)	80%	53%	(2%)	9%	(4)	(0%)	10	8	5
Electrocomponents	31-Mar-2011	1,083	326	306	20	106%	21%	2%	28%	7	1%	6	6	1

* as at 31 March 2012

Appendix *(continued)*

Name	Year End	Equity Market Value £m	Pension Assets £m	Pension Liabilities £m	Surplus / (Deficit) £m	Funding Level	% Bonds	Surplus / (Deficit) as % of Market Value	Liabilities as % of Market Value	Unanticipated Balance Sheet Impact £m	Balance Sheet as % of Market Value	Current Funding £m	Previous Funding £m	Surplus / (Deficit) Funding £m
Elementis	31-Dec-2011	824	516	569	(54)	91%	56%	(7%)	66%	(32)	(4%)	14	13	13
Euromoney Institutional Investors	30-Sep-2011	916	24	26	(2)	93%	70%	(0%)	3%	(1)	(0%)	1	1	1
F&C Asset Management	31-Dec-2011	356	216	236	(21)	91%	73%	(6%)	66%	3	1%	7	9	4
Fenner	31-Aug-2011	833	134	166	(32)	81%	27%	(4%)	20%	9	1%	7	5	5
Ferrexpo	31-Dec-2011	1,799	1	44	(42)	3%	43%	(2%)	2%	(13)	(1%)	0	0	10
Fitnra	31-Dec-2011	988	199	223	(24)	89%	53%	(2%)	23%	(16)	(2%)	10	12	8
FirstGroup	31-Mar-2011	1,145	3,289	3,450	(161)	95%	26%	(14%)	301%	15	1%	85	85	(3)
Foreign & Colonial	31-Dec-2011	1,878	216	236	(21)	91%	62%	(1%)	13%	3	0%	7	9	4
Galliford Try	30-Jun-2011	510	158	155	3	102%	74%	1%	30%	12	2%	7	7	10
Genus	30-Jun-2011	769	146	163	(17)	90%	37%	(2%)	21%	2	0%	3	2	3
Go-Ahead	02-Jul-2011	536	1,492	1,568	(77)	95%	21%	(14%)	293%	36	7%	44	43	(11)
Grainger	30-Sep-2011	434	19	23	(5)	81%	66%	(1%)	5%	1	0%	1	1	1
Great Portland Estates	31-Mar-2011	1,125	18	19	(0)	98%	60%	(0%)	2%	(0)	(0%)	0	0	0
Greene King	01-May-2011	1,113	235	281	(46)	84%	22%	(4%)	25%	25	2%	13	7	8
Greggs	31-Dec-2011	528	79	88	(9)	90%	30%	(2%)	17%	(1)	(0%)	0	1	0
Halma	02-Apr-2011	1,433	141	177	(36)	80%	30%	(3%)	12%	1	0%	9	9	6
Hays	30-Jun-2011	1,172	441	452	(12)	97%	49%	(1%)	39%	44	4%	17	6	13
Henderson	31-Dec-2011	1,392	704	469	235	150%	45%	17%	34%	121	9%	4	5	(3)
Hiscox	31-Dec-2011	1,539	141	156	(15)	90%	35%	(1%)	10%	(15)	(1%)	2	14	1
Home Retail Group	03-Mar-2012	936	764	880	(115)	87%	41%	(12%)	94%	(121)	(13%)	26	28	9
Homerserve	31-Mar-2011	762	18	18	(0)	100%	8%	(0%)	2%	4	0%	1	1	0
Howden Joinery	24-Dec-2011	786	641	778	(137)	82%	41%	(17%)	99%	(31)	(4%)	42	33	33
Hunting	31-Dec-2011	1,386	238	233	5	102%	100%	0%	17%	(2)	(0%)	3	2	1
Inchcape	31-Dec-2011	1,735	942	884	58	107%	66%	3%	51%	(13)	(1%)	26	30	19
Informa	31-Dec-2011	2,661	74	86	(12)	86%	37%	(0%)	3%	(5)	(0%)	4	4	3
Inmarsat	31-Dec-2011	2,064	46	50	(4)	91%	22%	(0%)	2%	(2)	(0%)	5	3	3
International Personal Finance	31-Dec-2011	690	32	36	(4)	89%	46%	(1%)	5%	(7)	(1%)	6	1	6
Interserve	31-Dec-2011	364	639	695	(56)	92%	47%	(15%)	191%	(33)	(9%)	32	33	27
Invensys	31-Mar-2011	1,605	5,024	5,452	(428)	92%	62%	(27%)	340%	56	3%	70	68	51
Investec	31-Mar-2011	2,287	124	104	20	119%	70%	1%	5%	14	1%	4	4	4
Jardine Lloyd Thompson	31-Dec-2011	1,509	469	590	(121)	80%	55%	(8%)	39%	(55)	(4%)	5	4	5
KCOM Group	31-Mar-2011	377	169	176	(7)	96%	43%	(2%)	47%	34	9%	10	10	9
Kentz	31-Dec-2011	570	20	26	(6)	77%	78%	(1%)	4%	(2)	(0%)	2	3	2
Kesa Electricals	30-Apr-2011	371	272	339	(68)	80%	39%	(18%)	92%	(1)	(0%)	15	9	12
Kier	30-Jun-2011	440	840	869	(30)	97%	22%	(7%)	195%	13	3%	24	34	39
Ladbroke	31-Dec-2011	1,445	281	243	37	115%	64%	3%	17%	(4)	(0%)	8	7	5
Laird	31-Dec-2011	567	103	98	5	105%	75%	1%	17%	1	0%	0	0	(0)
Lamprell	31-Dec-2011	891	0	26	(26)	0%	-	(3%)	3%	(10)	(1%)	0	0	(3)
Law Debenture Corp	31-Dec-2011	441	33	36	(3)	91%	40%	(1%)	8%	(3)	(1%)	1	1	1
Logica	31-Dec-2011	1,592	513	518	(5)	99%	80%	(0%)	33%	37	2%	11	16	6
London Stock Exchange	31-Mar-2011	2,817	282	245	38	115%	78%	1%	9%	32	1%	1	4	1
Marston	01-Oct-2011	560	369	362	7	102%	53%	1%	65%	18	3%	15	14	12
Melrose	31-Dec-2011	1,654	959	1,077	(118)	89%	64%	(7%)	65%	(26)	(2%)	29	28	28
Millennium & Cophthorne Hotels	31-Dec-2011	1,526	42	59	(18)	70%	42%	(1%)	4%	(2)	(0%)	4	3	2
Mitchells & Butlers	24-Sep-2011	1,100	1,472	1,509	(37)	98%	71%	(3%)	137%	71	6%	44	45	40
MITIE Group	31-Mar-2011	1,010	124	127	(3)	98%	23%	(0%)	13%	6	1%	8	7	8
Mondi	31-Dec-2011	2,165	270	339	(69)	80%	80%	(3%)	16%	1	0%	6	5	1
Morgan Crucible Co	01-Jan-2012	895	432	567	(135)	76%	60%	(15%)	63%	(46)	(5%)	17	16	15
National Express	31-Dec-2011	1,224	821	863	(42)	95%	39%	(3%)	71%	1	0%	26	22	11
New World Resources	31-Dec-2011	1,127	0	74	(74)	0%	-	(7%)	7%	15	1%	0	0	(4)

* as at 31 March 2012

Appendix *(continued)*

Name	Year End	Equity Market Value £m	Pension Assets £m	Pension Liabilities £m	Surplus / (Deficit) £m	Funding Level	% Bonds	Surplus / (Deficit) as % of Market Value	Liabilities as % of Market Value	Unanticipated Balance Sheet Impact £m	Balance Sheet Impact as % of Market Value	Current Funding £m	Previous Funding £m	Surplus / (Deficit) Funding £m
Northgate	30-Apr-2011	280	5	5	(0)	97%	65%	(0%)	2%	(0)	(0%)	1	0	1
Oxford Instruments	31-Mar-2011	682	173	185	(12)	94%	55%	(2%)	27%	19	3%	6	5	6
Paragon	30-Sep-2011	567	59	74	(14)	80%	42%	(3%)	13%	0	0%	4	2	2
Pennon	31-Mar-2011	2,566	454	540	(86)	84%	38%	(3%)	21%	2	0%	36	16	18
Persimmon	31-Dec-2011	1,935	333	393	(60)	85%	50%	(3%)	20%	8	0%	36	19	33
Petra Diamonds	30-Jun-2011	883	12	11	1	110%	100%	0%	1%	(2)	(0%)	0	0	(0)
Phoenix Group	31-Dec-2011	986	3,451	3,043	408	113%	87%	41%	309%	282	29%	58	85	81
Premier Farnell	29-Jan-2012	790	213	243	(30)	88%	48%	(4%)	31%	(9)	(1%)	4	4	4
Premier Oil	31-Dec-2011	2,075	18	20	(2)	91%	56%	(0%)	1%	1	0%	0	1	0
Provident Financial	31-Dec-2011	1,569	525	512	14	103%	58%	1%	33%	(37)	(2%)	10	10	3
PZ Cussons	31-May-2011	1,285	282	259	3	101%	39%	0%	20%	(5)	(0%)	7	5	14
QinetiQ	31-Mar-2011	1,042	981	1,106	(125)	89%	35%	(12%)	106%	(5)	0%	0	0	13
Rathbone Brothers	31-Dec-2011	550	109	117	(7)	94%	36%	(1%)	21%	(6)	(1%)	7	7	5
Redrow	30-Jun-2011	397	86	81	5	106%	49%	1%	20%	10	2%	1	1	(0)
Regus	31-Dec-2011	1,070	2	3	(0)	96%	87%	(0%)	0%	(0)	(0%)	0	0	0
Renishaw	30-Jun-2011	968	101	139	(38)	73%	2%	(4%)	14%	(2)	(0%)	1	0	1
Rentokil Initial	31-Mar-2011	1,545	1,274	1,149	125	111%	82%	8%	74%	135	9%	1	1	1
RIT Capital Partners	31-Dec-2011	1,891	15	15	1	103%	8%	0%	1%	(0)	(0%)	1	1	1
Rotork	31-Dec-2011	1,778	107	133	(25)	81%	48%	(1%)	7%	(11)	(1%)	5	3	3
RPC Group	31-Mar-2011	593	96	141	(46)	68%	58%	(8%)	24%	(1)	(0%)	9	6	8
Savills	31-Dec-2011	497	129	165	(36)	78%	32%	(7%)	33%	(20)	(4%)	6	6	6
Scottish Investment Trust	31-Oct-2011	556	9	11	(2)	80%	56%	(0%)	2%	(1)	(0%)	1	1	0
Segro	31-Dec-2011	1,741	179	190	(11)	94%	65%	(1%)	11%	(5)	(0%)	8	2	8
Senior	31-Dec-2011	796	221	255	(34)	87%	76%	(4%)	32%	(2)	(0%)	9	13	8
Shanks	31-Mar-2011	388	113	108	5	105%	40%	1%	28%	9	2%	3	2	2
SIG	31-Dec-2011	694	100	145	(45)	69%	50%	(6%)	21%	(22)	(3%)	5	3	3
Smith (DS)	30-Apr-2011	1,660	732	879	(148)	83%	40%	(9%)	53%	40	2%	32	17	23
Spectris	31-Dec-2011	2,079	120	133	(13)	90%	73%	(1%)	6%	(2)	(0%)	4	6	3
Spirax-Sarco Engineering	31-Dec-2011	1,622	251	323	(72)	78%	33%	(4%)	20%	(19)	(1%)	16	18	9
Spirit Communications	31-Dec-2011	1,085	151	159	(8)	95%	58%	(1%)	15%	(15)	(1%)	2	1	2
Sports Direct International	24-Apr-2011	1,656	37	53	(16)	69%	40%	(1%)	3%	2	0%	2	1	2
Stagecoach	30-Apr-2011	1,470	1,970	2,050	(80)	96%	25%	(5%)	139%	149	10%	0	0	(56)
Synergy Health	03-Apr-2011	470	44	56	(12)	78%	65%	(3%)	12%	2	0%	3	2	2
Taylor Wimpey	31-Dec-2011	1,652	1,681	1,887	(206)	89%	62%	(12%)	114%	(31)	(2%)	85	126	85
Travis Perkins	31-Dec-2011	2,589	819	864	(46)	95%	34%	(2%)	33%	(50)	(2%)	27	58	20
TUI Travel	30-Sep-2011	2,195	1,250	2,045	(795)	61%	52%	(68%)	93%	(7)	(0%)	57	96	22
Tullett Prebon	31-Dec-2011	753	184	148	36	124%	7%	5%	20%	8	1%	1	9	1
Ultra Electronics Holdings	31-Dec-2011	1,203	149	232	(83)	64%	24%	(7%)	19%	(8)	(1%)	12	5	6
United Business Media	31-Dec-2011	1,526	463	489	(26)	95%	44%	(2%)	32%	3	0%	5	5	5
Victrix	30-Sep-2011	1,131	35	41	(6)	85%	47%	(1%)	4%	1	0%	4	4	2
WH Smith	31-Aug-2011	730	785	716	69	110%	96%	9%	98%	29	4%	14	13	14
William Hill	27-Dec-2011	1,836	275	309	(34)	89%	50%	(2%)	17%	(10)	(1%)	10	14	8
Wood Group (John)	31-Dec-2011	2,647	104	133	(29)	78%	17%	(1%)	5%	(14)	(1%)	10	4	5
Yule Catto & Co	31-Dec-2011	845	204	322	(118)	63%	40%	(14%)	38%	(62)	(7%)	14	14	13

* as at 31 March 2012

JLT Pension Capital Strategies

6 Crutched Friars
London EC3N 2PH
Tel 020 7528 4892
Fax 020 7309 8330
Email solutions@jltpcs.com
Web www.jltpcs.com

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Notes

All of the analysis contained in this report is based on the IAS19 numbers disclosed in a company's most recently published annual report and accounts.

No adjustment is made for the fact that companies have applied different interpretations of IAS19 and have used different actuarial assumptions (for example, different mortality assumptions can make a significant difference to a company's pension liabilities).

No adjustment is made in the individual analysis for the fact that companies have different year-ends. Inevitably, different market conditions applying at different year-ends will affect the comparisons.

The assets and liabilities shown are the total global pension assets and liabilities, not just the UK figures.

The figures shown in this report are before adjustment for IFRIC14 (and before adjustment for any other unrecognised pension surpluses), except for Unanticipated Balance Sheet Impact, which is shown net of the change in irrecoverable surplus.

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