Ladbrokes PLC

Ladbrokes Pension Plan

Member's Booklet

Applicable to members joining the Plan from 1 July 2002

6 April 2006

Contents

1. Introduction

Whether you are near to retirement or a long way off, it is always a good idea to start planning ahead financially. Ladbrokes (the "Company") recognises that your pension is an important part of your financial planning. This is why we have put in place the Ladbrokes Pension Plan (the "Plan").

This booklet has been designed to give you an easy to read summary of how the **Plan** works as well as the benefits it provides for you and your **Dependants**. You should note that it does not attempt to describe all the circumstances in which benefits may arise. The full terms and conditions, as set out in the **Plan** rules, will always override the information given in this booklet if there is any difference between the two.

We have tried to keep the number of technical terms used throughout the booklet to a minimum. However, you will come across some terms that are used in connection with the **Plan**. These terms are shown in bold within the text and are explained in the Definition of Terms section at the end of this booklet.

It is important that you read this booklet carefully before making any decision to join the **Plan**. If you have any queries about your **Plan** benefits or your entitlement to those benefits as a result of reading this booklet, please contact the **Plan** administrators:

Hymans Robertson LLP
One London Wall
London
EC2Y 5EA

Telephone: 0207 082 6454
Email: ladbrokesadmin@hymans.co.uk

When contacting the **Plan** administrators please ask for the "Ladbrokes Pension Plan administration team" and have your National Insurance number and membership number to hand. This will help to ensure that your query is dealt with as quickly as possible.

Important information

The contents of this booklet are based on the law and practice as it currently applies. The **Company** and the **Trustees** have taken the steps necessary to ensure that the **Plan** complies with the relevant legal requirements.

If you joined the **Plan** before 1 July 2002, this booklet will not apply to you. You can get a copy of your relevant booklet by writing to Hymans Robertson at the address shown above.

2. A summary of the Plan benefits

The **Plan** is what's known as a final salary pension plan. With this type of **Plan** you are promised a pension based on how long you've been a **Plan** member and how much you are earning when you retire from or leave the **Plan**.

As a member you will:

- earn pension at an annual rate of 1/80th of **final pensionable salary**
- contribute 4.5% of **pensionable salary**
- normally retire at age 65

be covered should you die in service before age 65 for:

- a lump sum of at least 2 x your annual rate of basic salary (plus, in certain circumstances a refund of your contributions)
- a **spouse's** pension of 50% of your prospective pension

be covered on death in retirement for:

- a **spouse's** pension of 50% of your pension (before surrender of any pension to provide a cash sum)
- a lump sum if you die within five years of retirement, and before age 75, of the value of pension payments remaining between the date of your death and five years after the date of your retirement. (This amount will be discounted by the **Trustees** for early payment)

Your contributions and those of the **Company** are paid into the **Plan** to fund the benefits that are provided under the **Plan's** Rules.

As a member of the **Plan**, you will benefit from the following tax advantages:

- tax relief on your contributions;
- a cash sum for you on retirement, which is usually payable free of tax (should you choose this option);
- a cash payment on death before retirement before age 75, which is usually paid free of tax.

The contributions paid into the **Plan** are held within a trust and are entirely separate from the assets of the **Company**. The **Plan** is administered by **Trustees** in accordance with the provisions of the Rules.

The **Plan** rules allow for **Trustees** to be appointed who are responsible for the overall running of the **Plan**. Of these, half are appointed by the **Principal Employer** and half are nominated by active and retired members. Member **Trustees** will usually act in their role for five years or until they leave the **Plan** or the **Company**. You will be advised when the next nominations are due.

While the **Trustees** are wholly responsible for the management of the **Plan**, they delegate some of their duties to professional advisers. The **Trustees** appoint professional advisers to carry out certain functions such as administration, investment management, legal and actuarial advice and the annual audit of **Plan** accounts. These appointments are reviewed from time to time and may be subject to change.

3. Joining the Plan

Who can join?

Unless you are told otherwise by the **Principal Employer**, the **Plan** is open to all permanent employees who have completed one year of continuous service with the **Company**. You must be between 18 and 63 years old to join the **Plan**.

How do you join?

Membership of the **Plan** is voluntary, but if you wish to join you must apply for **Plan** membership within one month of becoming eligible. Simply complete the application form included with this booklet and return it to your Human Resources department.

You may be able to join the **Plan** at a later date, but only if the **Principal Employer** agrees.

Can you opt out of the Plan?

Yes. Membership of the **Plan** is not compulsory and you may opt out of the **Plan** at any time while still an employee with the **Company**.

Before you make any decision to opt out of the **Plan**, it is important that you think carefully about how it may affect the pension payable to you and your **Dependants**.

If you decide you would like to opt out, you should give the **Trustees** one month's notice, in writing, via your Human Resources department. You will then be asked to complete a "Plan Opt-Out Form" confirming that you understand you are giving up future benefits under the **Plan**.

You may be able to rejoin the **Plan** at a later date, but only if the **Principal Employer** agrees.

If you opt out of the **Plan** you will still be covered for the death in service cash sum detailed in your Contract of Employment. However, this may not be the same as the cover you were receiving before you opted out of the **Plan**.

4. Contributions

Your contributions

As a member you will be asked to contribute 4.5% of your **pensionable salary** to the **Plan**. These payments are usually deducted from your salary monthly.

Under current law, tax relief is provided automatically through the PAYE (Pay As You Earn) system without you having to do anything. This means that you receive full and immediate tax relief on your contributions at the highest rate you pay.

You will continue to pay contributions until your **normal retiring date**, or if earlier, the date at which you take your pension benefits or leave **pensionable service**. If you stay in the **Plan** after your **normal retiring date**, contributions will normally stop from that date.

As the **Plan** is currently contracted-out of the **State Second Pension** scheme (see Section 8) you currently pay reduced rate National Insurance contributions.

Additional voluntary contributions (AVCs)

In addition to paying an ordinary contribution, there is also the option to continue making AVCs if you are already a member of the **Plan** and were paying AVCs on and before 6 April 2006. See Section 9 for more information.

If you joined/or are joining the **Plan** after 6 April 2006 and are looking for ways to top up your pension savings, you should speak to an independent financial adviser.

Personal pension arrangements

As part of changes to the pensions tax regime, introduced by the Finance Act 2004, it is now possible to be a member of your company pension arrangement and also make contributions to a personal pension in order to save for a higher pension. If you are a contributing member of the **Plan** and interested in exploring this option please contact an independent financial adviser.

Company contributions

The **Company** meets the balance of the cost of the **Plan**.

Unless the **Company** and the **Trustees** agree otherwise, the required **Company** contribution rate is determined, on behalf of the **Trustees**, by the Advising Actuary. This is determined as part of the **Plan's** regular financial review – known as an actuarial valuation. The **Company** contribution to the **Plan** varies from time to time according to a number of factors, including the age profile of the **Plan** membership and the return on the **Plan** investments.

5. Retirement benefits

When can you retire?

You may be able to retire at any time between age 50 (this will change to age 55 after 6 April 2010) and 75. Your **normal retiring date** is your 65th birthday. If you retire before or after this date, special rules apply (see below for details).

What happens when you retire?

When you retire, you can normally take a pension in full OR take a lower pension and a cash sum.

Your pension will be paid to you in monthly instalments for the rest of your life.

During your membership of the **Plan** you will earn pension at a rate of 1/80th of your **final pensionable salary** for each full year you contribute to the **Plan** while in **pensionable service**, and a proportionate amount for each additional full month.

The amount of pension you receive will depend on a number of factors, including:

(i) The length of your **pensionable service**;
(ii) Your **final pensionable salary**;
(iii) Your age when you retire;
(iv) Any additional voluntary contributions paid (see Section 9);
(v) Any benefits transferred in from a previous pension scheme (see Section 10); and
(vi) Any maximum benefit limits under the **Plan** Rules that may apply to you (see Section 10)

At retirement you will normally have the option of exchanging some of your pension for a cash sum for yourself.

How will your pension be calculated at your normal retiring date?

Your **pensionable salary** will be shown on your annual benefit statement. Your pension at retirement is calculated by working out your **final pensionable salary**, which is calculated using an average of your **pensionable salaries**.

Calculating your final pensionable salary

If we assume you retire at age 65 on 6 April 2006 and your **pensionable salary** history over the last 10 years had been:

Pensionable salary date	Pensionable salary
6 April 2005	**£17,000**
6 April 2004	**£16,500**
6 April 2003	**£16,000**
6 April 2002	£15,000
6 April 2001	£15,000
6 April 2000	£14,000
6 April 1999	£13,000
6 April 1998	£13,000
6 April 1997	£12,000
6 April 1996	£11,000

The three highest consecutive **pensionable salary** figures are those highlighted, which means your **final pensionable salary** would be calculated like this:

£17,000
+ £16,500
+ £16,000
= £49,500
£49,500 divided by 3 = £16,500

Your **final pensionable salary** is therefore £16,500.

Your own pension will be calculated by reference to your **pensionable service** and your **final pensionable salary**.

Using your final pensionable salary to calculate your pension

Assuming you had completed 25 years and 6 months **pensionable service** and had a **final pensionable salary** of £16,500, as calculated in example one, your pension at **normal retiring date** would be calculated like this:

25 years and 6 months x 1/80 x £16,500
= £5,259 per year

What happens if you retire before your normal retiring date?

With the agreement of the **Principal Employer** you may be able to retire at any time after you have reached age 50 (age 55 after 6 April 2010).

If you do retire early, your pension will be based on your **pensionable service** and your **final pensionable salary** at the date you retire. Keep in mind, your pension will be reduced by the **Trustees** because you will be collecting it for longer than expected. The amount by which your pension is reduced will depend on your age at retirement.

Early Retirement Example:

If we assume you are retiring early at age 55 with the agreement of the **Principal Employer** and that you have completed 17 years of **pensionable service**, with a **final pensionable salary** of £16,500, your early retirement pension would be calculated like this:

17 years x 1/80 x £16,500
= £3,506 per year

This would then be reduced to take account of early payment:

Pension earned to date x the early retirement factor = early retirement pension

Taking pension benefits while still working for the Company

From 6 April 2006, you may be able to take your pension benefits while still working for the **Company**. To take advantage of this option you must be over age 50 (age 55 after 6 April 2010) and have the **Principal Employer's** consent. Your pension would be based on your **pensionable service** and **final pensionable salary** at the date your benefits come into payment. However, your pension would be reduced by the **Trustees** to allow for the fact that it is being paid to you early.

Please note that if you take this option, you will stop building up any **pensionable service** when your benefits come into payment. This means that you would not be able to pay any more contributions into the **Plan** or build up any more pension benefits (even though you are still working for the **Company**). However, until age 65 you would remain entitled to the death in service multiple of salary lump sum life cover until you actually leave employment with the **Company**. Details of this benefit are shown in your Contract of Employment. For as long as you remain in employment with the **Company** and are under age 65, this death in service cover replaces the cash sum detailed on page 12 which is usually payable for members who die within five years of starting to receive their pension. From age 65, you will no longer be covered for a multiple of salary lump sum should you die in service. However, you would be entitled to the five year guarantee lump sum cover (assuming you died within five years of starting to receive your pension).

Ill-health pension

If you are prevented from working as a result of incapacity and the **Principal Employer** agrees, you may be able to receive an early retirement pension at any age. Under the **Plan** Rules, incapacity is decided by the **Principal Employer** and can be a mental or physical disability or impairment, which prevents you from carrying out your normal work or seriously impairs your earnings capacity. Before the **Trustees** can provide you with a pension from the **Plan**, they are required by the Revenue to have received medical evidence from a registered medical practioner that you are (and will continue to be) incapacitated (using the Revenue's own definition of incapacity). Further details are available on request from the **Plan's** administrators.

Once this process has been completed, your early retirement pension will be paid to you. The pension you receive will be reduced by the **Trustees** to allow for the fact that it is being paid to you early. When in payment, your pension may be reduced (or a smaller pension paid instead of the original pension) or stopped at any time up to your **normal retiring date**, if the **Principal Employer** no longer believes, on the basis of medical evidence, you are incapacitated.

Late retirement

If you continue to work for the **Company** after your **normal retiring date**, your pension payments will usually be delayed until you actually retire from employment. Your pension will be calculated as if you had retired at your **normal retiring date**, but will be increased by the **Trustees** (with agreement from the **Plan's** actuary) to reflect the fact that you will receive your pension at a later date and therefore it will be paid for less time. When you retire, you will receive details on the amount of your pension increase. Your pension will come into payment when you eventually leave employment with the **Company** or, in any event, when you reach age 75.

Additional dependant's pension

On account of your membership of the **Plan**, your **spouse** or **civil partner** will be provided with a pension, which is payable on your death after retirement (see Section six). If the **Trustees** allow, you may also make further provision for your **spouse**, **civil partner** or other financial dependant by giving up some of your pension. If you want to take up this option please contact the **Plan** administrator at least 30 days before your retirement date for more information.

Cash sum on retirement

When you retire you will usually have the option of exchanging some of your pension for a cash sum. The **Trustees** will allow you to take up to 3/80ths of your **final pensionable salary** as a cash sum for each year of completed pensionable service (provided this is within the maximum tax-free cash sum allowed by Her Majesty's Revenue & Customs). The **Principal Employer** may, at its discretion, allow you to take an amount up to the maximum allowed by the Revenue.

The maximum tax-free lump sum allowed by the Revenue is broadly 25% of the total assessed value of your benefits limited to 25% of your available Lifetime Allowance. The Lifetime Allowance was introduced on 6 April 2006 and limits the amount of tax favoured pension savings you can build up over your lifetime. It is set at £1.5 million for the tax year 2006/07. Most members will not have to worry about this limit as it is only very high earners who will be affected. If you would like more information please contact the **Plan** administrators.

Notes:

1. The amount of pension that you have to give up depends on the size of your cash sum, your age at retirement and the conversion factor which applies at that age. The conversion factors are the same for both men and women. These factors are set by the **Trustees**, after taking advice from the Advising Actuary, and may change from time to time. If the **Principal Employer** allows you to take more than 3/80ths of your **final pensionable salary** for each year of completed **pensionable service** as a cash sum, then the factors used may be different from those set by the **Trustees**.
2. The **spouse's/civil partner's** pension payable on death after retirement is not reduced because you choose to exchange part of your pension for a cash sum.

   However, if your **spouse** or **civil partner** (as appropriate) is more than 10 years younger than you, their pension will be reduced by the **Trustees.**

6. Payments on death

The **Plan** also provides protection for your surviving **spouse**/**civil partner** and other **Beneficiaries** in the event of your death.

The benefits payable will depend on a number of different circumstances, which are outlined below:

If you die while still in service before your normal retiring date and before receiving your pension

If you die while you are a still a contributing member of the **Plan** and have not yet reached your **normal retiring date**, the following benefits will be payable:

Cash sum

A cash sum of at least two times your annual basic salary will be paid to one or more of your **Beneficiaries**, along with the value of your contributions (plus interest). Some employees may be covered for a higher multiple of annual basic salary. If this applies to you, you will have received information from the **Company**.

If you are away from work for any reason and stop receiving contractual pay, a cash sum will not be payable. Different rules may apply if you are absent because of incapacity. Please see Section 5 or contact the **Plan** administrators for more details.

A pension for your Spouse or Civil Partner

Your **spouse** or **civil partner** will receive a pension equal to 50% of the pension you would have received if you had continued as a contributing member of the **Plan** until your **normal retiring date**. Their pension will be based on your **final pensionable salary** at the date of your death and will be paid for the rest of their lifetime. If your **spouse** or **civil partner** is more than 10 years younger than you, their pension will be reduced by the **Trustees**.

If you are living with a partner at the time of your death but have not married, the **Trustees** may, at their discretion, pay the pension to your partner (see Definition of Terms – "**Spouse**").

If you die while still in service, before your normal retiring date, and you are receiving pension benefits from the Plan

If you have stopped contributing to the **Plan** and are receiving pension benefits while still working for the **Company**, the following benefits will be paid if you were to die:

Cash sum

A cash sum, equal to the amount of life cover detailed in your contract of employment, will be paid to one or more of your **Beneficiaries**.

A pension for your Spouse or Civil Partner

A pension will be paid to your **spouse** or **civil partner** that is equal to 50% of the pension you were receiving at the date of your death. Their pension will be calculated on the basis that you did not take any of your pension as a tax-free cash sum. If your **spouse** or **civil partner** is more than 10 years younger than you, their pension will be reduced by the **Trustees**.

If you are living with a partner at the time of your death but have not married, the **Trustees** may, at their discretion, pay the pension to your partner (see Definition of Terms – "**Spouse**").

If you die while still in service and on or after normal retiring date

If you are still in service and you die on or after your **normal retiring date** before your pension has started, the following benefits will be payable:

Cash sum

A cash sum equal to the value of five years' pension instalments (disregarding future increases) that would have been payable to you had you retired immediately before your death will be paid to one or more of your **Beneficiaries** if you die before age 75.

A pension for your Spouse or Civil Partner

A pension will be paid to your **spouse** or **civil partner** equal to 50% of the pension you would have received if you had retired immediately before your death. The pension will be paid to them for the rest of their lifetime. If your **spouse** or **civil partner** is more than 10 years younger than you, their pension will be reduced by the **Trustees**.

If you are living with a partner at the time of your death but have not married, the **Trustees** may, at their discretion, pay the pension to your partner (see Definition of Terms – "**Spouse**").

If you die after you have left service and started receiving your benefits

Cash sum

Your pension will stop at the time of your death, however if you die before age 75 it is guaranteed for five years from the date it started. So, if you die within five years of retirement, the **Trustees** will, at their discretion, pay a lump sum amount equal to the value of the remaining pension instalments for that five-year period to one or more of your **beneficiaries**. The payment will be made as a cash lump-sum and will not take into account any future pension increases.

A pension for your Spouse or Civil Partner

A pension will be paid to your **spouse** or **civil partner** equal to 50% of the pension you were receiving at the date of your death and paid for the rest of their lifetime. The pension will be calculated on the basis that you did not take any of your pension as a tax-free cash sum. If your **spouse** or **civil partner** is more than 10 years younger than you, their pension will be reduced by the **Trustees**.

If you are living with a partner at the time of your death but have not married, the **Trustees** may, at their discretion, pay the pension to your partner (see Definition of Terms – "**Spouse**").

Payment of cash sum death benefits

The **Trustees** will use their discretion in deciding who will receive any cash sum payment from the **Plan**. Any cash sum payment will normally be paid tax-free if it does not exceed a member's unused Lifetime Allowance. See Section 5 or contact the **Plan** administrators for more details.

The **Trustees** will take into account your wishes as expressed on your "Death Benefit Nomination Form". You can make changes to your "Death Benefit Nomination Form" at any time and it is important that you consider whether or not to update the form whenever your personal circumstances change.

Children's pension

A pension will be paid to eligible **children** in the following situations:

- where you leave no **spouse** or **civil partner**; or
- where your **spouse**/**civil partner** dies while receiving a pension from the **Plan.**

The pension paid will be equal to the **spouse's**/**civil partner's** pension. If there is more than one eligible **child**, the pension will be split between the **children** by the **Trustees** in proportions they decide are appropriate.

7. Benefits on leaving service

If you have completed less than two years of qualifying service

If you have less than two years of **qualifying service** you will receive a refund of your contributions less tax, currently at the rate of 20% or 40%. Interest may be added at a rate determined by the **Trustees**, if it is allowed under the Finance Act 2004 rules.

Alternatively if you have more than three months but less than two years of **qualifying service** you may be able to take a transfer value to another pension arrangement instead of receiving a refund of your contributions. If you do not make this choice within three months of leaving service, the **Trustees** will automatically pay you a refund of your contributions as described above.

It is important to note that if you have completed less than two years of **qualifying service** but you have transferred benefits into the **Plan** from a personal pension arrangement, you will be treated as though you had completed more than two years' **qualifying service**.

If you have completed more than two years of qualifying service

The pension that you have earned in the **Plan** will stay in the **Plan** until you reach your **normal retiring date**. This is known as a deferred pension. Your deferred pension will be based on your completed **pensionable service** and your **final pensionable salary** at the time of leaving.

Your deferred pension will be revalued each year from the time you leave the **Plan** until the time you retire or take a transfer value if earlier. The aim is to keep pace with the rise in the Retail Prices Index (RPI) subject to a maximum increase of 5% per year.

Your deferred pension will be paid when you reach your **normal retiring date**. You may be able to take it earlier or later than this if the **Trustees** agree, however it will be reduced to reflect the fact that you are collecting it for longer. You should note that you must take your pension by age 75.

What happens if you die before taking payment of your deferred pension?

If you die before taking payment of your pension, the following will be payable:

- A cash sum equal to the value of your ordinary contributions (including interest to the date you left the **Plan**). The **Trustees** will use their discretion when deciding who this is paid to.
- A **spouse** or **civil partner's** pension equal to 50% of your deferred pension, revalued to the date of your death.

If your **spouse** or **civil partner** is more than 10 years younger than you, their pension will be reduced by the **Trustees**.

If you are living with a partner at the time of your death but have not married, the **Trustees** may, at their discretion, pay the pension to your partner (see Definition of Terms – "**Spouse**").

Children's pensions

A pension will be paid to eligible **children** in the following situations:

- where you leave no **spouse** or **civil partner**; or
- where your **spouse** or **civil partner** dies while receiving a pension from the **Plan**.

The pension paid will be equal to the **spouse's/civil partner's** pension. If there is more than one eligible **child**, the pension will be split between the **children** by the **Trustees** in proportions they decide are appropriate.

Is there an alternative to a deferred pension?

If you do not want to leave the pension you have earned in the **Plan**, you are entitled to transfer the value of your deferred pension to another approved pension arrangement, such as your new employer's pension scheme, an individual buy-out policy or a personal pension policy.

The transfer value paid will take account of the benefits you have built up, on a basis advised by the **Plan** Actuary. No allowance will be made for any discretionary increases that you might have received if you had left your benefits in the **Plan**.

You may request one transfer value quotation from the **Plan** administrators at any time within a 12 month period up to one year before your **normal retiring date**. The quotation will be sent to you within three months of your request. It will be guaranteed for a period of three months from the date of calculation shown on the quotation. If you wish to accept the quotation you must confirm acceptance within the guarantee period.

We recommend that you speak to an independent financial adviser before making a decision to transfer your benefits. For a list of IFAs local to you, call 0800 085 3250 or go to **www.unbiased.co.uk**.

8. State scheme benefits

The State provides two levels of pension benefits:

The Basic State Retirement Pension

This is a flat rate pension, which you will receive providing you have paid enough National Insurance contributions.

State Second Pension

This is an additional earnings-related pension.

A guide to State pensions is available from your local Pensions Service Office, or from **www.thepensionservice.gov.uk**. This will provide you with information about the Basic State Retirement Pension, the **State Second Pension** and contracting out of the State pension arrangements.

Contracting out of the State Second Pension scheme

The **Plan** is currently a "contracted out salary-related scheme".

As a result, if you join the **Plan**, currently both you and the **Company** will pay a lower rate of National Insurance contributions. This is because, while you are a member of the **Plan**, you will not build up any benefits through the **State Second Pension**.

It is important that you take into account the benefits you could be earning under the State pension arrangements when deciding whether or not to join the **Plan**.

Reference Scheme test

In order to continue to contract out of the **State Second Pension** scheme, the **Plan** must meet "the reference scheme test". This test makes sure that contracted-out pension schemes meet the legal standard laid down in the Pension Schemes Act 1993. This test sets out minimum requirements for **Plan** beneficiaries' benefits.

State pension age

The State pension age for men and women is now 65. However, special provisions apply to women born between 6 April 1950 and 5 April 1955. Women born before 6 April 1950 retain a State pension age of 60.

9. Additional Voluntary Contributions ("AVCs")

This section of the booklet is only relevant to members who were paying regular monthly AVCs on and before 6 April 2006. Other members are no longer able to make AVCs.

What are Additional Voluntary Contributions (AVCs)?

AVCs are exactly what their name suggests – they are extra contributions you can make to your pension on top of your regular monthly contributions. AVCs can be made on a regular basis or as a one-off contribution. Once you've started paying AVCs, you may change the amount or stop paying them altogether. It is important to note that if you decide to stop your AVCs after 6 April 2006, you will not be able to start paying them again in the future to the **Plan**.

Under current legislation your AVCs qualify for tax relief at the highest rate you pay. This means that if you pay tax at 22%, it will only cost you £78 on your take-home pay to save £100 in AVCs. Furthermore, your AVCs enjoy tax advantages while they are invested.

How can you use your AVCs?

When you retire or start receiving benefits from the **Plan** (if this is earlier) you may use your AVCs to:

- increase your own pension;
- buy additional pension for your **Dependants**.

Currently it is not possible to access your AVCs before you retire.

What if you leave or die before retirement?

- If you leave the **Plan** before completing two years of **qualifying service**, the value of your AVCs will be refunded to you with a deduction for tax (currently 20% or 40%), unless you have more than three months' **qualifying service** and you choose to take a transfer value along with the value of your AVCs to a new employer's pension scheme, or to a personal pension or section 32 policy.
- If you leave the **Plan** after completing two years **qualifying service**, your AVCs will remain fully invested in the **Plan** alongside your deferred pension until you retire. You may choose to transfer your deferred pension along with the value of your AVCs to a new employer's pension scheme, or to a personal pension or section 32 policy.
- If you die, the full value of your AVCs will be added to any cash sum payment made by the **Trustees** to your **Beneficiaries**.

What amount of AVCs can you pay?

Currently, the **Plan** rules will not allow you to pay more than 15% of your total taxable earnings in AVCs and **Plan** contributions combined. High earners are limited to 15% of the **Plan's** earning cap, which is £108,600 for the 2006/07 tax year.

How should you invest your AVCs?

A number of different investment options for your AVCs are offered. These are described in the AVC literature available from the **Plan's** administrator. The **Trustees** recommend you take independent financial advice to help you decide how to invest your AVCs.

When can you take your AVC pension?

There is some flexibility. You can take your AVC pension at your retirement date with your main **Plan** benefits or, if you wish, you can put off taking your AVC pension until after your retirement date.

If you are thinking about deferring your AVC pension until after your retirement date, you should consider taking independent financial advice on the implications of doing this. For example, there are potential restrictions on the lump sum benefits you will be able to take as a result.

How do you buy a pension with your AVCs?

Full details of your options will be sent to you as you approach the **normal retiring date** or on request if you are considering early retirement. Currently, you can choose between converting your AVCs to a pension within the **Plan** and purchasing an income in retirement - an annuity - on the open market. The option that is most appropriate for you will depend on the particular type of pension you wish to buy and the annuity rates offered. You should consider taking independent financial advice before making any decision.

If you choose to purchase an annuity on the open market you will need to appoint your own independent financial adviser (IFA). Please note that it will be your responsibility to pay any fees arising from the appointment of an IFA. Information regarding appointing an IFA will be sent to you as you approach **normal retiring date**.

Where can you get more information?

If you have any questions about AVCs or would like some more information, please contact the **Plan** administrators, whose address is given on page four. While they are able to provide you with lots of information, you should note that they are not able to give you any financial advice.

Where can you find advice?

For a list of independent financial advisers local to you, call IFA Promotion on freephone 0800 085 3250 or visit their website at **www.unbiased.co.uk**.

10. More information about your benefits

Payment of pensions and taxation of benefits

Your pension will be paid monthly in advance. The first payment will be made in the month following the date of your retirement.

The **Trustees** will pay your pension straight into your bank or building society account. Your pension will be subject to income tax, but not National Insurance.

The **Trustees** may reduce any benefit in respect of which a Lifetime Allowance (tax) charge arises under the Finance Act 2004. You will be told if this affects you.

Increases to pensions in payment

Your pension will be increased in payment as required by law as follows:

- Pension earned before 6 April 1997 will increase each year in line with the rise in the RPI, up to a maximum of 3%.
- Pension earned between 6 April 1997 – 5 April 2005 will increase each year in line with the rise in RPI, up to a maximum of 5%.
- Pension earned from 6 April 2005 will rise in line with the rise in RPI, up to a maximum of 2.5%.

Any GMP will increase in payment in line with statutory requirements.

Temporary absence

General rule

If you are absent from work, the period of absence will count as **pensionable service** for as long as you continue to receive contractual pay from the **Company**.

With the consent of the **Principal Employer** the **Trustees** may allow you to stay in the **Plan** and continue to earn pension benefits in the following circumstances:

- If you are absent because you are undertaking further education in connection with your employment.
- If you are absent as a result of national service.
- If you are absent because you have been seconded to work for another company within Ladbrokes plc.

The **Trustees** can only agree to this if the Revenue will allow.

You will always be treated as having left **pensionable service** if you become a member of another retirement benefits scheme or there is no longer a definite expectation that you will return to work for the **Company**.

If your **pensionable service** stops during a period of absence, you will be treated as having left service. See section 7 for benefits which may apply to you on leaving service.

Family Leave

If you are absent from work because you are on what is known as “ordinary maternity leave” or “ordinary adoption leave” or “paternity leave”, the period of absence will count as **pensionable service**. You must continue to pay contributions on the pay you receive. Your benefits for these periods of absence will be calculated as if you had worked normally and received the normal pay for doing so.

You will also be treated as still in **pensionable service** if you are absent from work because you are on what is known as “additional maternity leave” or “additional adoption leave” or “parental leave” **and** you are receiving pay from the **Company**. You must pay contributions on the pay you receive. For a period of paid additional maternity leave, your benefits will be calculated as if you had worked normally and received the normal pay for doing so. For any period of paid additional adoption leave or paid parental leave, your benefits will be based on the actual pay you receive (unless the **Trustees** and the **Principal Employer** agree other terms which are no less favourable to you).

The **Trustees** and the **Principal Employer** also have the discretion to treat a member who is absent from work on unpaid additional maternity leave, unpaid additional adoption leave or parental leave as still in **pensionable service** for some or all of the benefits under the **Plan**.

Assignment of benefits

You cannot assign your **Plan** benefits or use them as security for a loan. This restriction is imposed by HM Revenue and Customs and you should note that you may lose your **Plan** benefits if you try to use them in this way.

Amendment or discontinuance

The **Trustees** and the **Principal Employer** reserve the right to amend the **Plan** at any time. If your benefits or rights are affected you will be advised in writing. If the **Plan** is discontinued the **Trustees** will use the money in the **Plan** to secure benefits for members, their family and their **Dependants** in accordance with the **Plan's** Rules.

Tax approval

The **Plan** is a registered pension scheme for the purposes of Part 4 of the Finance Act 2004. Being a registered pension scheme currently gives the following benefits:

You will receive full tax relief on your contributions and you will not be taxed on the contributions which the **Company** pays on your behalf.

The **Plan's** assets receive favourable tax treatment.

Maximum benefit limits

Before 6 April 2006, the **Plan** was approved under Chapter I of Part XIV of the Income and Corporation Taxes Act 1988 (retirement benefit schemes). As a condition of this approval, the **Plan** was subject to various requirements including limits on the benefits and contributions that would be paid. Although changes have been made to the way benefits are taxed as a result of the Finance Act 2004 (more commonly known as Pensions Simplification), the **Company** and the **Trustees** have agreed to keep the limits that previously applied.

This means that occasionally it is necessary to restrict benefits to ensure that those limits are not breached. One of the key limits is a maximum level of pay that can be counted each year for pension purposes. This is known as the earnings cap. All members who join the **Plan** on or after 1 June 1989 are subject to this earnings cap.

If you are a high earner, it is also worth noting that a lifetime limit was introduced on 6 April 2006. This limits the amount of tax favoured pension savings you can build up over your lifetime and is set at £1.5 million for the 2006/07 tax year. Benefits paid in excess of this limit are paid as a lump sum from the **Plan** and taxed at 55%. You will be advised when these limits affect you.

Availability of information

As a member of the **Plan** you are entitled to receive information about the operation of the **Plan** and details of your own benefits.

Annual benefit statements

Each year you will receive an annual benefit statement, showing details of the pension you have earned and illustrative benefits at **normal retiring date**.

Annual report and accounts

Each year the **Trustees** issue a report containing details of the **Plan's** investments, cash flows and any important developments that have occurred during the year. A copy of this report is available to members on request from the **Plan** administrators at the address shown on page four. An abbreviated version of the report is distributed to contributing and pensioner members each year.

Plan Rules

The Rules govern how the **Plan** is run and the benefits it provides, and may be viewed by members on request. If you would like to see a copy of the Rules, you should contact the **Plan** administrator.

Pensions and divorce

There may be implications for a member's pension entitlements under the **Plan** on his or her divorce. Courts have for some time been able to take pensions into account in divorce settlements. They can now order "pension sharing". This is where part of the member's pension entitlement is debited and then credited to the former **spouse** or former *civil partner*. This is effective from the date of divorce, so is thought to be more in line with the "clean break" principle than other approaches. It is the **Trustees**' current intention, where a pension sharing order is made, to transfer the former **spouse's** or former **civil partner's** pension credit out of the **Plan** wherever possible.

The **Trustees** will seek to recover the cost of implementing any divorce order from one or both of the member and former **spouse**/**civil partner**.

Transfer of pension benefits into the Plan

During the first five years of your membership of the **Plan**, you have the opportunity to transfer pension benefits earned in a previous employer's pension scheme or personal pension plan into the **Plan**. If you would like to consider this further you should get details from the relevant scheme and send them to the **Plan** administrators at the address on page four. You will receive a quotation showing the additional benefits the transfer payment would buy you in the **Plan**. You must then decide whether or not it would be in your interests to proceed with the transfer. This is an important decision and you may find it helpful to seek independent financial advice.

The **Company** reserves the right to direct the **Trustees** not to accept transfer payments into the **Plan**.

The Pension Schemes Registry

The **Plan** is registered with the Registrar of Occupational and Personal Pension Schemes. The registration number is 101328928. The Registrar operates a free tracing service for pension scheme members to help them where they lose touch with the scheme trustees. You can contact the Registrar at the following address:

Pension Schemes Registry
PO Box 1NN
Newcastle upon Tyne NE99 1NN

The Data Protection Act 1998

The Data Protection Act 1998 and its predecessor, the Data Protection Act 1984, provide strict guidelines on how data should be collected, processed, disclosed and stored. These acts apply to the **Plan** because personal data is held on each member, such as name, address and salary and therefore the **Trustees** are registered with the Data Protection Commissioner. The personal data held about members will be used for the purposes of the administration and management of the **Plan** and for paying benefits under it. For these purposes, the **Trustees** may pass on personal data about you to the **Plan's** administrators and advisers. You are entitled to see any data that is held on you unless, in providing this data, other parties' data is disclosed. A charge may be made to cover the cost of supplying the data.

Disputes and complaints

Complaints about the **Plan** are rare and are generally resolved without the need for the formal disputes resolution procedure. The **Plan** administrator is able to assist you with queries about your benefits (see page four for contact details).

If you are unable to resolve your query you should follow the formal 'Internal Disputes Resolution Procedure' established by the **Trustees** in accordance with the requirements of the Pensions Act 1995. You can get a copy of the procedure from the **Plan** administrator.

The formal Internal Disputes Resolution Procedure is a two stage process. A summary of the procedure is set out below.

1 Stage one

You must send your complaint in writing (enclosing copies of any correspondence pertaining to your complaint) to the individual appointed by the **Trustees** for such matters. The appointed individual is:

Secretary to the Trustees of the
Ladbrokes Pension Plan
Hymans Robertson LLP
One London Wall
London
EC2Y 5EA

You will receive a response within two months.

2 Stage two

If you are dissatisfied with the response you receive, you must refer the matter to the **Trustees** of the **Plan** directly within six months of receiving a reply under stage one. You should send your letter; again including any copies of relevant previous correspondence, to:

The Trustees of the Ladbrokes Pension Plan
c/o The Secretary to the Trustees
Hymans Robertson LLP
One London Wall
London
EC2Y 5EA

The **Trustees** will then reply directly to you within two months.

The Pensions Advisory Service (TPAS)

TPAS is an independent and voluntary organisation giving free help and advice to members of the public who have a problem concerning either a company or personal pension scheme. TPAS will also assist with general enquiries on State pension schemes. TPAS is available to you, and to anyone who believes he or she has pension rights: this includes working members of pension schemes, pensioners, those with deferred pensions from previous employment, and **Dependants**.

You may contact TPAS at any time if you need assistance dealing with a query or difficulty that you have been unable to resolve with the **Trustees** or **Plan** administrators. TPAS can be contacted at the following address:

TPAS
11 Belgrave Road
London
SW1V 1RB

Pensions Ombudsman

The Pensions Ombudsman deals with the more serious disputes and cases of maladministration which TPAS has not been able to resolve. The rulings of the Pensions Ombudsman have the authority of a County Court and are binding on all parties, except that an appeal may be made on a point of law to the High Court. You may seek assistance directly from the Ombudsman, at the same address as that shown for TPAS, although it is envisaged that the initial contact will normally be with TPAS.

The Pensions Regulator

The Pensions Regulator is able to intervene in the running of schemes where trustees, employers or professional advisers have failed in their duties and in certain other circumstances. The Pensions Regulator's address is:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

Definition of terms

Beneficiary
Your **spouse**, former **spouse**, **civil partner**, former **civil partner**, grandparents and their descendants, and any person or body whom you nominate in writing to the **Trustees**. (Note: step-children and **children** of any age are automatically included as a "Beneficiary".)

Child or **children**
Your natural **child** (including a legally adopted **child**), providing they are under age 18 or under age 23, if in full-time education. (Note: this definition is used for paying pension benefits.)

Company
Ladbrokes plc and any subsidiary or associated company that participates in the **Plan**.

Dependants
This is your **spouse**, **civil partner**, **children** and any other person who the **Trustees** consider to be financially dependant on you.

Final pensionable salary
This is the salary figure used to calculate your pension entitlement when you retire from the **Plan** or leave, if earlier. It is the highest annual average of your **pensionable salaries** over three consecutive years in the ten years before you retire or leave service.

LEL
The Lower Earnings Limit. This limit is set by the Government each year and is approximately equal to the basic state pension for a single person.

Normal retiring date
This is your 65th birthday.

Pensionable salary
This is your basic annual salary at 6 April each year less the **LEL** applicable at the same date. **Pensionable salary** cannot exceed the **Plan's** earnings cap (which is £108,600 for the tax year 2006/07).

Pensionable service
The period of continuous membership from the date you joined the **Plan** until your **normal retiring date**, or, if earlier, the date you stop contributing. If you have additional **pensionable service** you will have been informed separately.

Plan
The Ladbrokes Pension Plan.

Principal employer
Ladbrokes plc or its successor.

Qualifying service
The most recent continuous period of service as a contributing member of the **Plan** plus service in respect of benefits transferred into the **Plan** from another pension arrangement.

State Second Pension (S2P)
In April 2002, the **State Second Pension** was introduced to reform the State Earnings-Related Pension Scheme (SERPS). Details of the S2P benefits are available from **www.thepensionservice.gov.uk**, or from your local Pensions Service Office.

Spouse
Either your legally recognised husband or wife, who you were married to for at least six months before your death, or the person who has been your registered **civil partner** for at least six months before your death. If you were married or in a registered civil partnership for less than six months before your death, your husband or wife/**civil partner** may still be entitled to a limited **spouse's** pension in accordance with the contracting-out laws.

If you are unmarried or not in a registered civil partnership, but living with a partner on a permanent basis, the **Trustees** may, at their discretion, pay the **spouse's** pension to your partner. In order for he or she to be considered as a recipient of the **spouse's** pension you must have been living together as a couple in circumstances where you and your partner were financially interdependent or he or she was financially dependent on you at the time of your death.

Trustees
The **Trustees** of the Ladbrokes Pension Plan.