

**The J O Grant & Taylor (London)
Ltd Staff Pension Scheme**

**Annual Report and Financial Statements for
the Scheme Year ended 31 December 2018**

Pension scheme registration number: 10275745

The J O Grant & Taylor (London) Ltd Staff Pension Scheme

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The J O Grant & Taylor (London) Ltd Staff Pension Scheme

Trustee and advisers

Trustee	Vodafone Group Pension Trustee Limited
Trustee Directors	David Aubrey Philip Howie David Jeal (resigned 28 June 2018) James Ludlow David Morgan Capital Cranfield Pension Trustees Limited Robin Turner Paul Stephenson Lisa Felton (resigned 20 September 2018) Taneth Washington (appointed 20 September 2018) Martin Russell (appointed 28 June 2018)
Scheme actuary	Alec Buck of XPS Pensions Group (previously known as Xafinity Consulting Limited)
Scheme auditor	Nortons Assurance Limited
Investment provider	The Prudential Assurance Company Limited
Annuity provider	The Prudential Assurance Company Limited
Legal adviser	BDB Pitmans LLP
Administrators of Scheme benefits	The Prudential Assurance Company Limited
Banker	HSBC Plc
AVC provider	The Prudential Assurance Company Limited
Life assurance provider	Legal & General
Principal employer	Vodafone Limited
Enquiries	Kate Grant Head of Pensions Vodafone Group Services Ltd One Kingdom Street Paddington W2 6BY or email: kate.grant@vodafone.com

The J O Grant & Taylor (London) Ltd Staff Pension Scheme

Trustee's Report for the Scheme Year ended 31 December 2018

The directors of the Trustee Company present their annual report and audited financial statements in respect of The J O Grant & Taylor (London) Ltd Staff Pension Scheme ('the Scheme') for the Scheme Year ended 31 December 2018.

Constitution of the Scheme

The Scheme provides retirement and death in service benefits for Members and their Dependents. The Scheme, which is legally and financially separate from the Employer, is constituted by a Trust Deed and is administered in accordance with the Rules by the Trustee. The Scheme is a defined benefit scheme which means that the benefits under it are calculated on a pre-determined basis specified in the Scheme Rules.

The Scheme is a Registered Pension Scheme within the meaning given by section 150(2) of the Finance Act 2004. To the Trustee's knowledge, there is no reason why the Scheme's Registration should be prejudiced or withdrawn.

Management of the Scheme

The Trustee of the Scheme, together with the directors who served during the Scheme Year, is listed on page 3.

In accordance with The Occupational Pension Schemes (Member-Nominated Trustees and Directors) Regulations 2006, eligible members have the opportunity to nominate and select one-third of the directors of Vodafone Group Pension Trustee Limited.

The remaining directors are selected and appointed (and may also be removed) by Vodafone Limited.

The sponsoring Employer is Vodafone Limited and any subsidiary or associated employer which participates in the Scheme.

The Trustee has appointed professional organisations to assist them with the management and operation of the Scheme. These organisations are listed on page 3.

Statement of Trustee's responsibilities

Trustee's responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS102), are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme Year and of the amount and disposition at the end of the Scheme Year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme Year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

The J O Grant & Taylor (London) Ltd Staff Pension Scheme

Trustee's Report for the Scheme Year ended 31 December 2018

Statement of Trustee's responsibilities - continued

Trustee's responsibilities in respect of the financial statements - continued

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an Annual Report.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Trustee's responsibilities in respect of contributions

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a schedule of contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Employer and the active members of the Scheme and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the Employer in accordance with the schedule of contributions.

Where breaches of the schedule occur, the Trustee is required by the Pensions Act 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

Financial development of the Scheme

The financial statements have been prepared and audited in accordance with section 41(1) and (6) of the Pension Act 1995. As this Scheme has less than 100 members it is exempt from the requirement of section 35 of the Pensions Act 1995 to produce a statement of investment principles.

The statement of net assets on page 13 shows that the Scheme had net assets with a value of £2,666,691 at 31 December 2018. This represents a decrease of £37,030 over the Scheme Year.

Investment management

During the Scheme Year covered by this report, the Trustee has invested Scheme contributions in a With-Profits Fund under a long-term insurance policy issued by The Prudential Assurance Company Limited.

Prudential's With-Profits Fund is invested in a wide range of assets (primarily company shares, property and corporate bonds) and Prudential has delegated the investment management of this fund to various investment managers including M&G Investment Management Limited, a UK registered company.

The J O Grant & Taylor (London) Ltd Staff Pension Scheme

Trustee's Report for the Scheme Year ended 31 December 2018

Investment performance

Prudential

	1 Year*	3 Years*	5 Years*
Cash Accumulation Defined Benefit	6.85%	6.90%	6.95%

Source: Prudential. *average overall annualised returns

Employer related investments

Pension Protection Fund levy contributions due to the Scheme at 31 December 2018 referred to in note 15 of the financial statements was outstanding. Apart from the outstanding contributions the Scheme did not hold any Employer-related investments.

Increases to pensions

(a) Deferred pensions

Deferred pensions were increased during the Scheme Year in accordance with the Scheme rules.

There were no discretionary increases to deferred pensions during the Scheme Year.

(b) Pensions in payment

Pensions in payment were increased during the Scheme Year as follows:

- (i) That part of the pension in payment appropriate to service from 6 April 1997 to 31 July 2006 was increased by the smaller of the increase in the Retail Prices Index and 5%.
- (ii) That part of the pension appropriate to service after 31 July 2006 was increased by the smaller of the increase in Retail Prices Index and 2.5%.

Members of the Ex National Grid section have their benefits enhanced in accordance with the rules.

There were no discretionary increases to pensions in payment during the Scheme Year.

The increases detailed above were made in accordance with current practice agreed by the Trustees and the Principal Employer.

Scheme Membership

	Active members	Deferred members	Pensioners*
At 31 December 2017	1	16	28
Commencement of spouse's pension	-	-	1
Deaths	-	-	(3)
	-----	-----	-----
At 31 December 2018	1	16	26
	-----	-----	-----

The J O Grant & Taylor (London) Ltd Staff Pension Scheme

Trustee's Report for the Scheme Year ended 31 December 2018

Scheme Membership - continued

Out of the 26 pensioners, 20 (2017: 22) pensioners have their pensions funded by annuity purchases and 6 (2017: 6) pensioners are being paid pensions from the Scheme fund as and when payments are due.

*Including spouses and dependants of members in receipt of a pension.

Calculation of transfer values

There are no discretionary benefits included in the calculation of transfer values.

Summary of Contributions payable in the Scheme Year

During the Scheme Year, the contributions payable to the Scheme by the Employer were as follows:

	Employee £	Employer £	Total £
Required by the Schedules of Contributions			
Normal	3,932	23,544	27,476
Deficit funding	-	11,192	11,192
Expense	-	55,552	55,552
Total as per the Fund account	3,932	90,288	94,220

The Registrar, TPAS, the Pensions Ombudsman and The Pensions Regulator

In accordance with the Occupational Pension Schemes (Disclosure of Information) Regulations 1996, as amended, members are advised that:

- Information regarding the Scheme has been given to the Pensions Tracing Service
- **TPAS**
The Pensions Advisory Service (TPAS) works to make pensions accessible and understandable for everyone. They provide independent and impartial information and guidance about pensions, free of charge, to members of the public. TPAS can be contacted at:

The Pensions Advisory Service
11 Belgrave Road
London
SW1V 1RB
Telephone: 0800 011 3797

The J O Grant & Taylor (London) Ltd Staff Pension Scheme

Trustee's Report for the Scheme Year ended 31 December 2018

The Registrar, TPAS, the Pensions Ombudsman and The Pensions Regulator - continued

- **Pensions Ombudsman**

The Pensions Ombudsman can investigate complaints of injustice caused by bad administration, either by the trustees or scheme administrators, or disputes of fact or law. The Pensions Ombudsman can be contacted at:

The Pensions Ombudsman
10 South Colonnade
Canary Wharf
London
E14 4PU
Telephone: 0800 917 4487

In addition to the above The Pensions Regulator regulates company pension schemes and enforces the law as it relates to them. It has wide ranging powers which include the power to:

- Suspend, disqualify and remove a trustee, or director of a trustee company, for consistently not carrying out their duties;
- Wind up schemes where necessary;
- Apply for injunctions to prevent the misuse and misappropriation of Scheme assets and apply for restitution where necessary.

The auditor and actuary have a statutory duty to make an immediate written report to the Pensions Regulator if they have reason to believe that legal duties concerned with the running of the Scheme are not being carried out.

Contact for further information

Enquiries about the Scheme generally or about an individual's entitlement to benefit should be sent to the contact on page 3.

The Trustee's Report, including the Summary of Contributions, was approved by the Trustee on

16 May..... 2019

[Signature redacted]

Signed on behalf of the Trustee

The J O Grant & Taylor (London) Ltd Staff Pension Scheme

Independent Auditor's Report to the Trustee of The J O Grant & Taylor (London) Ltd Staff Pension Scheme

Opinion

We have audited the financial statements of The J O Grant & Taylor (London) Ltd Staff Pension Scheme for the year ended 31 December 2018, which comprise the Fund Account, Statement of Net Assets and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2018, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the Scheme Year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. The Trustee is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

The J O Grant & Taylor (London) Ltd Staff Pension Scheme

Independent Auditor's Report to the Trustee of The J O Grant & Taylor (London) Ltd Staff Pension Scheme - continued

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Trustee

As explained more fully in the statement of Trustee's responsibilities set out on pages 4 and 5, the Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the Scheme, or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. The description forms part of our Auditors' Report.

Use of our report

This report is made solely to the Scheme's Trustee, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulation 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Scheme's Trustee as a body, for our audit work, for this report, or the opinions we have formed.

Nortons Assurance Limited

Nortons Assurance Limited
Statutory auditor

Highlands House
Basingstoke Road
Spencers Wood
Reading
RG7 1NT

Date: *20 May 2019*

The J O Grant & Taylor (London) Ltd Staff Pension Scheme

Independent Auditor's Statement about Contributions to the Trustee of The J O Grant & Taylor (London) Ltd Staff Pension Scheme

Opinion

We have examined the summary of contributions to The J O Grant & Taylor (London) Ltd Staff Pension Scheme in respect of the Scheme Year ended 31 December 2018 which is set out in the Trustee's Report on page 7.

In our opinion contributions for the Scheme Year ended 31 December 2018 as reported in the summary of contributions and payable under the schedules of contributions have in all material respects been paid at least in accordance with the schedules of contributions certified by the Scheme actuary on 24 March 2016 and 23 August 2018.

Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the schedule of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the schedule of contributions.

Respective responsibilities of Trustee and the auditor

As explained more fully in the Statement of Trustee's Responsibilities on pages 4 and 5, the Scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions.

It is our responsibility to provide a Statement about Contributions paid under the schedule of contributions and to report our opinion to you.

Use of our report

This report is made solely to the Scheme's Trustee, as a body, in accordance with Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulation 1996. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to it in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Scheme's Trustee as a body, for our audit work, for this statement, or for the opinions we have formed.

Nortons Assurance Limited

Nortons Assurance Limited
Statutory auditor

Highlands House
Basingstoke Road
Spencers Wood
Reading
RG7 1NT

Date: *20 May 2019*

The J O Grant & Taylor (London) Ltd Staff Pension Scheme

Fund Account for the Scheme Year ended 31 December 2018

	Notes	2018 £	2017 £
Contributions and benefits			
Employer contributions		90,288	44,695
Member contributions		3,932	3,805
Total contributions	3	<u>94,220</u>	<u>48,500</u>
Benefits paid or payable	4	137,730	143,060
Transfers out	5	-	818
Administrative expenses	6	154,115	51,728
		<u>291,845</u>	<u>195,606</u>
Net withdrawals from dealings with members		<u>(197,625)</u>	<u>(147,106)</u>
Returns on investments			
Investment income	7	105,905	110,770
Change in market value of investments	8	54,690	(80,007)
Net returns on investments		<u>160,595</u>	<u>30,763</u>
Net decrease in the fund during the Scheme Year		(37,030)	(116,343)
Net assets of the Scheme:			
At 1 January		<u>2,703,721</u>	<u>2,820,064</u>
At 31 December		<u><u>2,666,691</u></u>	<u><u>2,703,721</u></u>

The accompanying notes on pages 14 to 20 form an integral part of these financial statements.

The J O Grant & Taylor (London) Ltd Staff Pension Scheme

Statement of Net Assets (available for benefits) at 31 December 2018

	Notes	2018 £	2017 £
Investment assets	8		
Insurance policies	11	2,677,722	2,716,046
AVC Investments	8	2,908	2,659
		<u>2,680,630</u>	<u>2,718,705</u>
Total net investments		2,680,630	2,718,705
Current assets	15	5,552	8,808
Current liabilities	16	(19,491)	(23,792)
Net assets of the Scheme at 31 December		<u>2,666,691</u>	<u>2,703,721</u>

The accompanying notes on pages 14 to 20 form an integral part of these financial statements.

The financial statements summarise the transactions of the Scheme and deal with the assets at the disposal of the Trustee. They do not take into account obligations to pay pensions and benefits which fall due after the end of the Scheme Year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities on page 21 of the annual report and these financial statements should be read in conjunction with it.

The financial statements were approved by the Trustee on 16 May 2019

[Signature redacted]

Signed on behalf of the Trustee

The J O Grant & Taylor (London) Ltd Staff Pension Scheme

Notes to the financial statements

1. Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice “Financial Reports of Pension Schemes” (Revised November 2014).

2. Accounting policies

A summary of the more important accounting policies is set out below. These policies were followed in dealing with items which are critical in accounting for, or reporting on, the transactions and net assets of the Scheme.

All items of income and expenditure shown in the Fund Account have been accounted for according to when they were due to be received and paid respectively, except where noted below.

- The Scheme functional and presentational currency is Sterling.
- Contributions are included in the financial statements according to when they were due to be received at rates agreed by the Trustee and stated in the Schedule of Contributions.
- Transfer values are accounted for when the Trustees of the receiving scheme have accepted liability for the transfer.
- Benefits payable include all valid benefit claims notified to the Trustee during the accounting period.
- Death benefits are accounted for on an accrual basis on the date death.
- Receipts from annuity policies are accounted for as investment income.
- Interest and bonuses are credited / charged to the Scheme according to when the cash is physically received and paid and are included within change in market value. Interest on new money and cash deposits are shown separately.
- Administrative expenses are accounted for on an accrual basis.
- Investments are included at fair value.
- With-Profits insurance policies are valued as advised by the insurer, based on reversionary bonuses declared and the current terminal bonus.
- Annuities have been valued by the Scheme Actuary at the amount of the related obligation, determined using the most recent Scheme funding valuation assumptions, updated for market conditions at the reporting date.
- Investment management expenses are inherent in the calculation of bonuses earned by the long-term insurance policy and cannot be separately identified.

3. Contributions	2018	2017
	£	£
Employers		
normal	23,544	23,085
deficit funding	11,192	-
expense	55,552	21,610
Members		
normal	3,932	3,805
	<hr/>	<hr/>
	94,220	48,500
	<hr/> <hr/>	<hr/> <hr/>

The J O Grant & Taylor (London) Ltd Staff Pension Scheme

Notes to the financial statements

3. Contributions – continued

In accordance with the Schedule of Contributions certified by the actuary on 24 March 2016, the Employer paid deficit funding contributions of £163,000 within 4 weeks of 31 March 2016. The Employer also agreed to pay expense contributions of £20,000 per annum.

Following the actuarial valuation as at 31 December 2017, the Trustees and the employer agreed a new Schedule of Contributions dated 23 August 2018. Deficit funding contributions were payable as follows:

- £11,192 to be paid to the Scheme before 31 December 2018; and
- £51,808 to be paid to the Scheme before 31 December 2019.

The Employer also agreed to pay level annual expense contributions of £30,000 per annum commencing 1 September 2018.

4. Benefits paid or payable	2018	2017
	£	£
Pensions	137,730	142,078
Commutation of pensions and lump sum retirement benefits	-	982
	<u>137,730</u>	<u>143,060</u>
	<u><u>137,730</u></u>	<u><u>143,060</u></u>
5. Transfers out	2018	2017
	£	£
Individual transfers out to other schemes	-	818
	<u>-</u>	<u>818</u>
	<u><u>-</u></u>	<u><u>818</u></u>
6. Administrative expenses	2018	2017
	£	£
Administration and processing	15,668	8,064
Actuarial fees	52,169	17,215
Audit fee	5,354	5,132
Legal and other professional fees	80,924	21,317
	<u>154,115</u>	<u>51,728</u>
	<u><u>154,115</u></u>	<u><u>51,728</u></u>
7. Investment income	2018	2017
	£	£
Annuity income	105,852	110,746
Interest on cash deposits	53	24
	<u>105,905</u>	<u>110,770</u>
	<u><u>105,905</u></u>	<u><u>110,770</u></u>

The J O Grant & Taylor (London) Ltd Staff Pension Scheme

Notes to the financial statements

8. Reconciliation of investments

	Value at 31 December 2017 £	Purchases at cost £	Sales proceeds £	Change in market value £	Value at 31 December 2018 £
Insurance policies	2,716,046	97,529	(190,294)	54,441	2,677,722
AVC investments	2,659	-	-	249	2,908
	2,718,705	97,529	(190,294)	54,690	2,680,630
Total investment assets	2,718,705				2,680,630

Contributions and other income to the Scheme have been invested in a With-Profits Fund under a long-term insurance policy issued by The Prudential Assurance Company Limited to the Trustee.

The change in market value of investments during the Scheme Year comprises all increases and decreases in the value of investments held at 31 December 2018.

If the Trustee had surrendered the insurance policy in respect of the main fund as at 31 December 2018, the value payable would have been £1,785,397 (2017: £1,892,621).

Concentration of investments

The following investments represented more than 5% of the net assets of the Scheme.

	2018		2017	
	£	%	£	%
With-Profits insurance policy	1,871,690	70.0%	1,794,818	66.4%
Annuity Policies	806,032	30.0%	921,228	34.1%

9. Transaction costs

Transaction costs are taken into account when calculating bonuses for the long-term insurance policy. Such costs are therefore not separately identifiable.

10. Taxation

The Scheme is a registered Pension Scheme for tax purposes under the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

The J O Grant & Taylor (London) Ltd Staff Pension Scheme

Notes to the financial statements

11. Insurance policies

The Scheme's holdings of insurance policies with The Prudential Assurance Company Limited is as set out below.

	2018	2017
	£	£
With-Profits from Prudential Assurance Company Limited	1,871,690	1,794,818
*Annuities from Prudential Assurance Comapany Limited	806,032	921,228
	<u>2,677,722</u>	<u>2,716,046</u>

12. AVC investments

AVC investments under the policy are identified and accounted for separately from the main investment of the Scheme. They are used to provide additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement made up to 31 December confirming the amounts held in their AVC fund and the movements in the Scheme Year.

13. Fair value determination

The fair value of financial instruments has been estimated using the following fair value hierarchy:

Level 1	The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
Level 3	Inputs are unobservable (i.e. for which market data is unavailable for the asset or liability).

The Scheme's investment assets and liabilities have been fair valued at 31 December 2018 using the above hierarchy categories as follows:

	Level	Level	Level	Total
	1	2	3	
	£	£	£	£
Investment assets				
Insurance policies	-	-	1,871,690	1,871,690
Insurance policies - Annuities	-	-	806,032	806,032
AVC investments	-	-	2,908	2,908
	<u>-</u>	<u>-</u>	<u>2,680,630</u>	<u>2,680,630</u>

The J O Grant & Taylor (London) Ltd Staff Pension Scheme

Notes to the financial statements

13. Fair value determination – continued

Analysis for the prior year end is as follows:

	Level 1 £	Level 2 £	Level 3 £	Total £
Investment assets				
Insurance policies	-	-	1,794,818	1,794,818
Insurance policies - Annuities	-	-	921,228	921,228
AVC investments	-	-	2,659	2,659
	-	-	2,718,705	2,718,705

14. Investment risk disclosures

FRS 102 requires disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Scheme has exposure to these risks because of the investments it makes to implement its investment strategy below. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreement in place with the Scheme's investment manager and monitored by the Trustee by regular reviews of the investment portfolios.

(i) Investment Strategy

The main investment objective of the Scheme is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the Scheme payable under the trust deed and rules as they fall due.

The Trustee sets the investment strategy for the Scheme taking into account considerations such as the strength of the employer covenant, the long term liabilities of the Scheme and the funding agreed with the Employer.

The J O Grant & Taylor (London) Ltd Staff Pension Scheme

Notes to the financial statements

14. Investment risk disclosures - continued

(i) Investment Strategy - continued

The current strategy is to seek to achieve these objectives through investing in an insurance policy. The insurance policy is a with-profits (cash accumulation) fund with the Prudential. The Trustee recognises that the return on the cash accumulation fund will be smoothed as determined by the Prudential. However, it is believed that the smoothed returns provided from the Prudential with-profits fund should provide the level of returns required by the Scheme to meet its liabilities at an acceptable level of cost to the Principal Employer.

For the risks detailed below, there have been no change to how any of the risks have been managed since the previous year.

(ii) Credit risk

The Scheme is subject to credit risk because the Scheme has cash balances. The Scheme also invests in one insurance policy and is therefore directly exposed to credit risk in relation to the instruments it holds in the insurance policy and is indirectly exposed to credit risks arising on the financial instruments held by the insurance policy.

Cash is held within financial institutions which are at least investment grade credit rated.

Direct credit risk arising from the insurance policy is mitigated by the underlying assets of the insurance policy being ring-fenced from the manager, the regulatory environments in which the manager operates and diversification of investments held. Trustee monitors on an ongoing basis any changes to the regulatory and operating environment of the insurance manager.

Indirect credit risk arises in relation to underlying investments held in the insurance policy.

(iii) Currency risk

The Scheme is subject to currency risk because some of its investments are held in overseas markets through the insurance policy.

(iv) Interest rate risk

The Scheme is subject to interest rate risk on bonds held through the insurance policy and cash.

The valuation of the insurance policy is directly linked to long term interest rates. The risk to the Trustee is mitigated as the policies insure pension liabilities, the value of which will move in line with the asset value.

(v) Other price risk

Other price risk arises from:

- Profits and losses from plans within the with-profits fund which do not get bonuses, such as conventional annuities.
- Operational risks such as changes in regulatory requirements or taxation.
- The withdrawal of monies by other policy holders that causes the insurer to apply a market value adjuster.
- The operation of a market value adjuster that reduces the value of the fund on surrender.

The insurer regularly reviews risk levels to ensure they are acceptable to the fund.

The J O Grant & Taylor (London) Ltd Staff Pension Scheme

Notes to the financial statements

15. Current assets	2018	2017
	£	£
Contributions due from employer	5,552	8,808
	<hr/>	<hr/>
	<u>5,552</u>	<u>8,808</u>

All contributions due to the Scheme relates to Pension Protection Fund levy paid from the Scheme's fund. The amount was outstanding at the Scheme Year end.

16. Current liabilities	2018	2017
	£	£
Accrued expenses	(19,491)	(23,792)
	<hr/>	<hr/>
	<u>(19,491)</u>	<u>(23,792)</u>

17. Employer-related investments

Pension Protection Fund levy contributions due to the Scheme at 31 December 2018 referred to in note 15 of the financial statements was outstanding. Apart from the outstanding contributions the Scheme did not hold any Employer-related investments.

18. Related party transactions

Certain administrative services such as secretarial and management support were provided free of charge by Vodafone Group Services Limited during the Scheme Year.

Insured death in-service premiums are payable by the Employer.

The J O Grant & Taylor (London) Ltd Staff Pension Scheme

Report on Actuarial Liabilities (forming part of the Trustee's report)

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Employers and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 31 December 2017. This showed that on that date:

The value of the Technical Provisions was:	£2,860,000
The value of the assets at that date was:	£2,797,000

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Significant actuarial assumptions

• Discount rate before retirement:	4.75%	Based on the expected return of the Scheme assets.
• Discount rate after retirement:	2.80%	Based on the 20-year Government bond yield plus 1.0%.
• Pensionable salary increases:	4.50%	Equal to RPI plus 1.0%.
• Revaluation of deferred pensions:	2.50%	In line with CPI.
• Pension increases in payment:		
CSC members	3.40%	RPI max 5.0%.
Non CSC members:		
Before 1997	0.00%	Fixed in Scheme Rules.
Between 1997 and 2006	3.40%	RPI max 5.0%.
After 2006	2.30%	RPI max 2.50% Derived using Black Scholes method with volatility 1.4%.
• Mortality – before and after retirement	SAPS S2PxA CMI_2016 (1.5%)	In line with current base tables with an allowance for future improvements.

Certification of Schedule of Contributions

The J O Grant & Taylor (London) Ltd Staff Pension Scheme ("the Scheme")

Adequacy of rates of contributions

> I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected, at the valuation date, to be met by the end of the period specified in the recovery plan dated August 2018.

Adherence to Statement of Funding Principles

> I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated August 2018.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature

Alec Buck

Date

23 August 2018

Name

Alec Buck

Qualification

Fellow of the Institute
and Faculty of Actuaries

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