LONDON & SCANDINAVIAN METALLURGICAL CO LIMITED

RETIREMENT BENEFITS PLAN

EXPLANATORY BOOKLET

Revised and Updated

April 2002

INTRODUCTION

The London & Scandinavian Metallurgical Co Limited Retirement Benefits Plan (the "Plan") is a Plan designed to provide you with a pension in retirement. It is a Plan of the type known as a "Final Salary plan". What this means is that your pension will be related to the level of salary you were receiving just before retirement. If you join the Plan, you will make a contribution related to monthly salary and the Company will pay the balance of cost required to finance the benefits.

The Plan was established in accordance with the Income and Corporation Taxes Act 1988 as a Trust and is administered by Trustees. There are three Trustees appointed by the Company, one of whom is elected by ballot of the active members. The method employed by the Company to appoint the Trustees complies with the requirements of the Pensions Act 1995. The Plan is governed by a Trust Deed which includes the Rules by which all the benefits and contributions are calculated.

The booklet is in two parts :-

Part 1 - **An Outline of the Plan - designed to show the benefits at a glance.**

Part 2 - **The Details - a full description of the benefits, terms and conditions which apply.**

Please study this booklet carefully. **You should note that this is an explanatory booklet for guidance only and that the Trust Deed and Rules are the legal base of the Plan. At the end of the booklet you will find the forms to be completed, whether you decide to join or not. If you need assistance, please contact either the Trustees, the Personnel Manager or Payroll Department.**

PART 1

OUTLINE

Who Can Join?

All permanent employees who are aged 45 or over who joined the Company before 6 April 2002.

If you joined the Company on or after 6 April 2002 you may join the Retirement Benefits Plan or the Capital Accumulation Plan on the first Anniversary Date that you are eligible. If you elect to join the Capital Accumulation Plan you may, within the twelve month period following this election, choose to join the Retirement Benefits Plan on the 6 April following electing to join the Capital Accumulation Plan, provided that you agree to pay contributions at the Retirement Benefits Plan level back to the date that you joined the Capital Accumulation Plan. If you do not take this opportunity to join, your next opportunity to switch from the CAP to the RBP will be at age 45. If you switch to the RBP at age 45, you will receive full credit under the RBP formula for your Plan Service in the CAP so that on retirement you will be treated as though you had been in the RBP right from the start of your Pensionable Service. Note, however, that periods of unpaid leave during which an employee does not pay contributions to the CAP cannot count towards Pensionable Service in the RBP.

When Can I Join?

At any 6th April. If you do not join when you first become normally eligible you may only join subsequently with the Company's consent.

How Much Do I Pay?

Your normal contribution is 5% of your Pensionable Salary, and this will receive full relief from income tax under current tax legislation.

How Much Does The Company Pay?

The Company pays the balance of the Plan's costs.

Can I Pay More?

Yes, you may make Additional Voluntary Contributions (AVCs) which are a tax-efficient way of increasing your benefits.

When Do I Retire?

Normal Retirement Date is your 65th birthday.

Can I Retire Earlier?

Yes, the Plan has favourable provisions if you retire early.

What Are The Benefits?

- An increasing pension for life.
- Attractive early retirement options.
- A pension for your spouse on your death after retirement.
- A substantial lump sum if you die in service.
- Pensions for your spouse and children on your death whilst in company service.

How Much Pension Do I Get?

A pension at Normal Retirement calculated as 1/60th of your Final Pensionable Salary for each year of Plan Membership, INCLUDING any service prior to the option age as a member of the Capital Accumulation Plan, less an allowance for the State Earnings Related Pension Scheme (SERPS) and/or the Second State Pension which replaces the SERPS with effect from 6 April 2002.

What About Earlier Retirement?

The same pension is calculated based on completed service reduced to take account of earlier payment. A Temporary Pension is also payable to cover the period up to State Pension Age, when the State pension becomes payable.

Will My Pension Increase?

Yes. All pensions payable from the Plan are guaranteed to increase at 5% per annum compound for service up to 31 December 1999 and in accordance with **Limited Price Indexation** (**LPI**) for subsequent service, subject to any restrictions imposed by the Inland Revenue.

What is Payable If I Die After Retirement?

A pension to your wife or husband equal to 50% of your own pension.

What is Payable If I Die in Service?

On death before retirement a pension for your family ranging from 25% to 45% of your Salary is payable - the exact amount depending on your family circumstances.

> PLUS
> A lump sum equal to four times your Salary.
>
> PLUS
> A return of your own contributions to the Plan (including any contributions made to the Capital Accumulation Plan, where applicable).

What If I Leave?

With two or more years' membership you will remain entitled to the pension you have earned in the Plan. Your pension will be revalued annually to take account of inflation (up to an overall maximum of 5% per annum) right through to your actual retirement date and thereafter during payment at 5% per annum for service to 31 December 1999 and in accordance with **LPI** for subsequent service.

With less than two years' membership you will receive a refund of your **own** contributions less tax, currently at the rate of 20%.

What Happens to the Contributions?

The Plan is set up under a trust managed by Trustees. The contributions are paid into the Trust and are invested by the Fund Managers on behalf of the Trustees. All investments are completely separate from the Company's assets.

What About State Benefits?

The Plan is **<u>NOT</u>** contracted-out of the State Earnings Related Pension Scheme (SERPS) or the Second State Pension which replaces SERPS with effect from 6 April 2002. Members paying full rate National Insurance contributions will receive, from State Pension Age, full State benefits in addition to those from the Plan.

Can I Transfer My Benefits from Other Pension Sources into the Plan?

You may, with the consent of the Trustees, be able to transfer the cash equivalent of some or all of your benefits from previous pension arrangements (e.g. from a previous employer's pension scheme). The benefits awarded to you from the transfer will be on a money purchase basis. You should ask the Payroll Department for further details.

More Information

- Part 2 of this booklet gives details of all aspects of the Plan.
- If you were a member of the previous Company Plan, special terms apply to you. You should read this booklet in conjunction with the special announcements and notices given to you previously.
- Each year you will receive a personal statement showing your anticipated benefits from the Plan.
- Each year you will receive a summary of the Trustees' Report and Financial Statements.

PART 2

THE DETAILS

DEFINITIONS

In this booklet a number of terms are used which have specific meanings :

Anniversary Date

Means 6th April in any year.

Covered Earnings

Earnings between the Lower Earnings Limit and the Upper Earnings Limit.

Final Pensionable Salary

Is your total gross earnings (less any gratuities) in the last twelve months before retirement, less the **Lower Earnings Limit**;

OR

If higher, the average of the highest three consecutive Pensionable Salaries in the last ten years before retirement.

Former Plans

Are any of the following Company Plans:

Capital Accumulation Plan ("CAP").

Retirement Benefits Plan No. 1.

Retirement Benefits Plan No. 2.

Limited Price Indexation (LPI)

The rate at which pensions in payment in respect of service after 1 January 2000 must increase. It is equal to the annual rate of increase in the Retail Prices Index, to a maximum of 5%.

Lower Earnings Limit

The level of earnings which is fixed each year by the State as at 6th April and which is broadly equivalent to the Basic State Pension.

Normal Retirement Date

65th birthday.

Pensionable Salary

Is **Salary** less the **Lower Earnings Limit** which applies for the tax year which coincides with the **Anniversary Date.** For contribution purposes, Pensionable Salary will be calculated by reference to your Salary in each pay period.

Pensionable Service

If you join the RBP, the CAP or any of the Former Plans when first eligible to join, and do not opt out, then your years and months of Company Service will count as Pensionable Service in the RBP.

If you join the RBP when first eligible to join but have previously decided not to join the CAP or other Former Plan when first eligible to join, then your years and months of completed service in the CAP or other Former Plan (but not completed Company Service) will count as Pensionable Service in the RBP.

If you decide not to join the RBP when you are first eligible having reached age 45 but join the RBP later, then only years and months at completed service after joining the RBP will count as Pensionable Service under the RBP.

In all cases, periods of unpaid leave during which an employee was not paying contributions to a Former Plan shall not count towards Pensionable Service in this Plan.

Salary

Means your total gross earnings in the year ending 5th April every year less any gratuity (such as profit related pay).

Spouse

Means the person you are married to at the date of your death. The Trustees may, at their discretion, treat a person who is cohabiting with you at the date of your death as a spouse, if the Trustees regard that person as being financially dependent or interdependent on you.

State Pension Age

65th Birthday for all men and for women born on or after 6 April 1955;

60th Birthday for all women born on or before 5 April 1950

For women born between 6 April 1950 and 5 April 1955, State Pension Age is age 60 plus one month for every month (or part month) by which their birth date fell after 5 April 1950.

Upper Earnings Limit

The level of earnings which is fixed each year by the State as at 6th April and above which employees do not pay National Insurance contributions.

1. ELIGIBILITY

You may join the Plan at any **Anniversary Date** if you are a permanent employee and aged less than 65, as follows :

If you joined the Company before 6 April 2002

If you are a member of the Capital Accumulation Plan, and decide to join the Retirement Benefits Plan, you must do so at the first Anniversary Date after you become 45 in order to receive full credit for past service under the rules of the RBP.

If you do not join when you are first eligible you may only join subsequently with the company's consent and no credit will be given for service prior to the date you join. In addition, you may also be required to have a medical examination before full life assurance benefits are provided.

If you joined the Company on or after 6 April 2002

If you joined the Company on or after 6 April 2002 you may join the Retirement Benefits Plan or the Capital Accumulation Plan on the first Anniversary Date that you are eligible. If you elect to join the Capital Accumulation Plan you may, within the twelve month period following this election, choose to join the Retirement Benefits Plan on the 6 April following electing to join the Capital Accumulation Plan, provided that you agree to pay contributions at the Retirement Benefits Plan level back to the date that you joined the Capital Accumulation Plan. If you do not take this opportunity to join, your next opportunity to switch from the CAP to the RBP will be at age 45. If you switch to the RBP at age 45, you will receive full credit under the RBP formula for your Plan Service in the CAP so that on retirement you will be treated as though you had been in the RBP right from the start of your Pensionable Service. Note, however, that periods of unpaid leave during which an employee does not pay contributions to the CAP cannot count towards Pensionable Service in the RBP.

If at age 45 you have not joined when first eligible then you may only subsequently join with the Company’s consent and no credit will be given for service prior to the date you join. In addition, you may be required to have a medical examination before full life assurance benefits are provided.

2. HOW TO JOIN

If you decide to join the Plan you should complete and return the Application Form and Expression of Wish Form that accompany this booklet.

If you decide **not** to join the Plan your family will only qualify for a lump sum death benefit of one year's **Salary** but you must complete the Refusal form and Expression of Wish Form that accompany this booklet.

If you do not join when you first become eligible you may only join subsequently with the Company's consent. In order to obtain the Company's consent, you may be required to pass a medical examination.

You may terminate your membership of the Plan by giving the Trustees at least three months written notice in which case you will be entitled to benefits as though you had left service, as set out in Section 9. Once you have exercised this option you will only be allowed to re-enter the Plan with the consent of the Company after passing a medical examination and subject to you fulfilling the eligibility requirements.

3. CONTRIBUTIONS

Members' Contributions

New members will contribute to the Plan at the current annual rate 5% of their Pensionable Salary, payable monthly.

All of their contributions to the Plan are currently allowable for tax relief at your highest rate of tax. The relief is given automatically through the PAYE system - you do not need to claim tax relief.

Company's Contributions

The Company will contribute whatever is required to meet the balance of the cost of the Plan benefits.

Additional Voluntary Contributions

You may wish to pay Additional Voluntary Contributions to the Plan over and above the normal contributions required in order to increase your retirement benefits. Further information is given in Section 10 of this booklet.

EXAMPLE

As an example, consider a typical Member called Jack Smith, whose gross earnings are £23,900 per annum. At the time this booklet was prepared, the State Lower Earnings Limit was £3,900 per annum, so that Jack Smith's Pensionable Salary is

£23,900 less £3,900 = £20,000 per annum or £1,666.67 per month (£20,000/12).

His contributions to the Plan are 5% of Pensionable Salary, i.e.:

0.05 x £1,666.67 per month = £83.33 per month

If Jack is paying income tax at the standard rate (currently 22%), the net cost of the Plan to him would be:

0.78 x £83.33 per month = £65.00 per month

Examples of each of the benefits will be given later in this Booklet and the same typical member, Jack Smith, will be used. Although Jack Smith is a man, the same principles and figures apply to women.

4. NORMAL RETIREMENT

Pension

At your Normal Retirement Date, you will be entitled to draw your pension which will be paid monthly to you for the rest of your life. Your pension will be calculated by the following formula:

1/60 X FINAL PENSIONABLE SALARY X PENSIONABLE SERVICE LESS THE STATE OFFSET

The State Offset

The State Offset is an estimate of the amount of pension you will have earned in the State Earnings Related Pension Scheme or the State Second Pension during your Pensionable Service. The State Earnings Related Pension is based on your earnings between the Lower Earnings Limit and the Upper Earnings Limit; these are known as Covered Earnings. The State Offset is therefore related to Covered Earnings; the proportion of Covered Earnings to be offset depends on two factors :

(a) Your Pensionable Service after 1978.
(b) Your Normal Retirement Date.

For retiring members, the State Offset will gradually reduce as a proportion of Covered Earnings until after the year 2037 when it will have reduced to its final level of 1/245 x Covered Earnings for each year of Pensionable Service.

State Offset Factors

At the back of this booklet (on page 40) is a table showing the exact State Offset as a proportion of Covered Earnings for sample combinations of Pensionable Service and Normal Retirement Date.

Pension Increases

Once in payment your pension from the Plan will increase at the guaranteed rate of 5% per annum compound for service up to 31 December 1999 and in accordance with **LPI** for any subsequent service, subject to any restrictions imposed by the Inland Revenue.

Discretionary Increases

In certain circumstances, the Trustees have the discretion with the consent of the Company to increase benefits to maintain the purchasing power of pensions.

Pension Payment

Your first monthly pension instalments will be paid on the day after you retire; thereafter payments will be due on the fifteenth day of each month. Pension increases will take place on 15th April in each year.

Example

Set out on the following page is an example of the Normal Retirement pension calculation for Jack Smith based on his salary of £23,900 pa. In reality, his Final Pensionable Salary will reflect his earnings at the time of his retirement.

EXAMPLE

Jack Smith's date of birth was 6th April 1948, so his Normal Retirement Date will be 6th April 2013 i.e. his 65th birthday. He joined the Company and the CAP on 6th April 1988. He then transferred his benefits from the CAP into the Plan on 6th April 1993, at the age of 45, under the special option available to CAP members.

His Pensionable Service therefore started on 6th April 1988.

Jack's salary is £23,900 per annum and his Pensionable Salary is £20,000. To calculate Jack's pension expectation, the following facts are needed :

For Pension

Final Pensionable Salary (today's)	£20,000 pa.
Pensionable Service (1988 - 2013)	25 years

For the State Offset

Covered Earnings	£20,000 pa.
Pensionable Service since 1978*	25 years

PENSION CALCULATION

Pension = (25/60) x £20,000	£8,333.33 pa.
	LESS

THE STATE OFFSET

The State Offset Factor is 0.153

(found from the Table provided at the back of this booklet).

State Offset Factor	times	Covered Earnings	
0.153	x	£20,000	£3,060.00 pa.
Plan Pension			£5,273.33 pa.

* *The date that the State Earnings Related Pension Scheme was introduced.*

When Jack Smith retires at age 65, he will also draw his State Pension entitlements. Assuming he is married and has a full National Insurance record, his total annual retirement income in today's terms would be :

State Basic Pension	£ 3,510.00
Married Couple's Additional Pension	£ 2,100.80
State Earnings Related Pension	£ 3,060.00
Plan Pension	£ 5,273.33
Total Retirement Income	**£ 13,944.13**

For service prior to 1 January 2000 the Plan pension will increase by 5% pa compound, and in accordance with **LPI** for subsequent service. These increases will take place on 15th April each year. State pensions will escalate in line with government policy (currently they increase in line with Retail Price Inflation).

5. CASH SUM OPTION

Instead of drawing all your benefit as pension you may exchange a part of your pension for a cash sum which, under present law and practice, is tax-free. Your maximum cash sum will be calculated by the following formula :

3/80
X
FINAL PENSIONABLE SALARY
X
PENSIONABLE SERVICE

The balance of your pension will be payable in the normal way.

On retirement at age 65 the amount of pension that you would have to give up for cash is determined from time to time on actuarial advice. The current terms of conversion from pension to cash at age 65 are:

> £1 per annum for every £11.50 of cash for men and £13.50 of cash for women. These figures vary with the age of retirement.

The difference in the conversion rates between men and women is because women have a greater life expectancy than men.

EXAMPLE

Jack Smith's Normal Retirement Pension is (see Page 17) £5,273.33 pa.

The tax free cash sum that Jack may elect to take is calculated as :

25 x 3/80 x £20,000	=	£18,750.00

If he chooses to take this tax free cash sum, his pension will be reduced by deducting an amount of pension which is equivalent in value to the cash sum he has taken.

The amount to be deducted is :

£18,750.00 divided by 11.5	=	£1,630.43 pa.

Thus his remaining annual pension will be :

£5,273.33 less £1,630.43	=	£3,642.90 pa.

This pension will increase at 5% per annum compound for service up to 31 December 1999 and at **LPI** for subsequent service.

Jack Smith's overall benefits at retirement will then become :

Tax Free Lump Sum	£18,750.00
State Basic Pension	£ 3,510.00
Married Couple's Additional Pension	£ 2,100.80
State Earnings Related Pension	£ 3,060.00
Plan Pension	£ 3,642.90
Total Annual Pension at Retirement	**£12,313.70**

6. DEATH AFTER RETIREMENT

Pension

Following your death after retirement a pension will be paid to your surviving spouse equal to 50% of the pension that would have been payable at the date of your death if you had not exchanged any pension for a cash sum as described in Section 5. The pension will be payable monthly for the remainder of your spouse's life and will continue to increase at 5% per annum compound for service up to 31 December 1999 and in accordance with **LPI** for subsequent service.

The Trustees may, at their discretion, treat a person who is cohabiting with you at the date of your death as a spouse, if the Trustees regard that person as being financially dependent or interdependent on you.

Lump Sum

If you die before drawing five years' pension instalments, the balance of five years' instalments will be paid as a lump sum to your beneficiaries.

EXAMPLE

Suppose Jack Smith dies at the age of 75. His Plan Pension which started at age 65 was £5,273.33 pa.

After ten years' retirement it will have increased to £8,589.70 pa. (assuming that pension increases of 5% per annum are applicable to the whole of the pension)

Following Jack Smith's death, a pension will continue to be paid to Mrs Smith amounting to :

50% x £8,589.70 pa = £4,294.85 pa.

Mrs Smith will receive this pension EVEN IF Jack exchanged part of his pension for a tax free cash sum of £18,750 as shown on Page 20.

Her pension will be paid for the remainder of her life and will continue to increase at the rate of 5% per annum compound for service up to 31 December 1999, and in accordance with **LPI** for subsequent service.

In addition, she will also receive any State benefits that she is entitled to.

7. EARLY RETIREMENT

Pension

You may, with the Company's consent, retire early at any time after your 50th birthday. An immediate pension will be payable calculated as follows :

STAGE 1

Accrued Pension =

1/60 X FINAL PENSIONABLE SALARY X PENSIONABLE SERVICE LESS THE STATE OFFSET

STAGE 2

Early Retirement Pension =

ACCRUED PENSION X EARLY RETIREMENT FACTOR

In these calculations, your Pensionable Service will be measured to your date of actual retirement and the early retirement factors will be as set out in the table below :

Retirement at Age	Early Retirement Factor
64	0.962
63	0.925
62	0.89
61	0.856
60	0.824

For earlier retirement, factors will be calculated actuarially as required and will give noticeably larger reductions than those shown above.

Payment of Pension

Your early retirement pension will be paid monthly as described in Section 4 with full rights to pension increases and spouses' pensions.

Cash Option

You may exchange a part of your early retirement pension for a cash sum. The rate of conversion from pension to cash depends on your age at retirement and is determined on actuarial advice. The factors currently in use are shown in the table below :

	Cash Equivalent to £1 p.a. pension	
Retirement at Age	**Men £**	**Women £**
65	11.50	13.50
64	11.80	13.90
63	12.20	14.30
62	12.50	14.70
61	12.90	15.10
60	13.20	15.50

For earlier retirements, factors will be calculated actuarially as required.

Temporary Pension

In addition, members retiring early will receive a Temporary Pension starting at the date of early retirement and ceasing at State Pension Age. The Temporary Pension will allow for the absence of State Pensions during early retirement as State Pensions cannot be paid until State Pension Age. The Temporary Pension will be calculated by the following formula :

(STATE OFFSET + 1/60 X LOWER EARNINGS LIMIT X PENSIONABLE SERVICE)
X
EARLY RETIREMENT FACTOR

The Temporary Pension will increase at 5% per annum compound for service prior to 1 January 2000 and in accordance with **LPI** for subsequent service, but does not carry rights to a spouse's pension. It is not included in the calculation of the lump sum death benefit due if a member dies within 5 years of retirement (see Section 6).

Lump Sum Death Benefit

Furthermore, for members whose service as a member of this or any Former Plan commenced before 1st October 1991, the lump sum death benefit of four times salary (see Section 8) will be continued until Normal Retirement Date.

This benefit cannot be paid in addition to the lump sum benefit described on page 19, but the higher of the two will be payable.

Unfortunately, the law has been changed so that, in these circumstances, Plan members who joined on or after 1st October 1991 may **only** receive the lump sum described on page 19.

Ill Health Retirement

If a member retires before Normal Retirement Date due to a breakdown in health, he may receive an ill health retirement pension as directed by the Trustees.

EXAMPLE

Suppose Jack Smith retired early on 6th April 2008 at which date he would be aged 60.

Early Retirement Pension

To work out his early retirement pension, the following facts are needed :

Final Pensionable Salary	=	£20,000
Pensionable Service	=	20 years
Covered Earnings	=	£20,000
Pensionable Service after 1978*	=	20 years
State Offset Factor (see page 40)	=	0.122
Early Retirement Factor (Age 60)	=	0.824

The calculations are :

1/60 x £20,000 x 20	=	£6,666.67 pa.
LESS		
£20,000 x 0.122	=	£2,440.00 pa
SO		
Accrued Pension	=	£4,226.67 pa
Early Retirement Pension		
(Accrued Pension x Early Retirement Factor)	=	£3,482.78 pa

* *The date that the State Earnings Related Pension Scheme was introduced.*

Temporary Pension

Jack Smith will also receive a Temporary Pension payable until his 65th birthday. To work out his Temporary Pension the following facts are needed :

State Offset		£2,440.00 pa
Pensionable Service		20 years
Lower Earnings Limit		£3,900.00 pa.
Early Retirement Factor		0.824

The calculations are :

State Offset	=	£2,440.00 pa.
PLUS		+
1/60 x £3,900.00 x 20	=	£1,300.00 pa.
Total		£3,740.00 pa.
Multiply by Early Retirement Factor	=	0.824
Temporary Pension	=	£3,081.76 pa.

Early Retirement Income

From age 60 Jack Smith will receive :

Early Retirement Pension	£3,381.34 pa
Temporary Pension	£3,081.76 pa.
Total	**£6,463.10 pa.**

Both these pensions will increase at 5% per annum compound for service up to 31 December 1999 and in accordance with **LPI** for subsequent service.

At age 65, the Temporary Pension will cease and the State Pensions will start to be paid as shown on Page 18.

8. DEATH BEFORE RETIREMENT

If you die in the service of the Company before your **Normal Retirement Date**, the following benefits are payable:

Lump Sum

First, a capital sum equal to four times your **Salary** will be payable, plus a refund of your own contributions to this Plan and the previous Company Plan.

Spouse's Pensions

Second, if you are a married member, a pension is payable immediately to your spouse equal to the greater of:

25% of your **Salary** at the date of your death, and

50% of the pension which you have accrued up to the date of your death, based on your **Final Pensionable Salary** and Pensionable Service at the date of your death.

This pension will be paid in monthly instalments for the rest of your spouse's life.

The Trustees may, at their discretion, treat a person who is cohabiting with you at the date of your death as a spouse, if the Trustees regard that person has being financially dependent or interdependent on you.

Children's Pension

Third, pensions are payable in respect of your children. These amount to 5% of the **Salary** in force at the date of your death for each child - with a maximum of four children to count.

These pensions will be paid in monthly instalments until each child attains the age of 18 or, if in full education, age 23. If any of your children is seriously disabled and was wholly dependent on you, those children's pensions **may** continue to be paid, but only at the Trustees' discretion.

Pension Increases

Both your spouse's and children's pensions will increase annually at the rate of 5% per annum compound as described in Section 4 in respect of service prior to 1 January 2000 and in accordance with **LPI** in respect of service on and after 1 January 2000.

Taxation

The **lump sum death benefits** payable under the Plan are payable under a discretionary trust. The Trustees' use discretion as to whom the benefit is paid, - **NOT** whether it is payable.

Lump sums emerging from a discretionary trust are, under current law, free from Inheritance Tax. To assist the Trustees, members should express their wishes as to whom they would wish the benefit to be paid. This expression of wish cannot be binding on the Trustees. If it were the benefit would not be payable from a discretionary trust and would in all probability be subject to tax.

The Trustees' will have regard to your wishes in exercising their discretion; completion of the expression of wish form will give the Trustees invaluable information as to how best to dispose of the benefits payable.

The Trustees are empowered to exercise their discretion in favour of any relative or dependant, your estate, or any person, charity or organisation notified in writing to the Trustees.

The Trustees should be kept informed of any change in your wishes - e.g. those necessitated by a change in your marital status or in your responsibilities towards children and other dependants. This refers equally to Members who have left service with a preserved pension. Further forms for completion may be obtained from the Payroll Department.

EXAMPLE

Suppose Jack Smith dies before reaching retirement. The following benefits would be payable:

Lump Sum

4	x	Salary of £23,900	=	£95,600.00

PLUS

All the contributions made by Jack Smith to this Plan and the previous Company Plan.

Spouse's Pension

Mrs Smith would receive a pension of

25%	x	£23,900	=	£5,975.00 p.a.

If Jack Smith also left children a further pension in respect of each child (up to four children) would be payable amounting to :

5%	x	£23,900	=	£1,195.00 p.a.

The children's pensions would continue until each child's 18th birthday, or until their 23rd birthday if they remained in full time education.

9. LEAVING THE COMPANY

Pension

If you leave the Company having completed two years' Pensionable Service, you will be entitled to your Accrued Pension payable from your Normal Retirement Date.

Your Accrued Pension will be calculated as:

1/60
X
FINAL PENSIONABLE SALARY
X
PENSIONABLE SERVICE
LESS
THE STATE OFFSET

Both Final Pensionable Salary and Pensionable Service will be calculated as at the date you leave.

Inflation Protection

Your Accrued Pension will increase right up to the date of your retirement at the rate of 5% per annum compound or at the rate of increase in the Retail Prices Index, if lower.

Your Accrued Pension will be payable from Normal Retirement Date and will attract pension increases at the rate of 5% per annum compound for service up to 31 December 1999, and in accordance with **LPI** for subsequent service, for the remainder of your life.

Other Benefits

Your Accrued Pension will carry rights to a spouse's pension on death after retirement as described in Section 6. You may also exchange a part of your Accrued Pension for a cash sum as described in Section 5.

Transfer Option

If you wish you may have the Cash Equivalent of your Accrued Pension transferred to a suitable pension scheme - if one exists - at your new job. The transfer will take the form of a cash sum. The Cash Equivalent will represent the actuarial value of your Accrued Pension at the date of transfer but will **not** include an allowance for the payment of any additional discretionary benefits that may be granted in the future. Your new employer will tell you what benefits can be provided with the money under his scheme.

Alternatively, you can transfer your Cash Equivalent to any annuity policy or Personal Pension Plan approved by the Inland Revenue. Full details will be made available when you leave. Quotations of your Cash Equivalent on leaving will be guaranteed for a period of three months; thereafter they may change in accordance with market conditions. You may request illustrations of your Cash Equivalent at any time, but not more frequently than once a year.

Cash Refund

If you leave the Company with less than two year's **Plan Service** you will receive a refund of your own contributions to the Plan. The Company's contributions cannot be refunded.

The refund you receive will be subject to tax at the at the special rate of 20%.

Change Of Address

When benefits are preserved for you under the Plan, you should keep the Trustees informed of any change of address, so that they can contact you when your benefits are due to be paid.

Unless the Trustees are kept informed of your latest address, they may not be able to trace you to pay the benefit.

10. ADDITIONAL VOLUNTARY CONTRIBUTIONS

You may feel that your pension will be enough to allow you a comfortable retirement. On the other hand, you may wish to provide yourself with a larger pension - and you can do this by making Additional Voluntary Contributions (AVCs). The Inland Revenue allows you to contribute up to 15% of your earnings in any year and all these contributions currently qualify for tax relief at your highest rate of tax. The Company's payroll system automatically provides the tax credit without any action on your part.

To commence paying AVCs or amend any previous instructions, simply complete a form which is available from your Payroll Department.

Who may pay AVCs?

You may make AVCs if you are a contributing member of the Plan.

How much can I contribute?

You may contribute up to 15% of your earnings, minus your own Plan contributions. AVCs can be paid on a regular monthly basis, or as one of a series of single contributions.

If you are paying monthly, you may increase, decrease or stop your contributions with effect from the first day of any month after giving one month's notice.

The amount you may contribute may also be affected if your salary exceeds a certain level. You will be advised if this restriction applies to you.

The Company does **NOT** pay AVCs.

What happens to your AVCs?

As a member of the Plan you can invest in a With-Profits Growth Fund, a variety of Unit-Linked Funds or a Cash Fund.

The With-Profits Growth Fund

In the With-Profits Growth Fund, the value of your AVC account increases by a minimum amount each year, with further bonuses depending upon how well the investment managers have invested your money.

The Unit Linked Fund

The Unit Linked Funds are invested in a wide range of stock market securities both in the UK and overseas. Your AVCs purchase units in the fund. A rate of return is not guaranteed and the value of investments can go down as well as up, as it follows the market value of the securities in the fund.

Cash Fund

The Cash Fund is invested in a building society account. Interest is added without the deduction of tax.

Switching

You can switch existing investments between the various AVC funds as at 6 April and 6 October each year.

You should note that in these circumstances the transfer value from the With-Profit Growth Fund, which is essentially a long term investment, is not guaranteed. There may also be dealing expenses associated with a switch. Further details may be obtained from the Payroll Department.

AVC Benefits

At retirement, the proceeds of your AVC account may be used to supplement your main Plan pension benefits. If you would like more information about AVCs, please contact the Trustees at the address shown at the end of this booklet under "Further Information".

11. ABSENCE FROM WORK

How Long Can I Stay In The Plan?

Most absences from work are for a relatively short period and your membership of the Plan will normally continue unchanged. The Company operates a sick pay scheme linked to membership of the Plan, which is available to employees with more than five years service. Further information is available on request.

Illness Or Injury

If you are away from work for some considerable time owing to illness or injury, your membership of the Plan may also be continued and, provided you maintain your contributions, your accrual of pension will continue normally.

Pregnancy

If you take maternity leave, your entitlement rights will be protected provided that you have given proper notice of your intention to return to work at any time during the twenty-nine weeks immediately after the birth of your child. During your maternity leave, you will continue making contributions on your reduced earnings. You will continue to accrue benefits based on your normal earnings as long as you receive Statutory Maternity Pay. If you decide not to return to work, your date of leaving is taken to be the last day of the month in which you made your final contribution to the Plan.

Unpaid Leave

Members who take unpaid leave (for whatever reason) will only maintain service in the Capital Accumulation Plan while they pay contributions to the Plan. Therefore, periods of unpaid leave will not count towards Plan Service in the Capital Accumulation Plan or the Retirement Benefits Plan (if applicable).

Other

If you are away for any other reason, your membership may, with the Company's consent, be continued. Any period of absence agreed with the Company will always be subject to Inland Revenue restrictions. After the agreed period has elapsed you will be treated as having left the Company and your Plan rights will be dealt with in the appropriate way.

12. TAXATION AND LEGAL NOTES

Inland Revenue Approval

The Plan is approved as an Exempt Approved Scheme by the Pension Schemes Office of the Inland Revenue under the terms of the Income and Corporation Taxes Act 1988 and, as such, benefits from the tax advantages granted to Exempt Approved Schemes. It is a condition of Approval that no benefits be paid from the Plan in excess of the maximum permitted by the Inland Revenue. If necessary, benefits will be restricted to comply with this requirement.

Tax

Under current legislation your contributions to the Plan are free of tax.

Your pension and the pensions for your spouse or dependant and children will be paid after the deduction of income tax, if any, under the PAYE system, in the same way as your salary or wages.

The laws surrounding Inheritance Tax are very complex but as a rule, your lump sum death benefits will be free of tax.

Information about the Plan

By law, as a member of the Plan, you have the right to examine a number of important documents relating to the Plan to ensure that the Plan is being properly run. These documents include the Trust Deed and Rules, the Annual Report and Financial Statements and an annual benefit statement, detailing your benefits as a member of the Plan. A copy of the full Annual Report and Financial Statements is available on request and you will be sent a summary of the Annual Report and Financial Statements, together with your annual benefit statement every year whilst you remain an employee.

The Plan has been registered with the Register of Pension Schemes maintained by the Occupational Pensions Regulatory Authority. Their address is:-

Occupational Pensions Regulatory Authority
Pension Schemes Registry
PO Box 1NN
Newcastle Upon Tyne
NE99 1NN .

In the event that you experience difficulties in your dealings with the Trustees or the Plan administrators, the Pensions Advisory Service (OPAS) is available. OPAS can be contacted at 11 Belgrave Road, London, SW1V 1RB (020 7233 8080).

The independent Pensions Ombudsman, who is contactable at the same address as OPAS is available to investigate any complaints that cannot be resolved by OPAS.

The Occupational Pensions Regulatory Authority (OPRA) is able to intervene in the running of the Plan where the Trustees, the Company or professional advisors have failed in their duties. OPRA can be contacted at Invicta House, Trafalgar Place, Brighton, East Sussex, BN1 4BY (01273 627 600).

Data Protection Act

The Trustees are “data controllers” for the purposes of the Data Protection Act 1998.

To enable the Plan to be run efficiently, the Trustees hold certain personal information about each Plan member, including your name, date of birth, and any other information that is needed to calculate the benefits provided for you and your dependants under the Plan. This information is only available to the Trustees, the Company, the administrators of the Plan and, where appropriate, the Trustees’ other professional advisers. It may be used by them only for the purpose of calculation and provision of benefits and for the proper running of the Plan.

So that our records stay accurate and up to date, you should notify the Trustees of any alterations to your personal details.

Stakeholder Pension Schemes

With effect from 8 October 2001 the law requires that employers provide either an occupational pension scheme for all employees, or access to a ‘stakeholder’ pension scheme (a personal pension scheme which meets certain standards set by the Government). London & Scandinavian Metallurgical Co Ltd’s pension arrangements comply with the law’s requirements.

Personal Pension and Stakeholder Pension Arrangements

Before 6 April 2001, it was not permitted to contribute to a personal pension scheme and an occupational pension scheme at the same time (other than to contract out of SERPS). With effect from 6 April 2001, members of occupational schemes who are not controlling directors or earning more than £30,000 p.a. can concurrently contribute up to £3,600 p.a. to a stakeholder pension or a personal pension scheme approved after 6 April 2001 by the Inland Revenue.

If you are contributing to a personal or stakeholder pension scheme, you should advise the provider (e.g. the insurance company) that you have joined an occupational pension scheme. The provider will advise you as to whether contributions can continue.

Pension Sharing on Divorce

Pension sharing is a form of splitting retirement benefits between divorcing spouses. The Welfare Reform and Pensions Act 1999 allows for a pension sharing order to be made in divorce cases beginning on or after 1 December 2000. In the event of a pension sharing order being made, any pension benefits awarded to an ex-spouse will be transferred out of the Plan.

Internal Dispute Resolution Procedure

If you are dissatisfied with any matters in relation to the Plans, before contacting OPAS, the Pensions Ombudsman or OPRA, you should first complete the Plan's own Dispute Resolution Procedure. Full details of the Procedure can be found in Appendix 2 of this booklet.

Booklet Versus Legal Documents

This booklet is a guide to the Plan. In the event of any ambiguity it will always be overruled by both the legal documents governing the Plan and overriding legislation which is in force from time to time.

Amendment or Discontinuance

Although the Company has every intention of continuing the Plan it does reserve the right to modify or amend any or all of the provisions set out in this booklet having given written notice to members.

In the unlikely event that it is necessary to discontinue the Plan the Trustees will apply the assets of the Plan for the benefit of the members and their dependants according to the legal documents governing the Plan.

Content Changes

The contents of this booklet may be subject to adjustment from time to time as the Plan may have to be changed in order to comply with the requirements of the Inland Revenue or the Department of Work and Pensions.

Further Information

For further information about the Plan in general or benefits in particular, you should contact the Trustees:

Mr J Bradbury, Mr D Bristow or Mr S Forster
London & Scandinavian Metallurgical Co Limited
Fullerton Road, Rotherham
South Yorkshire S60 1DL

APPENDIX 1

STATE OFFSET READY RECKONER

These tables show the percentage of Covered Earnings to be offset from the Plan Pension at retirement or earlier leaving service.

YEAR IN WHICH STATE RETIREMENT AGE IS REACHED

PENSIONABLE SERVICE	**2003**	**2008**	**2013**	**2018**	**2023**	**2028**
5	4.7	3.5	3.0	2.6	2.3	2.1
10	9.5	7.3	6.1	5.3	4.7	4.3
15	14.3	11.0	9.2	8.0	7.0	6.4
20	19.0	14.7	12.20	10.60	9.4	8.6
25	23.8	18.3	15.30	13.30	11.7	10.70
30	23.8	22.0	18.40	15.90	14.1	12.90
35	23.8	22.0	21.40	18.60	16.4	15.0
40	23.8	22.0	21.40	21.30	18.8	17.2

APPENDIX 2

LONDON & SCANDINAVIAN METALLURGICAL CO LTD

RETIREMENT BENEFITS PLAN AND CAPITAL ACCUMULATION PLAN

DISPUTE RESOLUTION PROCEDURE

The following is a statement of the formal Dispute Resolution Procedure which has been established by the Trustees of the London & Scandinavian Metallurgical Co Ltd Retirement Benefits Plan & Capital Accumulation Plan (the Plans).

1. Who may make a complaint?

Complaints about matters in relation to the Plans may be made against the Trustees by:

- active members, deferred pensioners and pensioners;
- a spouse or surviving dependant of a deceased member;
- prospective members;
- anyone who was in one of the aforementioned categories within the preceding six months;
- anyone claiming to be covered by one of the aforementioned categories;
- a representative nominated by anyone in any of the aforementioned categories (or by a personal representative if the complaint concerns someone who is deceased, or by a suitable person if the complaint concerns a child or someone who is otherwise incapable of acting for themselves).

2. Complaints Procedure - Stage 1

(A) A complaint must be in writing and signed; it should be addressed to the Company Secretary at London & Scandinavian Metallurgical Co Limited, Fullerton Road, Rotherham, South Yorkshire, S60 1DL.

The complaint must set out:

- the full name, address, date of birth and national insurance number of the member (or former member) or prospective member;
- if the complainant is a spouse or surviving dependant, the full name, address and date of birth of the complainant and the complainant's relationship to the member;

- if the complaint is made by a representative, the representative's full name and address and whether that address is to be used for correspondence; and

- a statement about the nature of the disagreement, showing why the complainant is aggrieved.

(B) The complainant will normally receive a formal response to his/her complaint within one month. If a complaint is not dealt with within two months the complainant will be sent a letter explaining the reason for the delay; this letter will also tell the complainant when a formal response will be provided.

The formal response will include:

- a statement of the decision;

- a reference to any legislation relied on;

- a reference to any plan rules relied on and, where a discretion has been exercised, to any plan rules conferring that discretion; and

- a reference to the complainant's right of appeal if made within six months.

3. Complaints Procedure - Stage 2

(A) If a complainant is not satisfied with the decision made by the Company Secretary, or if the matter is not resolved to his satisfaction within one month, an appeal may be made by the complainant to the Trustees.

An appeal must be in writing and signed; it should be addressed to the Chairman of the Trustees of the London & Scandinavian Metallurgical Co Ltd Retirement Benefits Plan & Capital Accumulation Plan c/o the Company Secretary at the address shown under Stage 1.

The appeal must include:

- name, address and national insurance details as in the initial complaint;

- a copy of the initial decision;

- a statement of why the complainant is dissatisfied with the initial decision; and

- a statement that the complainant wishes the grievance to be reconsidered by the Trustees.

(B) The complainant will normally receive a formal response to his/her appeal within two months. If an appeal is not dealt with within two months the complainant will be sent a letter explaining the reason for the delay; this letter will also tell the complainant when a formal response will be provided.

The formal response will include:

- a statement of the decision and an explanation as to whether and, if so, to what extent the new decision confirms or replaces the original decision;
- a reference to any legislation relied on;
- a reference to any Plan rules relied on and, where a discretion has been exercised, to any plan rules conferring that discretion;
- a statement that OPAS is available to assist complainants and to resolve grievances or disputes, and its address; and
- a statement that the Pensions Ombudsman may investigate complaints or disputes and the address of the Ombudsman's office.