THUS Group plc Pension Scheme ("the Scheme")

Introduction

It is an annual requirement for the Trustees to provide you with certain information relating to the THUS Group plc Pension Scheme. We hope that this information will be of interest to you. You are not required to take any action in relation to the information contained in this document. However, should you wish to speak to someone about any of the items mentioned below, please contact Aon Hewitt (contact details can be found on page 3 of this document).

Funding the Scheme

An actuarial valuation of the Scheme was carried out as at 31 December 2014. This showed the Scheme's funding position to be as follows:

	£ million
Market value of assets held (including AVCs)	147.1
Target assets needed to provide benefits	143.9
Surplus of assets relative to target	3.2
Funding level	102.2%

Developments since the 2014 valuation

The position of the Scheme has now been assessed at 31 December 2016 at which date it was found that the Scheme was approximately 97% funded. This assessment was not a formal valuation, but measured the position of the Scheme in a manner consistent with that used for the 2014 valuation, taking into account the effect of changes in investment conditions and Scheme membership since 31 December 2014.

The previous statement disclosed a funding level of approximately 102% as at 31 December 2015. The decrease in the funding level since this date has been mainly due to the changes in financial conditions resulting in a higher value now being placed on the liabilities. The value of the assets has increased over the period but not to the same extent as the increase in the liabilities. The combined effect is a decrease in the Scheme's funding level to 97%.

Contribution to the Scheme

As the Scheme was in surplus at 31 December 2014, there is no need for the Trustees and the Employers to agree on a Recovery Plan to address any shortfall.

However the Employers are continuing to pay significant contributions to finance the cost of the benefits being earned by the active members, over and above the amounts paid by the members. Active members also contribute either 5% or 6% of their pensionable salary to the Scheme.

The Scheme's finances and the contribution rates payable will be reviewed at future actuarial valuations. The next such valuation is scheduled for 31 December 2017, and the actuary will continue to provide updates to the Trustees on an annual basis. We will report to you on the results of these valuations and updates when they become available.

Solvency position

The estimated amount needed at 31 December 2014 in addition to the existing assets to ensure that all members' benefits could have been paid in full if the Scheme had wound up and purchased insurance contracts with a life assurance company (full solvency) was around £131.3 million. This is the debt that would have been payable by the Employers had the Scheme been wound up at that date. The inclusion of this information does not imply that the Employers are thinking of winding up the Scheme.

Important: If you are thinking of leaving the Scheme for any reason, you should consult a professional advisor, such as an independent financial advisor, before taking any action. You can find a local IFA at [www.unbiased.co.uk.](http://www.unbiased.co.uk)

How the Scheme operates

How is my pension paid for?

The Employers pay contributions to the Scheme so that the Scheme can pay pensions to members when they retire. Active members also pay contributions to the Scheme, and these are deducted from pre-tax pay. The money to pay for members' pensions is held in a common fund. It is not held in separate funds for each individual.

How is the amount the Scheme needs worked out?

The Trustees obtain regular valuations of the benefits earned by members. Using this information and having taken actuarial advice, the rates of future contributions to be made to the Scheme in order to provide the benefits payable are established in agreement with the Employers.

The importance of the Employers' support

The Trustees' objective is to have enough money in the Scheme to pay pensions now and in the future. However, the success of the objective relies on the Employers continuing to support the Scheme because:

- the funding level can fluctuate, and when there is a funding shortfall, the Employers will usually need to put in more money;

- the target funding level may turn out not to be enough so that the Employers will need to put in more money.

However, it is important to note that whilst the Scheme remains ongoing, even though funding may temporarily be below target, benefits will continue to be paid in full.

What would happen if the Scheme started to wind up?

If the Scheme were to start to wind up, the Employers would be required to pay enough money into the Scheme to enable the members' benefits to be secured completely with an insurance company. It may be, however, that the Employers would not be able to pay this full amount.

If the Employers became insolvent, the *Pension Protection Fund* might be able to take over the Scheme and pay compensation to members. Further information and guidance is available on the Pension Protection Fund's website at www.pensionprotectionfund.org.uk. You can write to the Pension Protection Fund at Renaissance, 12 Dingwall Road, Croydon, Surrey, CR0 2NA.

Why does the funding plan not call for full solvency at all times?

The full solvency position assumes that benefits will be secured by buying insurance policies. Insurers are obliged to take a very cautious view of the future and need to make a profit. By contrast, our funding plan assumes that the Employers will continue in business and will support the Scheme.

What is the Scheme invested in?

The Trustees review their investment policy on a regular basis and their current policy is to invest in a broad range of assets with a target allocation to the main asset classes as follows:

Equities	30%
Bonds	35%
Diversified Fund	30%
Property	5%

Where can I get more information?

If you have any other questions, or would like any more information, please contact THUS Group plc Pension Scheme, Aon Hewitt, The Sentinel, 103 Waterloo Street, Glasgow, G2 7BW or email thus.pension@aonhewitt.com. Please help us to keep in touch with you by telling us if you change address.

Additional documents available on request

If you want us to send you any of these documents please let us know.

The ***Statement of Funding Principles***. This sets out the assumptions and method the Trustees have adopted with the agreement of the Employers as part of the 2014 actuarial valuation.

The ***Statement of Investment Principles***. This explains how the Trustees invest the money paid into the Scheme.

The ***Schedule of Contributions***. This shows how much money is being paid into the Scheme.

The ***Annual Report and Accounts*** of the THUS Group plc Pension Scheme, which shows the Scheme's income and expenditure over each year.

The full report on the ***Actuarial Valuation*** following the actuary's check of the Scheme's situation as at 31 December 2014, and the ***Actuarial Reports*** by the actuary as at 31 December 2015 and 31 December 2016.

Finally, it is a legal requirement that this statement confirms:

- whether or not the Scheme has been subject to any modifications or other interventions by The Pensions Regulator. No such regulatory interventions have been made.

- whether any payments have been made to the Employers out of Scheme funds since the previous summary funding statement was issued to members. No such payment has been made, and pensions legislation makes such payments unlikely in the future.

Please bear in mind that the figures in this statement are estimates of the Scheme's current funding levels based on current legislation and the provisions of the Scheme (which may be amended at any time). This statement does not confer any right to benefits.