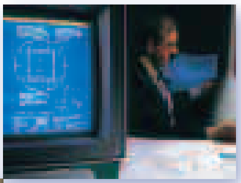


Pensions FACTS

Lafarge UK Pension Plan – Final Pay Section

a summary of the benefits

Contents

Pensions FACTS

Introduction

We all have ideas about the lifestyle we would like when we retire. Achieving this, and providing security for ourselves and our families before we retire, requires careful planning. Membership of the Lafarge UK Pension Plan can form a major part of this planning. From the moment you join the Plan, you and your family become entitled to a broad range of valuable benefits from protection in the event of ill health to an income for life after you retire. These benefits are available at a low cost to you. In addition, Lafarge backs the Plan and provides a high level of security for your benefits.

Membership of the Lafarge UK Pension Plan is available for employees of those Lafarge SA subsidiaries in the UK which participate in the Plan. It is established under trust law and is governed by a Trust Deed and Rules.

Responsibility for running the Plan rests with a Trustee Company called Lafarge UK Pension Trustees Limited, and the assets of the Plan are kept entirely separate from the assets of any of the participating companies and Lafarge SA. The Directors of the Trustee call on the expertise of a number of independent professional advisers to ensure that the highest standards are met.

This booklet describes the main provisions of the Plan which apply to members joining from 6 April 2006.

A supplementary leaflet is available for part-timers and if you fall into this category, a copy should be supplied with this booklet. However, if it is not, a copy can be obtained from the Pensions Department, Dorking.

We have included detailed information about the Plan in this booklet, but it does not cover every aspect of the Plan. Full details are contained only in the Trust Deed and Rules, which are the legal basis of the Plan. Although we have made every effort to make sure that this booklet is accurate, your benefits will always be determined by reference to the Trust Deed and Rules. A copy of these documents (which may be just the parts applicable to your benefits) can be requested from the Pensions Department.

In order to provide clear details of the benefits available from the Plan, it has been necessary to use a number of special terms. To help you, there is an explanation of these on the fold-out glossary at the back of this booklet. These terms are printed in italics where they appear in the text.

If you have any questions about the Plan or your benefit entitlement, call the Pensions Helpline. There is an answering machine in operation for callers outside office hours.

PENSIONS HELPLINE

01306 872211

Alternatively, you can write to:
The Pensions Department,
Lafarge UK Pension Plan,
Regent House,
Station Approach,
Dorking,
Surrey RH4 1TH.

April 2006

Membership

Eligibility and joining

Provided you are aged 35 or over you will be eligible to join the Plan from the first day of your employment.

You should complete an Application form and a Nomination of Beneficiary form:

- **Application form**
  You will need to complete this and return it to the Pension Department. You will also need to provide your birth certificate and, if you are married or in a civil partnership, your marriage certificate or registration of civil partnership.

- **Nomination of Beneficiary**
  You are also encouraged to complete the Nomination of Beneficiary form. This informs the Trustee of your wishes as to who you would like to receive any cash sums payable on your death. There is more information on page 14. You should send the Nomination form direct to the Pensions Department using the reply paid envelope provided.

From the moment you join the Plan you will start to build up benefits. Every year you will receive a *Pensions*REPORT. This shows the pension benefit you have accrued in the Plan based on your latest recorded rate of pay and service to date.

It also shows your expected pension at age 65 based on your latest recorded rate of pay and prospective service to *normal retirement age*.

Other pension arrangements

Personal pension or stakeholder plans

As well as joining the Plan, you may decide to start, or continue, paying into other personal pension arrangements whilst a member of the Plan.

Transferring benefits from other pension arrangements

If you were a member of the Money Purchase Section of the Lafarge UK Pension Plan, you can transfer the value of your personal account into the Final Pay Section where it will be used to provide a service credit in the Final Pay Section and extinguish your benefits in the Money Purchase Section. The service credit will be calculated on such basis as the Company determines on actuarial advice. If you make no choice your fund remains in the Money Purchase Section.

When you join the Final Pay Section the Trustee will provide you with information on how you may elect to transfer your Money Purchase benefits.

Currently, you cannot transfer benefits from any other pension arrangements into the Plan.

Allowance for overall benefits

HM Revenue & Customs sets allowances for the total value of the pension savings you can have at retirement. It may, therefore, be necessary for you to supply the Pensions Department with details of benefits you are entitled to from other pension arrangements. If so, you will be notified. Page 20 provides details of these allowances.

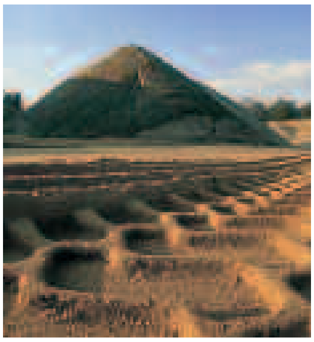
Electing not to join, or opting out at a later date

As membership of the Plan is voluntary you can choose not to join or to leave at any time. You would need to provide at least one complete calendar month's notice in writing to the Pensions Department. If you do opt out of the Plan whilst you continue to be employed by Lafarge, you will be classed as a Life Assurance member and will only be entitled to a small lump sum death benefit and your benefits on leaving (see page 15). You may apply to rejoin the Plan at a future date if your employer agrees, but this may be refused, or granted only on special terms, and only at a subsequent April.

You should bear in mind that, as well as providing a pension, the Plan also provides benefits for you and your family in the event of your ill health or death. These benefits could be expensive to replace if you chose to opt out of the Plan, and you should consider carefully how you would provide for your future security.

Part-time employees

If you are employed on a part-time basis, you are still eligible for the full range of benefits provided by the Plan. However, the calculation of your benefits will be adjusted to take account of your part-time service. The cash sum payable on death while a contributing member will always be based on your actual rate of pay at the date of death. Please see the separate leaflet at the back of this booklet for details. Further copies of this leaflet can be obtained from the Pensions Department.



Pension **FACT**

Joining is easy and the earlier you join, the more your pension will build up.

Contributions

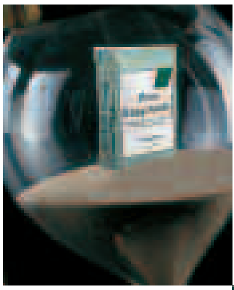
How much you pay

You pay 5% of your *pensionable pay* to the Plan.

However, the real cost to you is less than this for two important reasons:

- your contributions are deducted from your pay before tax is calculated, giving you automatic tax relief at the highest rate you pay; and
- you will normally pay lower National Insurance contributions because the Final Pay Section of the Plan is contracted-out of the State Second Pension. There is more information about this on page 18.

Your contributions continue until your *normal retirement age* or earlier retirement (or later retirement in certain circumstances) or leaving.



EXAMPLE 1

John has pay which counts for pension of £18,864 in a year. He takes away the *State pension deduction* of £4,368 (for the 2006/2007 tax year) to get his *pensionable pay* of £14,496 per year. He then calculates the real cost of his Plan membership by:

Dividing by 12 for the equivalent monthly amount	£1,208
His monthly contribution at 5% is	£60.40
Less tax relief (assumed 22%) of	£13.29
Less saving in NI contribution (assumed 1.6% of annual pay between £5,044 and £33,540 for the 2006/07 tax year) of	£18.42
So the real cost of membership each month is	£28.69

or less than 3% of his annual pay

How much your employer pays

The employers participating in the Plan pay the balance of whatever is necessary to ensure all the benefits can be provided.

The level of employer contribution is determined on the advice of the Plan's independent consulting Actuary. The Actuary carries out regular financial reviews of the Plan to ensure that the fund is sufficient to provide the benefits promised. The level of employers' contributions varies from time to time in accordance with these assessments. Over the long term, the employers' contributions are likely to be significantly more than those paid by members.

Investment of contributions

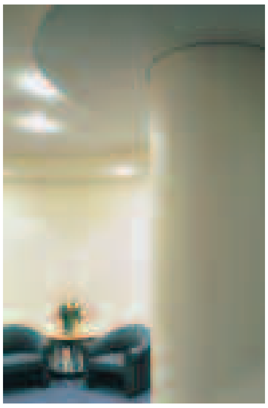
All of the contributions are paid into a trust fund which is invested to provide benefits when they fall due. This fund is administered by the Trustee Board whose Directors employ the expertise of external and internal investment managers. The trust fund is kept entirely separate from the assets of any of the participating employers and Lafarge SA. The Trustee is required to prepare audited accounts for the trust fund and to publish and keep under review a statement of investment principles covering the management of the Plan's funds.

Paying additional contributions

If you wish, you can pay additional contributions to increase your benefits. These contributions are called Additional Voluntary Contributions (AVCs) and they receive the same favourable tax treatment as your normal Plan contributions.

The total amount of AVCs you may pay into the Plan cannot exceed 10% of your *pensionable pay* each tax year. If you wish to contribute more than 10% of your *pensionable pay* you may do so, but this must be to a pension arrangement of your choosing outside the Plan.

Please turn to page 17 for more information.



Pension FACT

The Plan provides quality benefits at a low cost to you.

Benefits on retirement

Your *normal retirement age* is 65. There is, however, the facility to retire before this and further details are given on page 8.

Details of how your pension is paid and increased are given on page 10.

Your pension at normal retirement age

Your pension payable at *normal retirement age* will be a proportion of your earnings near retirement. It will be calculated as:

$$\frac{\textit{pensionable service} \times \textit{final pensionable pay}}{60}$$

You should note that HM Revenue & Customs sets allowances for the amounts of benefits which can be paid without penal recovery tax being paid. Please see page 20 for details. In addition, the amount of contributions or benefits provided by the Plan will also be governed by the *Plan limits*.

EXAMPLE 2

Alan joined the Plan on his 35th birthday and retires on his 65th birthday after he has completed 30 years' *pensionable service*. His *final pensionable pay* is £18,000 a year.

Alan's pension is:

$$\frac{30 \times £18{,}000}{60} = £9{,}000 \text{ per year}$$

Exchanging part of your pension for cash

When you retire, you may exchange part of your pension for a cash sum. This cash sum is paid free of tax under current legislation. Subject to the *Plan limits* (and any requirements of HM Revenue & Customs) you will be able to take a cash sum of broadly 25% of the total value of your pension benefits under the Plan when you retire, up to the 'lifetime allowance'. See page 20 for more details.

The amount of the lump sum shall be calculated and paid on such basis as the Principal Company and the Trustee shall agree having consulted the actuary.

The amount of pension you would have to give up in exchange for the cash sum depends on the amount of cash taken and your age at retirement. (At the date of this booklet, the rate of exchange at *normal retirement age* is approximately £10 of cash for every £1 of annual pension that is given up.) This figure will be reviewed from time to time and may change following actuarial advice.

Taking a cash sum does not affect any *spouse's* or *dependant's* pension payable on your death in retirement. These pensions will be based on the original pension which you would have received if you had not exchanged part of it for a cash sum.

EXAMPLE 3

Alan from the previous example would like to exchange one-quarter of the value of his pension for a tax-free cash sum.

The value of Alan's pension benefits under the Plan are calculated and tested against the lifetime allowance by multiplying his annual pension of £9,000 per year by a factor of 20.

£9,000 x 20 = £180,000

A broad 25% of £180,000 will allow Alan to take up to £45,000 as a tax-free cash sum.

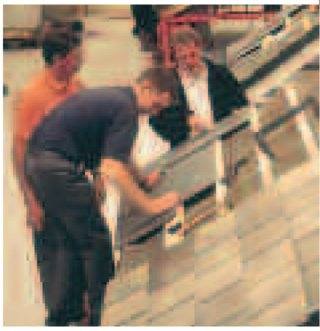
If Alan decides to take the £45,000 cash sum, his pension will be reduced by £1 for each £10 of cash. His pension will therefore be reduced by £4,500 a year.

Alan therefore takes a reduced pension of £4,500 a year, together with a tax-free cash sum of £45,000.

(This calculation is simplified to show a broad 25% maximum tax free cash sum. In fact the sum will be on a basis as the Trustee and Principal Company determine on actuarial advice.)

Additional dependant's pension option

Shortly before retirement you may, if you wish, surrender part of your pension to provide extra pension for your *spouse* or another *dependant*, on your death. Please contact the Pensions Department for full details if you are interested in this option.



Pension FACT

You could have a pension of about half your pay after 30 years' pensionable service.

Taking early retirement

You may retire before your *normal retirement age* at your own request or at your employer's request. In each case, you will normally have the option to exchange part of your pension for a tax-free cash sum. The exchange rate will vary according to your age.

Early retirement at your own request

The normal minimum pension age is 50 if you reach this age before 6 April 2010 (and choose to notify the Trustee that you wish to draw your pension before this date).

From 6 April 2010, the normal minimum pension age will be 55.

You may retire early and receive an immediate pension provided:

- you are at least the normal minimum pension age;
- your employer has given its consent; and
- you have completed at least two years' *pensionable service.*

Your pension will be calculated in the same manner as retirement at *normal retirement age* (see page 6) but:

- your completed *pensionable service* and your *final pensionable pay* at your date of early retirement will be used; and
- the pension will then be reduced because, having started earlier, it is expected to be payable for a longer period. A reduction will be made for each year (and complete months in proportion) by which your retirement precedes normal retirement. The details of this calculation are subject to change and will be confirmed to you at the relevant time.

Currently an early retirement reduction factor of 4% per year will be applied for each year between your date of retirement and age 65.

Supplement to State retirement age

When your pension is calculated, the *State pension deduction* reduces your pension to take account of the fact that you will receive a State basic pension. However, as your State basic pension is not paid until your *State retirement age*, the Plan will pay you a supplementary pension until your *State retirement age* (or death if earlier).

EXAMPLE 4

Susan has her employer's agreement to retire three years early at age 62, having completed 30 years' *pensionable service*. Her *final pensionable pay* at her early retirement date is £16,000.

Her pension is calculated in two stages:

First, calculate the pension based on *final pensionable pay* and *pensionable service* at Susan's retirement date:

$$\frac{30 \times £16{,}000}{60} = £8{,}000 \text{ per year}$$

Then calculate the reduction in pension of 4% for each of the three years she is retiring before her *normal retirement age:*

4% x 3 = 12%

12% x £8,000 = £960 per year

So Susan's early retirement pension is:

£8,000 – £960 = £7,040 per year

Subject to *Plan limits* and *HM Revenue & Customs* rules, it may be possible to exchange part of the pension for a tax-free cash sum.

A supplement of £1,921 per year would also be paid until *State retirement age*, when Susan will start to receive the State basic pension (see above).

Early retirement at your employer's request

If you are over the normal minimum pension age (see page 8) and have completed at least two years' *pensionable service* and retire early at the request of your employer, your pension will be calculated as for early retirement at your own request. However, in these circumstances, your employer may ask the Trustee to waive all or part (depending on your age at early retirement) of the actuarial reduction factor that would normally apply.

Flexible retirement while continuing to work

If you are thinking of taking flexible retirement (drawing a pension while remaining in service with the Company) you should approach your HR Department to discuss whether this option will be available to you (as it requires both Company and Trustee consent and is only available in certain circumstances).

Early retirement due to ill health or disability

If you are unable to continue working because of ill health or disability you may, with the consent of your employer and at the discretion of the Trustee, be entitled to an immediate pension. Before granting a pension, the Trustee will obtain independent medical advice to confirm that your condition renders you incapable of working. The Trustee reserves the right to reduce or cease the pension if there is an improvement in your health.

If you are deemed to be totally incapacitated, this pension will be based on your *final pensionable pay* at the date of early retirement and the full period of *pensionable service* you would have completed if you had continued working to *normal retirement age*. No reduction for early payment will be made. The pension is calculated as:

$$\frac{\textbf{potential pensionable service} \times \textbf{final pensionable pay}}{60}$$

If you are deemed to be only partially incapacitated, a lower pension may be payable at the discretion of the Trustee.

EXAMPLE 5

Graham has to retire on grounds of total incapacity when he is 42 years old. His *final pensionable pay* is £13,500 per year.

He has completed five years' *pensionable service* and could have completed another 23 years if he had worked until he was 65 making a total of 28 years. So his ill-health pension, based on 28 years of potential *pensionable service*, is:

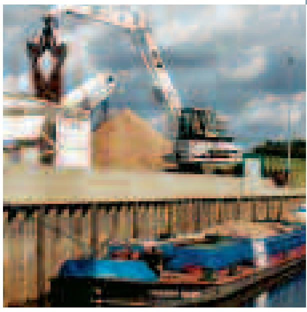
$$\frac{28 \times £13{,}500}{60} = £6{,}300 \text{ per year}$$

Subject to *Plan limits* and *HM Revenue & Customs rules*, it may be possible to exchange part of the pension for a tax-free cash sum.

Late retirement option

You may agree with your Employer to continue working after your *normal retirement age*. How your pension will be treated will depend on the terms of your employment agreed with your employer. Further details of the options open to you will be provided on request to your HR Manager.

You must draw your pension by age 75.



Payment of pensions and pension increases

Payment of pension

Your pension will be paid monthly in arrears for the rest of your life. PAYE tax will be deducted before payment in the same way as it is for your earnings now.

Increases in payment

Once in payment the Trustee will review your pension in April each year. The Trustee must increase your pension by 5% per year or, if less, the rise in the Retail Prices Index during the 12-month period to December of the previous year.

Increases above this amount may also be granted by the Trustee from time to time with the agreement of the Company.

Pension FACT

Pensions are guaranteed to increase each year.

Death benefits

The benefits payable on your death depend on whether you are:

- a contributing member;
- a pensioner;
- a pensioner who retired early due to ill health or disability; or
- a former member with deferred benefits.

This section deals with the first three cases. Please turn to page 16 for details of the death benefits payable if you die after leaving the Plan but before your pension commences.

For further information on the payment of death benefits, please turn to page 14.

Death as a contributing member

If you should die before your *normal retirement age* while a contributing member of the Plan, the following benefits are payable:

Cash sum

A cash sum will be paid of four times your *death benefit pay* at the date of your death.

Spouse's or dependant's pension

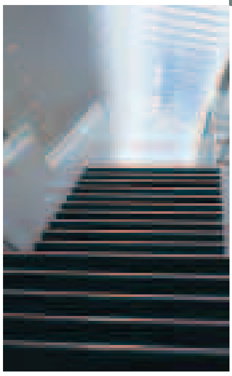
Your *spouse* or *dependant* will receive a pension of the higher of:

- 25% of your *death benefit pay* reduced by the *State pension deduction* for the period in question at date of death, and
- 50% of the pension you would have received at *normal retirement age*, based on your *death benefit pay* (reduced by the *State pension deduction*) at the date of death and the full period of *pensionable service* you would have completed if you had continued working to *normal retirement age*.

Children's pensions

Annual pensions are paid for up to three of your children while they are under age 18 (or under 23 if in full-time education or vocational training). The pensions for the first two children will be doubled if no *spouse's* or *dependant's* pension is payable.

Each child's pension is equal to 50% of the *spouse's* or *dependant's* pension.



EXAMPLE 6

Anne dies in service when she is 40 years old leaving a widower and two children. She has completed four years' *pensionable service* and would, therefore, have completed 29 years in total by the age of 65.

Anne's basic pay when she dies is £16,000, and the additional pay on which she paid contributions over the last year is £800. Her *death benefit pay* when she dies is £16,800. The *State pension deduction* is £4,368 per year. The benefits payable are:

A cash sum of:

4 x £16,000 plus 4 x £800 = £67,200

A *spouse's* or *dependant's* pension of the greater of:

25% x £12,432 = £3,108 per year

and

$$50\% \times \frac{29 \times £12{,}432}{60} = £3{,}004 \text{ per year}$$

So a *spouse's* or *dependant's* pension will be paid of:

£3,108 per year

An allowance for each child of:

50% x £3,108 = £1,554 per year

Pension **FACT**

There is valuable protection for your family if you die in service.

Death as a pensioner

On your death in retirement, the following benefits are payable:

Cash sum

If you die within five years of retirement, a cash sum equal to the monthly pension payments that would have been made to you during the balance of the five year period (at the rate payable immediately before death, making no allowance for pension increases). No other cash benefit is payable on the death of a pensioner other than on the death of a pensioner in receipt of a pension granted on ill health (see right).

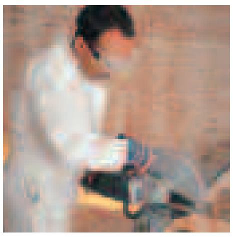
Spouse's or Dependant's pension

Your *spouse* or *dependant* will receive a pension of 50% of the pension you were due at your retirement (ignoring any reduction made at retirement for exchanging part of your pension for a cash sum) plus any increases awarded since retirement.

Children's pension

Children's pensions will also be paid for up to two children while they are under age 18 (or under 23 if in full-time education or vocational training). The pension will be doubled if no *spouse's* or *dependant's* pension is payable.

Each pension is equal to 50% of the *spouse's* or *dependant's* pension.



EXAMPLE 7

Neil is receiving a pension of £7,875 per year when he dies two years after he retired. When he retired, his pension (before he exchanged any of it for a cash sum) was £10,500 per year. This amount would have increased to £11,140 per year by the time he died. The benefits payable are:

A cash sum of the balance of pension payments during the balance of the five year period – ie three years' pension payments:
£7,875 x 3 = £23,625

A *spouse's* or *dependant's* pension of:
50% x £11,140 = £5,570 per year

Death after early retirement due to ill health

On death before *normal retirement age* while in receipt of an ill-health early retirement pension, the following cash sum will be payable instead of the cash sum described in the previous column.

Cash sum

The cash sum paid will be four times your *death benefit pay* at the time of your ill-health early retirement which will be increased by the greater of:

- the cumulative increases applied to pensions in payment each year since your early retirement; and
- cumulative increases of 3% each year.

From this, the amount of any cash sum taken on ill-health early retirement in exchange for pension will be deducted.

The same *spouse's* or *dependant's* pension and children's pensions would be paid as described in the left-hand column on page 13.

Payment of benefits

Cash sums payable on death

The Trustee has discretion to pay any cash sum due to anyone nominated by you, or to one or more of your relatives or *dependants*, or to your estate. The Trustee will take account of your wishes as stated on your Nomination of Beneficiary form, but is not bound by them. By making payment in this way under a discretionary trust, the cash sum is not liable for Inheritance Tax under current legislation.

Remember, if your wishes change, you will need to fill out a new Nomination of Beneficiary form (available from the Pensions Department, the pensions website or your HR Department).

Spouse's or dependant's pension and children's pensions

The *spouse's* or *dependant's* pension is payable for life. It will be paid in the same way as a normal retirement pension and PAYE tax will be deducted before payment.

If someone other than your *spouse* has been financially dependent on you, the Trustee has discretion to pay that *dependant* all or some of the *spouse's* pension.

Unless you die in service, the pension for your *spouse* or *dependant* will be reduced if he or she is more than ten years younger than you. This is to allow for the fact that the pension is likely to be paid over a longer period than usual. The reduction will be 2% or such other amount not exceeding 2.5% as the Trustee (after consulting the actuary) decides for each complete year in excess of ten, with a maximum reduction of 50%.

All pensions will increase each year as described on page 10.

Pension
FACT

Cash sums on death are usually tax free.

Leaving benefits

Contributory membership of the Plan ends automatically on leaving employment, or if you opt out of the Plan (as explained on page 3).

Options on leaving employment

The options open to you depend on how long you have been in the Plan:

Less than three months' pensionable service – refund

If you have completed less than three months' *pensionable service* when you leave, you will be reinstated in the State Second Pension. The Trustee has, therefore, to pay back a premium representing the saving in National Insurance contributions which was enjoyed because the Plan is contracted-out of the State Second Pension (see page 18). If your contributions to the Plan are greater than your share of this premium, you will receive a refund of contributions equal to the difference between the two amounts, less tax, currently at the rate of 20%.

Between three months' and two years' pensionable service – limited transfer value option

If you have more than three months but less than two years of *pensionable service*, you will have the option to take a refund of your contributions (less tax at 20%) or, at your instruction, to transfer the value of your pension (less any administrative costs) to another arrangement that is capable and willing to accept the transfer value. Unless an instruction to transfer, which is capable of being actioned, is received within a reasonable period, you will automatically be sent your net refund (see above).

Two or more years' pensionable service – deferred pension or transfer value option

You can either leave your benefits in the Plan to be paid when you retire (a deferred pension) or you can ask that a transfer payment be made to another pension arrangement (a *registered pension scheme*) of your choice:

- **Deferred pension**

  If you have completed two or more years' *pensionable service* on leaving, you will be entitled to a pension which will be paid when you retire. This is known as a deferred pension and will be calculated as for normal retirement except that it will be based on:

  - your completed *pensionable service* at the date you leave, and
  - the highest of:
    - your annual rate of basic pay when you leave, less the *State pension deduction*, plus any additional pay on which you have paid contributions in the twelve months before you leave
    - your *pensionable pay* in the tax year before you leave
    - the average of your highest three tax years' *pensionable pay* in the last ten years before you leave.

  During the period between leaving and drawing your pension, your deferred benefits will be increased in accordance with statutory revaluation requirements. The effect of these requirements is broadly to increase your pension at the rate of 5% each year or, if less, the rise in the Retail Prices Index during the 12-month period to December of the previous year. Once it is being paid, your pension will be increased as described on page 10.

- **Transfer**

  As an alternative to a deferred pension, you may transfer the value of your benefits (your "cash equivalent") to the scheme of your new employer or to another *registered pension scheme* provided such a plan is willing and able to accept it. The cash equivalent will be calculated in accordance with statutory methods and principles and will take account of any relevant customary discretionary pension increases under the Plan. Because of the way cash equivalents are calculated, the amount can vary from time to time.

  Once you become a deferred pensioner, you may ask for a statement of your deferred pension entitlement and your cash equivalent transfer value once a year. This will normally be provided within three months. If you decide to go ahead with the transfer within three months of the "guarantee date" shown in the statement, the cash equivalent is guaranteed not to change. A transfer payment would normally be made within six months of the guarantee date.

Opting out of the Plan

If you choose to leave the Plan while still employed, you will need to complete an Opt Out form, your contributions will cease and you will not build up any more *pensionable service*. You will have the same options as any other Plan leaver, namely:

If you have completed less than three months' *pensionable service*, you will receive a refund of your net contributions and be reinstated in the State Second Pension as described on page 15.

If you have completed more than three months' but less than two years' pensionable service you will have the limited transfer value option on page 15 or a refund of your net contributions.

If you have two years' or more *pensionable service:*

- retaining deferred benefits in the Plan; or
- transferring the value of your deferred benefits to another pension arrangement;

You may apply to rejoin the Plan at a future date if your employer agrees, but this may be refused, or granted only on special terms.

Death as a deferred pensioner

If you leave the Plan and you then die before your deferred pension becomes payable, your *spouse* or *dependant* will receive a pension of 50% of your own pension entitlement at the date of your death. In addition, allowances of 25% of the deferred pension will be paid to up to two of your children. These allowances are doubled if no *spouse's* or *dependant's* pension is payable. If you do not have a spouse or children, a cash sum equal to your contributions plus an adjustment will be paid in the manner described on page 14 (under cash sums payable on death).

Keeping us informed

It is important that you keep the Pensions Department informed of any changes to your name and address, particularly after you have left employment (see page 1).

Additional voluntary contributions

Increasing your benefits

You may, if you wish, pay extra contributions to the Plan. These contributions are known as Additional Voluntary Contributions, or AVCs.

AVCs are, for many people, an excellent means of saving for retirement and can be used towards the tax-free cash sum you can take at retirement.

How AVCs work

You choose how much you want to pay and you can vary the amount as your circumstances change. Your AVCs build up in an AVC account. The AVCs deducted from your pay will be paid to the Trustee to build up in an individual AVC account with an AVC provider chosen by the Trustee. At your retirement your AVC fund is used towards the tax-free cash sum you may take or you could buy an annuity on the open market.

Advantages of AVCs

Just like ordinary contributions, AVCs are deducted from your pay before income tax is deducted, so you automatically benefit from tax relief at the highest rate you pay. Also, there is some tax relief on the build up of your AVC fund. These two features make AVCs an attractive means of saving for retirement, although you must remember that you cannot use your AVCs before retirement.

As an alternative to paying AVCs through the Plan, you can pay contributions (at the same time as being a contributing member of the Plan) to any other *registered pension scheme*. These include stakeholder, personal pension or Free-Standing AVC arrangements. You will have to make your own arrangements for obtaining tax relief, consider the charges levied and monitor the build-up of your fund yourself. If this option interests you, please take independent financial advice on your own circumstances.

Limits on AVCs

You can contribute AVCs of up to 10% of your pensionable pay towards the pension benefits you can build up in the Plan.

If you wish to contribute more than 10% of your *pensionable pay* you may do so, but to a pension arrangement of your choosing outside of the Plan (see above).

Further information on AVCs

Further details are available in a separate leaflet called *Pensions*PLUS. Please contact the Pensions Department for a copy of the leaflet or if you have any questions.

State pensions

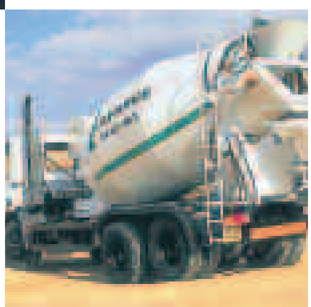
State retirement pensions

The State currently provides retirement income from *State retirement age* through two separate arrangements:

State Basic Pension

The State Basic Pension is a flat-rate pension payable to everyone who has paid sufficient National Insurance contributions during the course of their working life. The amount paid is related to their record of contributions. This pension is paid from *State retirement age* and is increased each year in line with the rise in the Retail Prices Index.

As a member of the Final Pay Section of the Lafarge UK Pension Plan, you will receive the State Basic Pension **in addition** to your Plan benefits.



State Second Pension

The State Second Pension (S2P) provides a pension which builds up in relation to earnings in a band between two limits. These limits are used in determining the amount of National Insurance contributions paid.

You **will not earn** an S2P pension during your membership of the Final Pay Section of the Lafarge UK Pension Plan because the Final Pay Section is contracted-out of S2P.

Contracting-out

In order to contract-out of S2P, the Plan's Actuary has to certify that the Plan satisfies a "Statutory standard". To satisfy the standard, the Plan must provide a broad minimum level of benefits for members and spouses/civil partners.

As a result of contracting-out, you will not build up a S2P pension while a contributing member of the Plan, but you and your employer pay a lower rate of National Insurance contributions.

General information

Trustee arrangements

The Trustee of the Plan is Lafarge UK Pension Trustees Limited. The Trustee Company is owned by its eleven Directors. Lafarge SA appoints, and has the power to remove, five of them, called Employer Directors, and to select the Independent Chairman. Lafarge can appoint anyone as an Employer Director, although at least three of the Employer Directors must be members of the Plan. The Chairman, however, must not be an employee of, or have any financial interest in, the Lafarge Group.

The elected representatives on the Pensions Consultative Council appoint the other five Directors, called PCC Directors. Active and deferred members and pensioners elect representatives on to the Pensions Consultative Council in accordance with its constitution.

Three PCC Directors are active members of the Plan and two PCC Directors are pensioners. PCC Directors normally serve three-year terms and are eligible for re-election. The Trustee Company can remove a PCC Director but not if all the PCC Directors vote against the motion to remove one of them.

All the Trustee Directors have the same responsibilities (eg to act in the best interests of the full Plan membership) although the Chairman has a casting vote. In addition, certain powers have been delegated to sub committees of the Board. A quorum for the Trustee Company is two PCC Directors and two Employer Directors.

Amendment or winding-up

It is intended that the Plan should continue indefinitely. However, Lafarge reserves the right to stop or amend the Plan in the light of changing conditions. The Trustee, with the consent of Lafarge, may also amend the Plan. In the event of the Plan being discontinued, your benefits would be secured out of the Plan's assets in accordance with the Trust Deed and Rules and overriding legislation.

Assignment of benefits

You may not assign any of your future benefits under the Plan to obtain cash payments or as security for loans.

Temporary absence

If you are temporarily absent from work through illness or accident, your *pensionable service* may be maintained with the agreement of the Trustee and your employer. Special provisions apply for women on maternity leave, adoption leave, parental leave and paternity leave and you should contact the Pensions Department if you require further details. In cases of temporary absence for any other reason, your position will depend on individual circumstances.

Further information

Tax advantages

The Plan is a *registered pension scheme* under the Finance Act 2004. Under current regulations, this means that:

- contributions are deducted from your pay before tax;
- cash sums payable on retirement or death are not subject to tax (unless they are over the lifetime allowance); and
- the build-up of the Plan's investments attracts some favourable tax treatment.

However, it also means that:

- pensions in payment are treated as earned income and taxed under the PAYE system; and
- the Trustee is liable to deduct tax on refunds of contributions.

HM Revenue & Customs – Allowances

In addition, HM Revenue & Customs also sets allowances for the amounts of benefits and contributions which can be paid. These allowances, which apply to the Plan, include an 'annual allowance' and a 'lifetime allowance'.

The annual allowance is the amount your pension benefits can increase in value each tax year. The annual allowance will start at £215,000 in April 2006, rising to £255,000 by 2010, when it will be reviewed and set for a further five years. Any pension benefit increase in excess of the annual allowance will be subject to tax payable by you.

The lifetime allowance is the total value of pension savings you can have at retirement. This will include your Plan benefits and pension benefits from all other sources except the State. The lifetime allowance will be £1.5 million as at 6 April 2006, rising in specified steps to £1.8 million by 2010, when it will be reviewed and set for a further five years. As with the annual allowance, the total value of your benefits can exceed the lifetime allowance. However, tax will be charged on any excess.

Where to find out more

Additional information

The booklet and the supplementary leaflets are part of a package of pensions communication designed to keep you informed about all aspects of the Plan. The following items of communication are issued automatically:

- A newsletter about the Plan and wider pension issues, normally issued twice each year.
- *Pensions*REPORT, an annual benefits statement which shows how your benefits are building up. If you pay AVCs, you will also receive a statement about your AVC fund.
- *Pensions*CHOICE, a leaflet issued to all new employees setting the Plan in the wider context of pension provision.

The following items are available to you by contacting the Pensions Department:

- *Pensions*FACTS – Money Purchase Section, a booklet explaining the benefits available under the Money Purchase Section of the Lafarge UK Pension Plan.

- *Pensions*PLUS, a guide to the Additional Voluntary Contributions (AVC) Plan.
- *Pensions*INVESTMENT CHOICES, a leaflet issued to all new employees considering membership of the Money Purchase Section of the Plan and those considering payment of AVCs. This leaflet gives details of the investment options available.
- *Pensioners Contact* LINK, a leaflet about the service provided by the Plan to retired employees.

You can find most of these documents on our pensions website, along with the latest news from the Plan, and all the forms and contact details you are likely to need while you are a member. The address is www.lafargeukpensions.com

In addition you may, while you are a contributing member, request an estimate of what your cash equivalent would be if you were to leave the Plan (see page 16). You can do this once a year and will be provided with the information within three months of your request.

Plan documentation

The booklet and leaflets summarise the main provisions of the Plan. They do not cover every aspect and you can ask to see (and in some cases have your own copy of) the following by applying to the Pensions Department:

- The parts of the full Trust Deed and Rules applicable to your benefits
- latest Actuarial Valuation
- formal Annual Trustee Report and Accounts
- Trustee's Statement of Investment Principles
- Trustee's Statement of Funding Principles
- Internal Disputes Resolution Procedure.

A small charge may be made for the provision of certain documents.

Data Protection Act

The Trustee and your employer have both a legal obligation and a legitimate interest in recording and processing data relating to you for the purpose of administering and operating the Plan and paying benefits under it. This may include passing on data about you to the Plan's actuary, auditor, administrator and such other third parties as may be necessary for the administration and operation of the Plan.

The Trustee and your employer from time to time are regarded as "Data Controllers" (for the purposes of the Data Protection Act 1998) in relation to the data processing referred to above. The Trustee can be contacted at the address on page 1.

By applying to join the Plan, you will have given your consent to the holding and use of data, in respect of yourself, to pay and administer benefits.

Help and assistance

Disputes Resolution Procedure

Complaints or disputes about any aspect of the Plan are normally resolved quickly and informally. However, if unusually this is not the case, the Trustee has put in place a formal internal procedure for the resolution of disputes between Plan beneficiaries and the Trustee.

For full details of the formal internal procedure for the resolution of complaints or disputes, please contact: the Pensions Department, Lafarge UK Pension Plan, Regent House, Station Approach, Dorking, Surrey RH4 1TH.

TPAS (The Pensions Advisory Service)

TPAS is available to assist members and other beneficiaries of the Plan in connection with difficulties which they have failed to resolve with the Trustee through the internal dispute procedure.

TPAS can be contacted at:

11 Belgrave Road, London SW1V 1RB.

Telephone number: 0845 601 2923.

Pensions Ombudsman

Where a complaint or dispute cannot be resolved either through the internal dispute procedure or by TPAS, an application can be made to the Pensions Ombudsman who has the power to investigate and determine complaints or disputes of fact or law involving occupational pension schemes.

The address is the same as for TPAS.

Telephone number: 020 7834 9144.

The Pensions Regulator

The Regulator has a wide range of powers and is able to intervene in the running of pension schemes where trustees, employers or professional advisers have failed in their duties. The Regulator may be contacted at:

Napier House, Trafalgar Place, Brighton, East Sussex BN1 4DW.

Telephone number: 0870 6063636.

The Pension Tracing Service

The Pensions Regulator also provides members (and their dependants) with details of how to contact any previous employer's pension scheme. To trace a benefit entitlement with a former employer's scheme, please contact the Regulator at the above address:

The Pension Protection Fund (PPF)

The PPF is a compulsory insurance arrangement that the Government has set up to provide additional security for members of defined benefit pension plans. This includes members of the Final Pay Section of the Lafarge UK Pension Plan.

The PPF aims to make sure that if a plan's sponsoring company becomes insolvent and there are insufficient assets in the plan, members receive at least a minimum level of benefit. Broadly speaking, members who have reached their plan's normal retirement age will receive 100% of their pension benefits. Meanwhile members who have yet to reach normal retirement age will receive 90% of the pension benefits they have built up.

There are other areas where the PPF would provide a different level of benefit to that which members would have expected to receive through their scheme.

For example:

- there is a cap of approximately £25,000 a year on the pension and cash sum the PPF would pay to an individual member who is under their scheme's normal retirement age;
- the PPF would also provide a lower level of coverage when it comes to pension increases; and
- the Spouse's pension will be based on 50% of the benefit the PPF provides to the member.

All schemes with defined benefit sections pay a levy to the PPF.

Keeping the Pensions Department informed

During your membership of the Lafarge UK Pension Plan, it is important that you keep the Pensions Department informed of any change in your circumstances (for example, if you change address or get married) and that you keep your Nomination of Beneficiary form up to date.

Forms and information can be obtained from the pensions website. The address is www.lafargeukpensions.com

Call the Pensions Helpline on 01306 872211.

Or, write to:
The Pensions Department,
Lafarge UK Pension Plan,
Regent House,
Station Approach,
Dorking,
Surrey RH4 1TH.

Pensions TERMS

A number of special terms are used in this booklet. They are explained overleaf, on page 26, in alphabetical order and appear in *italics* wherever they appear in the text.

Explanation of terms used

Company service

This is the number of completed years and months that you have been an employee of the Company.

Death benefit pay

This is the greatest of:

- your basic pay plus additional earnings;
- your *pensionable pay* plus *State pension deduction* for the last tax year; and
- the average of your *pensionable pay* plus *State pension deduction* of the best three of the last ten tax years.

Final pensionable pay

This is the highest of:

- your *pensionable pay* received in the last year of your *pensionable service*
- your *pensionable pay* in the last tax year before you retire or leave the Plan
- the average of your highest three tax years' *pensionable pay* in the last ten years before you retire or leave the Plan.

HM Revenue & Customs rules

Means the overriding legislation on the taxation and payment of benefits and contributions as it applies to the Plan.

Normal retirement age

This is 65 for men and women.

Pensionable pay

This is your total weekly or monthly pay less the *State pension deduction*. Certain allowances including overseas allowance, moving house allowance, own car allowance and holiday pay on leaving are not counted as *pensionable pay*.

Pensionable service

This is the number of completed years and months of your contributory membership of the Plan. It includes any period credited and notified to you in respect of a transfer of rights from another pension plan.

Plan limits

These are limits on the benefits and contributions that are payable under the Plan (as set out in the Plan's Trust Deed and Rules).

Registered pension scheme

This is a pensions vehicle which is approved under Chapter 2 Part 4 of the Finance Act 2004.

Spouse or dependant

This person, or persons, is normally your spouse, civil partner or partner. However, anyone you support financially may, if proven to the satisfaction of the Trustee, be a dependant.

State pension deduction

This is a weekly or monthly amount approximately equal to the State Basic Pension for a single person.

State retirement age

This is 65 except for women born before 6 April 1950 when it is age 60. For women born between 6 April 1950 and 5 April 1955, *State retirement age* increases on a sliding scale between 60 and 65.

Issued by : The Pensions Department, Lafarge UK Pension Plan,
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