THUS Group plc Pension Scheme ("the Scheme")

2015 Trustees' Summary Report

A message from your Trustees

On behalf of your Trustees, welcome to the latest edition of our Summary report.

Protecting your retirement benefits either in payment or yet to come into payment is our priority. See later in this Summary; 'A look at the figures' for the latest update on the Scheme's financial position.

In this summary we also bring you up to date with developments in the wider world of pensions which may affect how you continue to save and plan for retirement – including the main pension related aspects of the Government's March 2015 Budget. We remain committed to ensuring you have the information you need to make decisions for your future.

Alongside more details on all of the above, you can find in this Summary the key facts and figures from the latest Scheme Accounts, an up to date membership profile and an investment performance review.

The Trustee Board has remained unchanged from last year. Roger Braithwaite was re-appointed as a Member Nominated Trustee (MNT) for a further period of 3 years from 5 April 2015 and Colin Kennedy has also been re-appointed as a MNT for a further 3 years from 11 September 2015. We are grateful to both for their ongoing commitment. You can see a full list of your Trustees on Page 3.

Calendar year 2014 was a mixed year in general for investment markets. Harsh winter weather caused US growth to stall in Q1, but economic recovery resumed in Q2. UK growth was also fairly sturdy and was the strongest in the G7 over the first three quarters of the year. In the Eurozone, however, growth and activity slowed with Italy falling back into recession. Japan too fell into technical recession in the aftermath of the April's sales tax hike.

Global equities rose steadily through the first three quarters of the year, but volatility returned in quarter 4 as equities faltered in both October and December, only to recover most of their losses after each bout.

I hope you enjoy reading this Summary and find it informative. We also welcome any feedback you have on this report. Our contact details are on Page 4 ('Further Information').

Ian Armour
Chairman of the Trustees

Scheme Developments

With effect from 1 April 2014 a TUPE transfer took place which resulted in 4 employees of RWE Npower being transferred to Vodafone Limited and becoming active members of the Scheme in view of their protected person status under the Electricity Act 1989.

There are no other developments to report at this time.

In the News

Pension Liberation – Warning

Some unscrupulous companies offer large cash sums and other incentives to members to withdraw their pension savings and transfer to a new scheme either in the UK or overseas. This can result in heavy tax penalties, you may have to pay large fees to the company and there is a risk you may lose your pension savings altogether. More information of the warning signs can be found at the link below.

http://www.pensionsadvisoryservice.org.uk/content/publications-files/uploads/members_detailed_booklet_7_page.pdf

You should be particularly careful if responding to adverts in newspapers and magazines or to cold calls or pushy advisers. Please note that you cannot normally draw your pension before age 55 and you cannot take a loan from your pension savings.

2015 Budget

In the 2015 Budget it was announced that the Lifetime Allowance (LTA) will be cut from £1.25m to £1.0m with effect from 6 April 2016. This is the maximum value of pension benefits from all sources (ignoring State pensions) that you can build up over your lifetime without incurring an additional tax charge. If your total benefits exceed the LTA, you will pay tax on that excess amount. The majority of members will not be affected by the LTA but every time the figure is reduced it does affect a wider group of individuals. If you are in any doubt on whether you will be affected then we would recommend that you seek financial advice.

In addition, the Government intends to legislate (from 2016) to allow individuals in receipt of an annuity to agree with their annuity provider to assign their income to a third party in exchange for a lump sum. It should be noted that this only will apply to members of defined contribution (DC) arrangements. As our Scheme is a defined benefit (DB) arrangement you will be unable to 'cash in' your pension when in payment. However, if you have not yet retired you may still be able to transfer your benefits to a DC arrangement before retirement. There is now a legal requirement for most members who wish to transfer out of DB schemes to take formal independent financial advice (please also refer to the Pension Liberation comment above).

On 8 July 2015, George Osborne delivered his Summer Budget. The main pensions-related aspects are summarised below.

A tapered Annual Allowance (AA) for high earners will apply from the tax year 2016/17. Those with earnings over £150,000 (including pension contributions) will be affected by the change. The AA of £40,000 will be reduced by 50p for each £1 of income in excess of £150,000, down to a minimum of £10,000 for those earning in excess of £210,000. Those earning below £110,000 (excluding pension contributions) will generally be able to retain an AA of £40,000.

There are complex rules regarding the AA, if you think that you will be affected we would recommend that you seek financial advice.

Finally, the Government has commenced a high-level consultation on pensions tax relief. This asks questions such as whether a simpler system is likely to result in greater engagement with pensions saving, and how the system could be simplified to strengthen the incentive for individuals to save.

State Pensions

The Pensions Act 2014 sets out how the Government will simplify state pensions based on a simple, single tier pension. The key changes are:

- A new single tier State Pension of at least £148.40 per week for people with sufficient qualifying years reaching State Pension age from April 2016 onwards.
- For individuals with qualifying years under the current system, there are transitional provisions with individuals being credited with an accrued State Pension (referred to as the "Foundation Amount") equal to the higher of the benefits that they would have built up in the current system and those which would have built up under the new system.
- Where an individual has previously been contracted-out (*the THUS Scheme will be contracted-out of the State Scheme up until 5 April 2016 – a separate communication will be issued to active members to explain the impact of the THUS Scheme no longer being contracted out after this date*), a deduction from the "Foundation Amount" will be applied to reflect the fact that they have paid lower National Insurance contributions whilst they were contracted out and they will have another pension source from that period of being contracted-out.
- The Act brings forward the increase in the State Pension Age ("SPA") to age 67 between 2026 and 2028. State Pension Age will then be reviewed every five years.

Anyone who will attain State Pension Age on or before 6 April 2016 is not affected by the above**.** The rules on State benefits are quite complicated. If you want to find out more about what you may be entitled to then please go to www.gov.uk or phone the following number:

State Pension (claim line) -

0800 731 7898 (free)

If you simply want to see what your State Pension Age is then the link below will enable you to calculate this.

https://www.gov.uk/calculate-state-pension

Answering your questions

As Trustees, we wish to ensure that members fully understand their options and entitlements within the Scheme and we would like to develop a Question and Answer (Q&A) communication. You are therefore invited to submit any questions you have using mailbox:

thus.pension@aonhewitt.com

Please simply head up your email: "Trustees' Summary question" and set out your queries or concerns. A review of all responses will be collated and the Q&A communication will be published in due course.

Thank you in advance for your cooperation.

A look at the figures

Scheme Accounts

Set out below are figures which record the main movements to and from the Scheme during the Scheme year to 31 December 2014.

Fund value at 31 December 2013	**£132,168,237**
Money In	
Company contributions*	£776,104
Member AVCs	£578
Money Out	
Benefits payable and leavers	(£2,103,428)
Administrative expenses	(£316,805)
Investment management expenses	(£228,444)
Change in Market Value of Assets	£16,805,163
Fund value at 31 December 2014	**£147,101,405**

**includes normal employer contributions, employee contributions via salary sacrifice, and an allowance for Scheme expenses.*

Scheme Membership

At 31 December 2014, there were 620 members of the Scheme:

1 January 2014	Members	31 December 2014
60	Active	63
203	Pensioner	206
359	Preserved	351
622	**Total**	**620**

'Pensioner' includes beneficiaries in receipt of a spouse's or dependant's pension. 'Preserved' includes ongoing employees with non- protected status.

Investment Update

Our key principles for investing are set out in a formal document; the Statement of Investment Principles. This document is reviewed at least once a year.

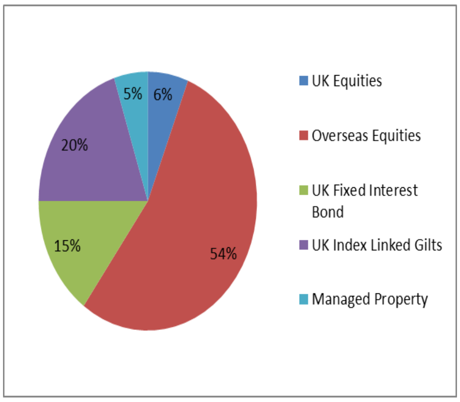
During 2014 there were no changes to the Scheme's investment strategy. The investment objectives of the Scheme are:

- the acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from members and the employer, the cost of current and future benefits which the Scheme provides.
- to limit the risk of assets failing to meet the liabilities over the long term.
- to minimize the long term costs of the Scheme by maximizing the return on the assets whilst having regard to the previous objectives.

We review the Scheme's investment strategy regularly with our Advisors to ensure it remains appropriate for evolving market conditions and the level of the Scheme's current liabilities.

Investment spread and performance

The chart below shows the benchmark position for the Scheme's assets as at 31 December 2014.



The investment manager is paid a quarterly fee for its services, calculated as a percentage of the market value of the invested assets.

Over the year to 31 December 2014 the Scheme's invested assets achieved a return of +12.9% against a benchmark index of +12.8%. Over the three period to 31 December 2014 the average annual return was +13.4% against a benchmark of +13.3%. We continue to monitor performance regularly with input from our Advisors.

Funding the Scheme

Tracking the funding position

We regularly review the ongoing relationship between the invested assets of the Scheme and the benefits in payment or yet to be settled (the 'liabilities').

We have a system in place that enables us to monitor the Scheme's funding position and have set up "trigger points" to inform us of changes in market conditions, which allows us to consider switching Scheme assets in a timely manner,

Actuarial Valuation as at 31 December 2014

The Actuarial Valuation process provides a snapshot of the Scheme's funding position at a set date every three years. It compares the value of a Scheme's investment assets (plus any other money it has available) to its projected liabilities – or to put it another way, the targeted amount of money needed to pay benefits on an ongoing basis.

The results of the Actuarial Valuation as at 31 December 2014 are as follows:

	£ million
Market Value of assets	147.1
Estimated target assets needed to pay benefits	143.9
Surplus	3.2
Funding Level	102.2%

Although the movement in market conditions, against which the liabilities are valued, has deteriorated in the three years since 31 December 2011 (which means the projected value placed on liabilities is greater) this has been more than compensated for by the level of investment returns achieved during the same period. There are other lesser factors that contribute to the above Funding Level position but the aforementioned items are the main contributors. As a result of the Actuarial Valuation as at 31 December 2014 being finalised, a Summary Funding Statement has been prepared for members and a copy is enclosed along with this Summary report.

Employer Covenant

One of our key duties is to assess and monitor the strength of the employer covenant and its impact on the security of the Scheme. This means assessing the employer's ability, and ongoing willingness, to pay the level of pension contributions needed to allow the Scheme to continue providing member benefits.

We receive regular feedback from the Company following the publication of its half yearly and yearly results. In addition, we considered the strength of the covenant during the recent Actuarial Valuation process; this included taking independent advice from our Advisors.

The strength of employer covenant is also taken into account when considering the investment strategy and how closely assets should match the liabilities of the Scheme.

Scheme Information

Additional Voluntary Contributions (AVCs)

For active members the Scheme offers an ongoing AVC facility with Standard Life.

If you would like to start paying AVCs, or have any other questions about AVCs you should contact the Scheme Administrator (see 'Further Information').

Working for you – your Trustees

As Trustees we are responsible for managing the Scheme in line with its own rules, and current pension law, while safeguarding the best interests of all Scheme members. We invest the assets of the Scheme and they are held independently from the finances of the Company.

Your current Trustees are as follows:

Ian Armour	*Company Appointed (Chairman of the Trustees)*
Stewart Frame	*Company Appointed*
Tim Colvin	*Company Appointed*
Roger Braithwaite	*Member Nominated*
Colin Kennedy	*Member Nominated*

Scheme Advisors

To assist in the management of the Scheme, and to help us carry out our duties, we employ a number of professional advisors. The current Advisors are as follows:

Administrators	Aon Hewitt
Auditors	Ernst & Young LLP
AVC provider	Standard Life
Investment Manager	Legal & General Investment Management
Scheme Actuary	Suzanne Vaughan of Towers Watson
Solicitors	Pinsent Masons LLP
Banker	Bank of Scotland

Financial Security for your loved ones

If you were to die and you leave benefits in the Scheme there may, in certain circumstances, be lump sum death benefits payable to your beneficiaries. For this reason, it is important that you fill in an 'Expression of Wish' form, to inform us who you would like to receive any lump sum. To avoid Inheritance Tax implications, we have absolute discretion over who receives these benefits payable from the Scheme but we do take member's wishes into consideration.

If you have completed an Expression of Wish form in the past please bear in mind that if your personal circumstances change it may affect who you want to nominate on your Expression of Wish form. If in doubt then please request that a blank form is sent to you. These forms are available from the Scheme Administrator (see 'Further Information').

Data Protection

The Data Protection Act 1998 ("the Act") regulates the use of personal data relating to living individuals which is processed automatically or manually and held in a relevant filing system. Explicit member consent is required where personal sensitive data is held or processed. Some personal data for Scheme members (such as date of birth and salary) is required for the running of the Scheme, including paying out the right benefits. The use of this data is regulated under the Act, which places certain responsibilities on those who exercise control over the data (known as "data controllers" under the Act). Data controllers would include us as the Trustees of the Scheme, the Scheme Administrator, and, in certain circumstances, professional advisers to the Scheme. These may include the Scheme Actuary and Towers Watson, who have provided further details on their website at:

http://www.towerswatson.com/personal-data

Further Information

Further information about your benefits in the Scheme or to enquire about AVCs is available from the Scheme Administrator, Rozlyn Fraser of Aon Hewitt, at the following:

Email: thus.pension@aonhewitt.com
Telephone: 0141 222 7018

Any queries or concerns regarding the Scheme in general, or indeed over the content of this Summary report, should be addressed to the Scheme Secretary, Douglas Mair, at:

Douglas Mair
Aon Hewitt
Sentinel
103 Waterloo Street
Glasgow
G2 7BW