2017 Trustees' Summary Report

Welcome to this latest edition of your THUS Group plc Pension Scheme (the 'Scheme') newsletter.

September 2017

In this issue

You can find summary figures from the formal Scheme accounts on page 2, including membership numbers and the Scheme's key income and expense transactions.

The outcome of the EU referendum and the ongoing uncertainty surrounding the nature of 'Brexit' continues to affect the financial markets. As Trustees, we continue to carefully monitor the situation with the support of our advisers, and we make changes to the Scheme's investments as and when it is deemed appropriate. You can find summary investment figures on page 3.

Remember that it is your responsibility to decide how any Defined Contribution savings you have are invested (this may include Additional Voluntary Contributions – AVCs – that you have within the Scheme).

As Trustees, it is our responsibility to manage the Scheme in line with its Rules and wider pensions law. We have included a full line-up of the Trustees – and our appointed advisers – on page 6.

Away from the Scheme, we have rounded up some other pensions' news that may affect you – please see pages 4 and 5. In particular, remember to be alert to the threat of pension scams and please take action if you think any offer you receive is suspicious.

I hope you find this newsletter helpful. Please get in touch if you have a query about the Scheme in general or your own benefits. The contact details are on page 6.

Ian Armour

Chairman of the Trustee

In numbers

The membership

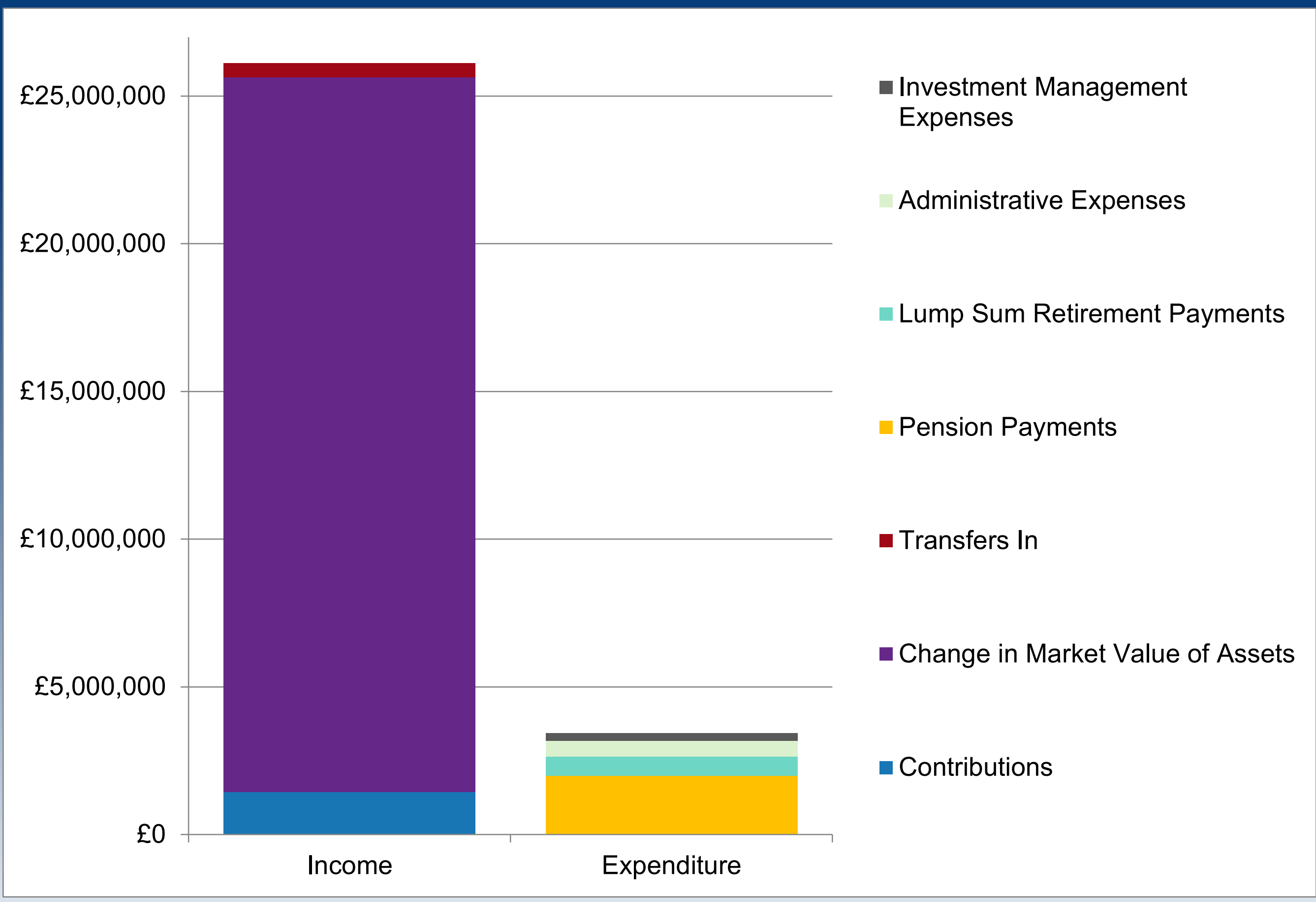
At 31 December 2016 there were 616 members in the Scheme compared with 619 members at the corresponding date last year.

	At 31 December 2016	At 31 December 2015
Active members	59	60
Deferred members	334	341
Pensioner members	223	218

- Active members work for Vodafone Limited or Vodafone Group Services Limited and pay regular contributions.
- Deferred members include employees who are still employed by the Company but no longer accrue benefits in the Scheme.
- Pensioner members are in receipt of benefits from the Scheme.

The accounts

The table below shows the income and expenditure in the Scheme for the 12-month period ending 31 December 2016. Our appointed auditors have verified that the figures are accurate. Please get in touch if you would like more detail of the accounts.



Investment update

As Trustees, it is our responsibility to decide the overall investment strategy and to make changes as and when appropriate. We work closely with our investment advisers and we keep a close eye on how the selected funds are performing.

During the year we reviewed our investments and made the decision to move some of the Scheme's assets from the equity asset class to a Diversified Growth Fund (DGF). As of 31 December 2016, 30% of the assets were invested in a DGF. The aim of this decision is to help stabilise the Scheme's funding position.

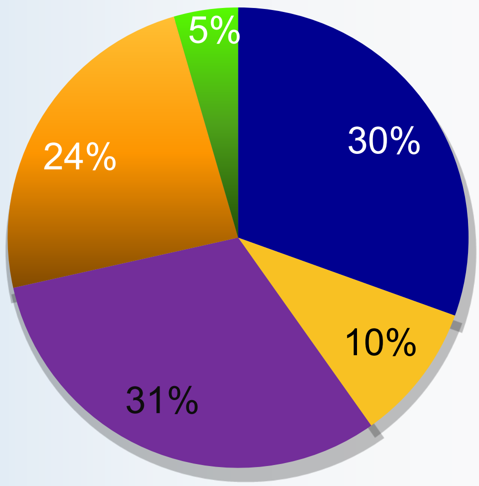
In addition to the reduction in equities as an asset class, we also moved 5% of the Scheme's assets from corporate bonds into index-linked gilts.

Asset allocation

At 31 December 2016, the Scheme held assets overall of £172,450,817 compared with £149,665,675 at the corresponding date last year.

The chart adjacent shows how the Scheme's investments were allocated at 31 December 2016, across asset types (rounded).

- Property 5%
- DGF 30%
- World Equities 31%
- Fixed Interest UK Bonds 10%
- UK Index Linked Gilts 24%



Recent performance – periods ending on 30 June 2017

The table below shows how the Scheme's investments have performed compared with their agreed benchmarks. Each benchmark is an agreed indicator of how the fund is expected to perform bearing in mind economic and market expectations. The performance figures are expressed gross of fees.

Legal & General	Over one year		Over three years (annualised % per year)		Over five years (annualised % per year)	
	Performance	Benchmark	Performance	Benchmark	Performance	Benchmark
Pooled investment funds	13.45%	13.08%	10.37%	10.37%	11.80%	11.78%

You can see that performance has been roughly in line with the benchmark over all reporting periods and this is largely expected as a consequence of Legal & General's index tracker mandate. We will continue to monitor performance and make any changes we feel are necessary.

In the news

A recap on flexible retirement options

As a reminder, in 2015 the Government introduced more flexible options for taking **DC pension savings.** Here is a summary. Not all of these options would be directly available through the Scheme – our Scheme administrators will be able to confirm.

- Buy an annuity. This option was previously available but new types of annuity are being developed. You can take up to 25% of your savings as a tax-free cash sum and buy an annuity with the remainder.
- Take all DC benefits as a single cash sum. The first 25% would be tax-free and the remainder taxed at your marginal rate for the year.
- Take a series of cash sums. The first 25% of each would be tax-free and the rest taxed at your marginal rate in each year.
- Use income drawdown. Where you invest your pension savings and take an income of your choice as and when you want to. As with the cash-only options above, you can take up to 25% of your total savings as a tax-free cash sum, or up to the first 25% of each drawdown payment you then take.

Pension fraud: do you know the signs?

Pension scams continue to be a serious cause for concern. Research by Citizens Advice suggests over 10 million individuals may have received unsolicited contact about their pension since the DC pension freedoms were introduced in April 2015.

This research also found that over 80% of the people surveyed failed to recognise signs of a possible scam, such as:

- offers to access your pension before age 55 (the minimum age for taking retirement benefits),
- promises of unrealistically high investment returns (10% or more) if you transfer your benefits out,
- paperwork delivered to your door by courier.

The Pensions Regulator has released an updated guide, 'Scammed out of his retirement. Don't be next.' which you can download from their website: www.pensionsregulator.gov.uk.

If you are tempted by any pension offer, especially if it is unsolicited, we would urge you to research it thoroughly and preferably discuss it with a reputable independent financial adviser before making any decisions.

If you have already accepted an offer or wish to report a potential scam please contact

Action Fraud on 0300 123 2040

Transferring out

If you want to access the flexible retirement options for your main DB benefits, you will need to transfer out of the Scheme and into a suitable DC arrangement. We strongly recommend that you take independent financial advice before proceeding with a transfer out and if the value of your Scheme benefits is £30,000 or more, you are legally required to do so. (See 'Taking advice' on page 6.)

In the news

If you exceed the Annual Allowance

The Annual Allowance is the total amount of pension savings you can make each year without incurring a tax charge. For the 2017/18 tax year, this is £40,000. A lower, tapered Annual Allowance has been introduced with effect from 6 April 2016 and applies for anyone with 'adjusted income' of more than £150,000. The lowest tapered Annual Allowance is £10,000.This means more individuals are likely to incur an Annual Allowance tax charge.

Scheme Pays was introduced several years ago to help people meet their Annual Allowance tax charges. It enables an Annual Allowance tax charge to be paid by the individual's pension scheme, with a corresponding reduction in their retirement benefits.

It is mandatory for pension schemes to offer Scheme Pays if:

- the member has exceeded the standard Annual Allowance (currently £40,000) and
- the Annual Allowance tax charge (across all registered pension schemes) is over £2,000.

There is a requirement for pension schemes to issue a Pension Savings Statement to those members who have exceeded the standard Annual Allowance of £40,000 in that scheme. This must be provided by the 6 October following the end of the tax year. Members can also request a Pension Savings Statement.

It is your responsibility to check how close you are to exceeding the Annual Allowance. If you are unsure of your position, please consider talking to an Independent Financial Adviser (see page 6).

Budget summary

The March 2017 Budget did not feature any significant change for pensions. However, there were a few noteworthy announcements.

Reduction to the Money Purchase Annual Allowance

It was announced that, with effect from 6 April 2017, the Money Purchase Annual Allowance (MPAA) would reduce from £10,000 to £4,000. However, this provision was removed following the call for a general election in June, but the Government has now confirmed it intends to pass a new bill to introduce the changes with effect from 6 April 2017.

The MPAA limits the total yearly value of 'defined contribution' pension contributions that benefit from tax relief. It only applies when certain trigger events occur:

- when income is received from an income drawdown fund;
- on payment of an Uncrystallised Fund Pension Lump Sum;
- when income is received from a capped drawdown fund of more than the permitted maximum;
- when flexible drawdown is taken prior to April 2015.

Transfers to Qualifying Recognised Overseas Pension Schemes (QROPS)

Transfers to QROPS requested on or after 9 March 2017 will be taxed at 25% unless, at the point of transfer:

- the individual and the pension savings are in the same country; or
- both are within the European Economic Area; or
- the QROPS is provided by the individual's employer.

Lifetime ISA

This was mentioned in the Budget, and was introduced as a new savings vehicle for the under 40s from April 2017. Young savers can save up to £4,000 a year up to the age of 50 in a Lifetime ISA. The Government will top this up with 25% of the amount saved each year. The money can be used to buy a home or for retirement. Time will tell how the Lifetime ISA affects wider pension saving.

More information

To find out more about the Scheme, please use the contact details below.

For more general information on pensions and saving for retirement, the following websites are useful resources.

www.pensionsadvisoryservice.org.uk

The Pensions Advisory Service provides independent guidance on all types of pensions.

www.moneyadviceservice.org.uk

The Money Advice Service provides general advice on all money matters including pensions and finding an independent financial adviser.

www.gov.uk

The Government's website features a section 'Working, jobs and pensions', which includes a State Pension Age calculator.

www.pensionwise.gov.uk

The Government's guidance website explains the flexible DC retirement options.

Contact point

Administration queries should be directed to;

Email: thus.admin@aonhewitt.com

Phone: 0141 222 7241

Any queries or concerns regarding the Scheme in general should be addressed to the Scheme Secretary, Douglas Mair at:

Aon Hewitt, Sentinel, 103 Waterloo Street, Glasgow, G2 7BW

Are your records up to date?

Please remember to let us know if there is a change to your contact details as it is important we are able to get in touch with you about your pension savings.

Similarly, if there is a change in your personal circumstances, for example if you marry, divorce or become a parent, consider updating your Expression of Wishes form. We use this form to help us decide who should receive any benefits that are payable if you die before you retire or early in your retirement.

Please use the contact details opposite to request a blank form.

Taking advice

If you would like advice about your retirement plans, we recommend you speak with an independent financial adviser (IFA). You can find an adviser in your area by searching the Money Advice Service directory at

https://directory.moneyadviceservice.org.uk/en

Before you appoint anyone, you should check that the adviser is suitably qualified and authorised. You can do this online at **https://register.fca.org.uk** or by phoning the Financial Conduct Authority helpline, **0800 111 6768**.

Behind the scenes

As Trustees, we maintain up-to-date knowledge of pensions, investments and finance. We also attend training courses as and when necessary, for example, when pensions legislation changes. We meet regularly throughout the year to discuss how the Scheme is progressing.

The Board is made up of Company-appointed Trustees and member-nominated Trustees.

Company-appointed	Member-nominated
IR Armour (Chairman)	R Braithwaite
S Frame	CA Kennedy
TA Colvin	

We also appoint professionals to support us on areas of particular expertise.

Administrator	Aon Hewitt
Actuary	Suzanne Vaughan FFA – Willis Towers Watson
Auditor	Grant Thornton
Investment Manager	Legal & General Investment Management
Legal Adviser	Pinsent Masons LLP