

Outlook

Looking to your pensions future

Winter 2011 – 2012

Welcome

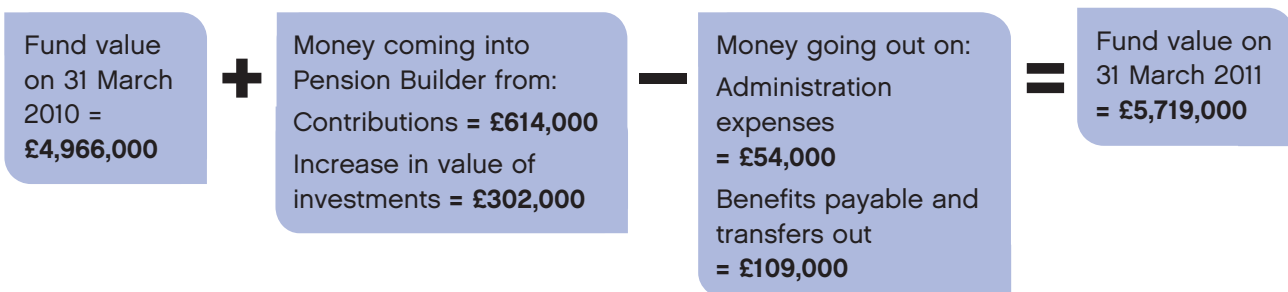
Welcome to the latest issue of Outlook, the newsletter for members of Northern Foods Pension Builder (Pension Builder). Below you will find a brief summary of the accounts for Pension Builder for the year ending 31 March 2011. Inside you can read about the recent changes to Pension Builder and news of some Government changes affecting pensions.

On pages 4 and 5, you will find the latest Funding Statement for Pension Builder. This statement includes an update from the Actuary on Pension Builder's funding position as at 31 March 2011. It also includes a reminder of the funding position as at the last actuarial valuation at 31 March 2009.



The Financials

Here is a brief summary of what has come into and gone out of Pension Builder over the year to 31 March 2011.



Investments

The Trustee's investment policy is to invest 100% of Pension Builder's assets in corporate bonds. The Trustee has appointed Legal & General as the investment manager and the assets are invested in a passively managed tracker fund. Legal & General met the target return of 6.1% for the year ended 31 March 2011.

Members' Additional Voluntary Contributions are invested with Clerical Medical.

Members

At 31 March 2011, there were 178 active members, 129 deferred members and 4 pensioners in Pension Builder. Following the closure of Pension Builder to future pension accrual, all active members became deferred members from 1 November 2011.

Jargon buster

Passively managed tracker funds aim to match the investment performance of a particular stock market index e.g. FTSE All-Share Index for UK equities. In our case, Pension Builder tracks an index of long term corporate bonds.

Recent Changes

The takeover

In early 2011, Northern Foods plc was taken over by Boparan Holdings Limited. During the takeover, the Trustee reviewed the financial strength of Boparan Holdings Limited. As Pension Builder is in surplus, there is currently no need for the Company to make additional contributions. The Trustee is satisfied, however, that the Company is strong enough to give its support to Pension Builder, should it need to in the future.

Closure of Pension Builder to future pension accrual

Pension Builder closed to future pension accrual on 31 October 2011. Active members were invited to join the 2 Sisters Pension Plan from 1 November 2011. In the 2 Sisters Pension Plan, members build up pension on a defined contribution basis. This means that the pension members build up depends on:

- the amount they and the Company pay into their individual accounts in the Plan;
- investment returns; and
- the cost of buying a pension on retirement.

The closure of Pension Builder to future pension accrual does not affect deferred and pensioner members.



Take your pension and continue working

Your Normal Pension Date in Pension Builder is the last day of the month before your 65th birthday. You can, however, take your pension at any time from age 55, with Trustee and Company consent. If you decide to retire before your Normal Pension Date, your pension will be reduced to take account of the fact that it is expected to be paid for longer.

You now also have the option to take your pension and continue working, providing the Company and the Trustee agree. This is known as flexible retirement. If you choose this option and you take your pension before your Normal Pension Date, a reduction will still apply. If you are thinking about retiring early, you should consider contacting an Independent Financial Adviser (IFA).

Changes in Legislation

Changes to State Pension Age

The State Pension Age – the earliest age you can start to receive your State Pension – is increasing to age 66.

First, women's State Pension Age will increase to age 65 between April 2016 and November 2018. Then, from December 2018, the State Pension Age for both men and women will start to increase to reach age 66 in 2020.

These changes affect you if you are:

- a woman born on or after 6 April 1953
- a man born on or after 6 December 1953

The Government proposes a further increase to age 67, though the timescale for this is not yet agreed.

To find out your State Pension Age, use the State Pension Age calculator at www.direct.gov.uk

Default retirement age abolished

Until recently, there was a default retirement age, which meant that your employer could make you retire when you reached the age of 65. The default retirement age has now been abolished. This means that, unless you received notice from your employer before 6 April 2011, you can't be made to retire at the age of 65.

Your employer can only make you retire using the default retirement age if you were aged 65 or above before 1 October 2011 and your employer has given you 6 to 12 months' notice.

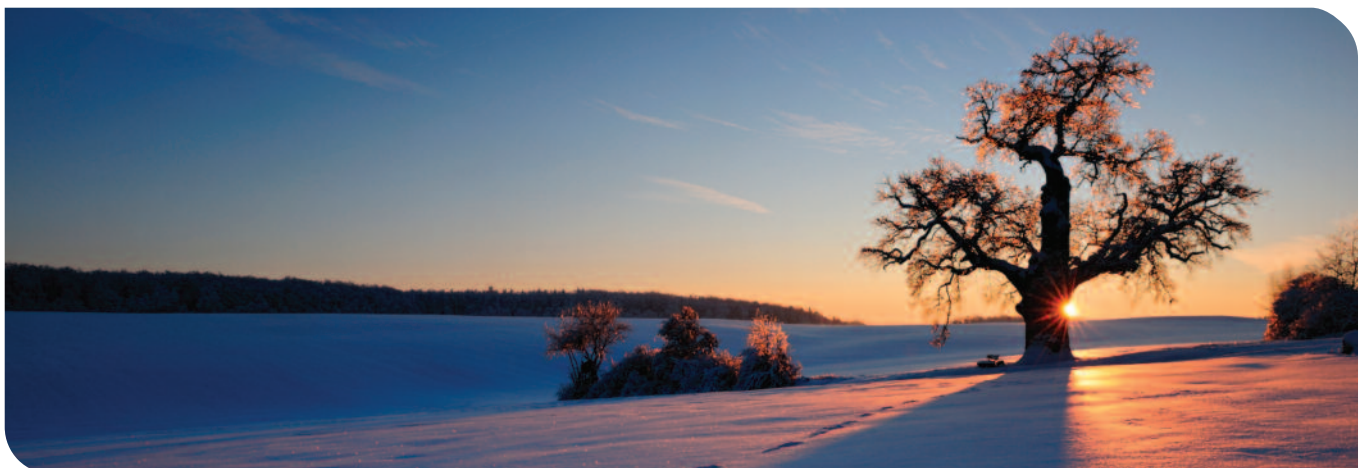
RPI to CPI

In April 2011, the Government changed the measure of inflation that can be used to increase pensions in payment and deferred pensions during the period up to retirement from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI).

This affects you if you have a deferred pension in Pension Builder.

Your deferred pension increases each year up to the date of retirement to help it keep pace with inflation. These increases will be in line with RPI for the period from the date you left Company service up to April 2011 and in line with CPI for the period after April 2011. The increases will be subject to a cap of 5% for benefits earned up to 1 May 2009 and 2.5% for benefits earned on or after 1 May 2009.

Increases to pensions in payment are not affected as the Rules of Pension Builder refer to RPI increases.



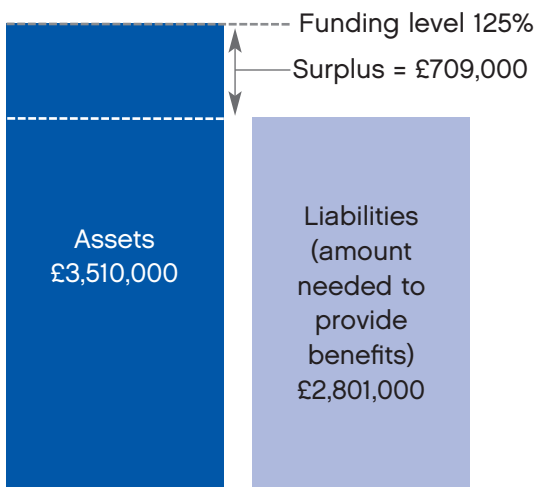
Annual Funding Statement

How is Pension Builder's financial security measured?

An actuarial valuation is carried out at least every three years to assess the financial security of Pension Builder. This valuation compares the assets of Pension Builder with its liabilities on both an ongoing and a solvency basis. If Pension Builder has fewer assets than liabilities, it is said to have a 'deficit'. If the assets are greater than the liabilities, there is said to be a 'surplus'.

What were the results of the full valuation as at 31 March 2009?

As reported in the previous Funding Statement in February 2011, the actuarial valuation of Pension Builder showed that on 31 March 2009 the funding position on an ongoing basis was as follows:



On a solvency basis, there was an estimated shortfall of £2,442,000 (which gave a funding level of 59%). This would have been the position if Pension Builder had been wound up. We are legally obliged to advise you of the solvency position but this does not mean that the Company is thinking of winding up Pension Builder.

How has the funding position changed since 31 March 2009?

The Actuary has provided an update of Pension Builder's funding position as at 31 March 2011. This showed that Pension Builder's assets had increased to £5,657,000, resulting in an improved funding level of 131%. This improved funding level on an ongoing basis was mainly due to higher than expected investment returns.

The Actuary estimated that as at 31 March 2011 the funding level on a solvency basis was 62%. This is an improvement on the estimate of solvency reported in the actuarial valuation as at 31 March 2009.

What about the next valuation?

Following each valuation, the Actuary advises the level of contributions that should be paid into Pension Builder so that we can expect to be able to continue to pay all the pensions due from Pension Builder in the future. When the valuation as at 31 March 2009 was completed, the Company agreed with the Trustee that the existing contribution rate of 7.5% of annual earnings should be maintained.

The next actuarial valuation for Pension Builder is due at 31 March 2012.

Jargon buster

Liabilities are the estimated costs of providing the benefits earned to date by all deferred members, together with any pension benefits already in payment.

Assets are the funds built up from monies invested, together with returns on Pension Builder's investments.

Ongoing basis for a valuation uses assumptions agreed between the Trustee and the Company and assumes that contributions will continue to be made.

Solvency basis for a valuation estimates the amount needed to fully secure all earned benefits from an insurance company if Northern Foods decided to stop Pension Builder.

What are the funding objectives?

Our aim is for there to be enough money in Pension Builder to pay pensions now and in the future, but this depends on the funding level and Company contributions as agreed between the Trustee and Company following the actuarial valuation. If the Company became insolvent Pension Builder would have to be wound up.

What happens if a scheme is wound up and there is not enough money to pay for all the benefits?

Pensions legislation will generally require the Company, if it is able, to make sure there is enough money in Pension Builder on winding up to meet the cost of benefits.

Additionally, the Government has set up the Pension Protection Fund (PPF) to pay benefits to members of schemes that have to be wound up if there is not enough money to cover the cost of buying all members' benefits from an insurance company.

In broad terms, the PPF aims to provide 90% of the benefits for active or deferred members, or for pensioners who have not reached the scheme's normal retirement age; 100% of the benefits for pensioners who are over the scheme's normal retirement age; and dependants' pensions of 50% of the member's pension.

The annual increases to pensions in payment provided by the PPF are lower than those of the scheme in some cases. You can find more information on the PPF's website at www.pensionprotectionfund.org.uk

Is there any other information I should be aware of?

We must tell you if the Company has taken any money out of Pension Builder, or if The Pensions Regulator has had to use its powers to intervene in the running of Pension Builder in the last 12 months and we are happy to confirm that neither of these have occurred.

We will be sending you a Funding Statement each year, so if you change address you should let the Pensions Department know so that we can update our records.

R F Boyes
Chairman, Northern Foods Trustees Limited

Your Trustees

Pension Builder is run by Northern Foods Trustees Limited. The Trustee Board is made up of nine Trustee Directors.

We are pleased to welcome two new Member Nominated Directors (MNDs) to the Trustee Board. Matthew Gribbin and Geoff Pearson have recently been selected and Andy Wadley has been re-appointed as a MND. Their term of office will run until 31 December 2016. The Trustee Directors would also like to thank Lorna Andrews, who stands down as a MND, for the significant contribution she has made to the Trustee Board over many years.

The Directors are sad to report that Stuart Kennedy who was a Trustee Director and Chairman of the Operations Committee, died on 15 October 2011. We would like to record our thanks to Stuart for his highly valued professionalism, commitment and dedication whilst a Trustee Director.

Trustee Directors

R F Boyes (Independent Chairman)
K S Derry
S Ellis
M T Gribbin*
S Imeson

V Patel
G H Pearson*
C Tomkinson
A C Wadley (Vice Chairman)*
*Nominated by members

Where can I get more information?

If you have any questions, or would like to see any of the Pension Builder documents, such as the Statement of Funding Principles, the Statement of Investment Principles or the Schedule of Contributions, please contact the Pensions Department at the following address:

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Saxon Way
Hessle
East Yorkshire
HU13 9PB

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Website: www.nfpensions.com

