Pensions Newsletter

Welcome to the latest edition of the annual Pensions newsletter from the Trustees of the Fuller, Smith & Turner Pension Plan ("the Plan"). The Trustees hope you find this a helpful and informative summary of the year.

During the year the Trustees held quarterly meetings with the Plan advisors to discuss, amongst other things, the funding position and the proposed Plan closure. With the help of the appointed investment adviser, the Trustees also continually monitor the investment performance of the Plan. As detailed in the newsletter, with the continued support of the Company, the Plan remains in a strong position.

In June last year, the Company advised the Trustees that it was proposing to close the Plan to future accrual from 1 January 2015. Whilst this was a disappointment to the Trustees it was not unexpected in the current pensions and economic climate. Although the change is Company driven, the Trustees took legal advice on the proposal, not only to understand the commercial, legal and financial reasons for the closure but to ensure the long-term security of all members' accrued benefits in the Plan.

In November last year, the Company concluded a 60 day formal consultation exercise with members regarding the proposed changes to the Plan. In February this year, the Company announced its final proposal on members' future pension benefits and confirmed that the Plan will close to future accrual from 1 January 2015. Further details are included in the newsletter.

This newsletter provides a summary of the formal Trustees' Report and Accounts for the year ended 30 July 2013. It includes details of the Plan's investment performance over the year to 30 June 2013 and a value of the Plan's investments as at 30 July 2013 and 31 December 2013. The newsletter also includes a Summary Funding Statement which provides an update on the funding position of the Plan since the last Actuarial Valuation by the Plan Actuary as at 30 July 2010 and the funding plan agreed between the Company and Trustees. The next full Actuarial Valuation as at 30 July 2013 is currently underway and will be reported fully in the next edition of this newsletter.

A copy of the full Trustees' Report and Accounts and other Plan documents are available from the Company Secretariat at Fuller, Smith & Turner P.L.C, Griffin Brewery, Chiswick Lane South, Chiswick, London W4 2QB. Alternatively, you can call: 0208 996 2115 or email company.secretariat@fullers.co.uk.

As always, if there is something you feel would be useful to include in future editions of the newsletter please feel free to contact the Company Secretariat at the address noted above.

Finally I would like to thank my fellow Trustees for all their hard work over the past twelve months.

David Van Ristell
Chairman

Pension Developments

Managing the Plan's Investment

The Trustees decide the investment policy after consultation with its Investment Consultant, Bill Horwood of Allenbridge EPIC Investment Advisers Limited. The day-to-day management of the investments of the Plan was delegated to Schroder Investment Management Limited, Legal & General Investment Management Limited, Blackrock Investment Management (UK) Limited, Royal London Asset Management, Barings Asset Management and Majedie Asset Management.

Investment Market Performance

Market Commentary for the year to 30 July 2013

Stockmarkets fluctuated over the third quarter of 2012, torn between European strife, a slowdown in China, conflicting US economic numbers, offset by further liquidity injections from the Central Banks. Equities and corporate bonds led the way, with safe haven bond markets struggling to maintain traction.

In the final quarter of 2012, investor attention was once again heavily influenced by politics. President Obama was re-elected, with a surprisingly strong mandate, but this only re-emphasised the large gap in achieving a compromise in budget promises as the fiscal cliff approached.

The first quarter of 2013 belonged to the Central Bankers. They found a temporary route whilst politicians were still trying to decipher the complicated way to economic recovery. This was despite the minefields of Italy's election impasse and implosion of the banks in Cyprus. The net result was to force investors into more 'risk assets' with the straws of economic recovery being swamped by the masses in their efforts to join the party.

In January the new Liberal Democratic Party reflationary and pro-growth policies (Abenomics) with a revamped Bank of Japan being primed to support greater monetary easing, initiated a 'sea change' following two decades of deflation, whilst in China the new Communist Party leadership was viewed as a positive stimulus for ongoing growth.

The downgrading of the UK's AAA Sovereign rating had little effect on markets although economic data continued to be mixed. It should be remembered that nearly two thirds of corporate earnings are translated into sterling from overseas, providing some market support.

On balance, equity markets rose by double digits whilst bonds remained stabilised.

The major theme gripping markets over the second quarter of 2013 was the potential tapering of Federal Reserve support (quantitative easing). The prospect of the Fed's $85 billion a month of withdrawal bond asset purchases forced US benchmark yields to 2 year highs and caused equity markets to fall nearly 10% from their mid quarter peaks. The latter had been assisted by encouraging economic data, led by the US, with the exception of emerging markets that were influenced by a stronger dollar and fears of a slowdown in China. Gold was battered, falling below $1,200 an ounce, but Japan surged on evidence the Japanese authorities attempts to stimulate the economy may be delivering results.

Both the Bank of England and the ECB sought to allay fears by pledging interest rates would remain low for some time, the former anticipating the arrival of the new Governor.

Overall, after an extremely volatile quarter, bond and equity markets stabilised, but not before prices had fallen, with UK Gilts and equities ending the quarter 6% and 2% lower respectively, with the latter having been up over 10% at one time.

Bonds

The pro-risk tenor of markets over the fourth quarter of 2012 proved a challenging one for core government bond markets. Yields trended upwards giving a negative return (-0.4%) for long dated UK gilts. Corporate bonds, however, enjoyed another plus quarter (+1.6%) largely on income considerations, ending the year with a return of 13.1%, in line with UK equities.

Sovereign Government bonds initially came under pressure in the first quarter of 2013 following the sustained rally in risk assets, but events in Italy and Cyprus ensured a 'safety first' rally once again.

Equities

A fiscal cliff deal was eventually 'deferred' in the final quarter of 2012 but not late enough to offset a negative return from the US equity market over the quarter (-1.0%), despite positive employment and housing data.

Ironically, Europe (+8%) led a continued rally in equity markets, as investors took heart from the reassurance from the ECB that it would do everything to protect the integrity of the Euro. The UK was a relative laggard (+3.8%) as a continued slump in manufacturing and revised lower forecasts for GDP growth challenged support for improvement in the wider economy.

Politics, with the victory of the LDP party in December's election, also influenced a strong rebound in Japanese equities (+5%) assisted by strong support from the Bank of Japan. Data showing stabilisation in Chinese economic growth helped markets in the Pacific Basin.

US equities led the way in the second quarter of 2013, despite sequestration replacing the fiscal cliff. Improving macroeconomic data buoyed sentiment further, this also being the case in Europe, where markets made a strong start to the year.

Property

UK commercial property with high running yields looked interesting after a sluggish performance in 2012. In the first quarter of 2013, yield considerations dominated in the light of lower alternatives.

Investment Manager Performance

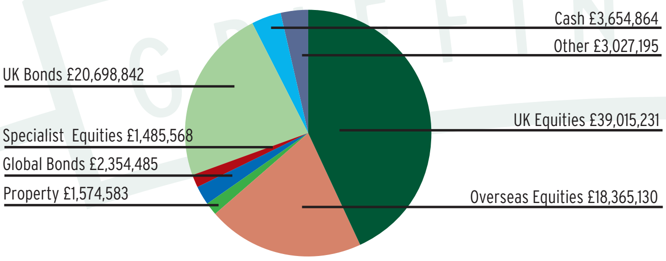
Many people will have been considering carefully their retirement planning given the economic environment over the last few years. The rate of return achieved by the underlying investments of the Plan is of concern to the Plan sponsor, Fuller Smith & Turner P.L.C, whose goal is to ensure that the Plan is funded well enough to pay benefits. The Trustees have the full backing from the sponsor.

Details of the Plan's investment performance to 30 June 2013 are provided in the table below, together with the value of the Plan's investments as at 30 July 2013 and 31 December 2013.

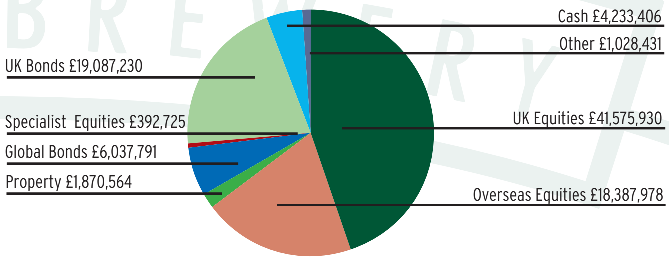
Manager	Market Value as at 30 July 2013	Annual Return to 30 June 2013	Benchmark Return to 30 June 2013	Market Value as at 31 Dec 2013
Schroder Prime UK Equity Fund	£9,454,820	21.3%	17.9%	£10,170,999
Schroder UK Alpha Plus Fund	£6,768,207	32.3%	17.9%	£7,179,377
Blackrock UK Equity Fund	£13,912,708	17.0%	17.9%	£14,751,239
Majedie Tortoise Fund	£2,544,813	17.3%	5.0%	£2,668,026
L&G Overseas Equity Consensus Fund	£10,797,144	21.6%	21.6%	£11,005,316
RLAM UK Bond Portfolio	£17,559,529	7.8%	4.4%	£17,431,570
Schroder Exempt Property Unit Trust	£677,636	3.7%	1.7%	£740,421
Barings (Various)	£28,029,579	7.5%	4.6%	£28,253,586
Cash Deposits	£431,462	0.4%	0.3%	£413,521
Total	**£90,175,898**	**13.9%**	**11.9%**	**£92,614,055**

The charts below show how the assets of the Plan are split between asset classes as at 30 July 2013 and 31 December 2013. Please note that the Barings fund which invests in a range of asset classes has been split according to its positions at the respective dates.

Asset Allocation between Managers of the Plan as at 30 July 2013



Asset Allocation between Managers of the Plan as at 31 December 2013



Funding Position

Each year the Trustees of the Plan issue a Summary Funding Statement to update you on the financial position of the Plan. Rather than communicating this information separately, details of this Statement are included in the newsletter.

Summary Funding Statement

This Summary Funding Statement gives you an update on the funding position since the last valuation by the Plan Actuary as at 30 July 2010 and the funding plan agreed between the Company and Trustees.

The latest actuarial valuation

To determine how much money the Plan requires from the Company, the Trustees obtain full valuations once every three years from the Plan Actuary. The most recent triennial actuarial valuation of the Plan was carried out as at 30 July 2010. The accrued funding position at this date, assuming that the Plan would continue to operate as a going concern and would not be wound up is as follows:

Value of Plan Assets:	£69,110,000
Value of accrued liabilities:	£78,752,000
Shortfall:	£9,642,000
Funding Level:	88%

The value of accrued liabilities (the 'technical provisions') represented the Trustees' estimate of the sum required at the date of valuation to meet all future benefit payments in respect of members' service to the date of valuation.

Funding the Plan

As well as the 19.1% of Pensionable Salaries the Company will pay for the ongoing annual benefit accrual for the active Plan members, the Company also pays £680,000 per annum to meet the funding shortfall. The intention is to remove the funding shortfall by April 2021.

The Pensions Regulator

In certain circumstances the Pensions Regulator can direct how the Plan's technical provisions must be calculated, can set the period for eliminating any funding shortfall, can specify the level of employer contributions to be paid - rather than leaving these issues to be determined by the Trustees – and has the power to modify the Plan's future accrual of benefits. No such circumstances have arisen in the Plan.

Change in funding position since the previous Summary Funding Statement

The Plan Actuary has prepared an annual update with an effective date of 30 July 2011 and 30 July 2012. The update uses the same funding principles, assuming that the Plan would continue to operate as a going concern and would not be wound up.

The following table shows the results of the annual update at 30 July 2012 together with the comparative figures of the previous annual update and the formal valuation:

Annual Update as at 30 July 2012

Value of Plan Assets:	£79,500,000
Value of accrued liabilities:	£100,100,000
Shortfall:	£20,600,000
Funding Level:	79%

Annual Update as at 30 July 2011

Value of Plan Assets:	£77,400,000
Value of accrued liabilities:	£88,000,000
Shortfall:	£10,600,000
Funding Level:	88%

Annual Update as at 30 July 2010

Value of Plan Assets:	£69,110,000
Value of accrued liabilities:	£78,752,000
Shortfall:	£9,642,000
Funding Level:	88%

The table shows that the shortfall of £9.6m as at 30 July 2010 has increased to an estimated shortfall of £20.6m as at 30 July 2012. The main reasons for this deterioration are:

- Unfavourable movement in bond yields which serve to increase the value of the liabilities; and
- Actual inflation in the last two years being higher than assumed.

These effects were partially offset by a higher than expected return on invested assets in the year following the valuation and the deficit reduction contributions paid by the Company. Inflation expectations are also lower now than at 30 July 2010 which serves to reduce the value placed on the liabilities.

Winding up

Legislation required that as part of the actuarial valuation, the Plan Actuary must assess the funding position of the Plan assuming it had been wound up as at 30 July 2010. The following figures summarise the position at that date, assuming that the Plan had wound up:

Value of Plan Assets:	£69,370,000
Value of accrued liabilities:	£117,861,000
Shortfall:	£48,491,000
Funding Level:	59%

The shortfall is an estimate of the additional sum that would have been required from the Company to ensure that all members' benefits could have been paid in full had the Plan wound up on 30 July 2010. Providing 'winding up' information is a formal legal requirement and does not imply that the Company was considering winding-up the Plan.

Payments to the Company

There has not been any payment to the Company out of Plan funds since the date of the last Summary Funding Statement.

The next full actuarial valuation

The full triennial actuarial valuation as at 30 July 2013 is currently underway and will be reported fully in the next newsletter.

Early Retirement

Active and deferred members of the Plan who have reached age 55 may, with the consent of the Company and/or Trustees, take early retirement from the Plan. On early retirement, an active or deferred member will receive the pension they have built up in the Plan but reduced by an early retirement factor based on the member's age to take account of the fact that the pension will be payable for longer. In the past, the Company and Trustees had been unlikely to give consent to early retirement unless there were exceptional circumstances.

However, the Company and Trustees have reviewed this policy and have decided to relax the requirements for applications for early retirement for the active and deferred members aged 60 or over. An actuarial reduction of currently 6% per annum will still apply for each year or part year that the member retires in advance of their Normal Retirement Age. Please note that this actuarial reduction is subject to periodic review by the Company and Trustees.

The Trustees strongly recommend that members seek professional advice from an Independent Financial Advisor if they are considering early retirement.

If you have any queries regarding this matter, please contact the Company Secretariat at the address provided earlier.

Auto-enrolment

You may be aware from previous announcements in the media that the government introduced new legislation relating to pension schemes. This requires UK employers to automatically enrol certain employees into a workplace pension scheme. These auto-enrolment requirements took effect for Fuller, Smith & Turner P.L.C. on 1 July 2013.

To meet these requirements, the Company automatically enrolled eligible employees, who were not in the Plan, into the National Employment Savings Trust ("Nest") from 1 July 2013.

Plan Closure

In June last year, the Company advised the Trustees that it was proposing to close the Plan to future accrual from 1 January 2015. Whilst this was a disappointment to the Trustees it was not unexpected in the current pensions and economic climate. Although the change is Company driven, the Trustees took legal advice on the proposal, not only to understand the commercial, legal and financial reasons for the closure but to ensure the long-term security of all members' accrued benefits in the Plan.

In November last year, the Company concluded a 60 day formal consultation exercise with members regarding the proposed changes to the Plan. In February this year, the Company announced its final proposal on members' future pension benefits and confirmed that the Plan will close to future accrual from 1 January 2015.

This change will mean that members will accrue benefits in the Plan up to 31 December 2014 and will be entitled to a deferred pension in the Plan from this date. Members will cease to be active members of the Plan from 31 December 2014. You will receive further details of your deferred benefits in the Plan after the Plan closure.

From 1 January 2015, members will be able to build up Defined Contribution ("DC") benefits in the Company's DC Stakeholder Pension Scheme with Legal & General.

Data Protection

In line with recent guidance from the Institute and Faculty of Actuaries, the Plan Actuary, Mr R J Birmingham of Xafinity has recently registered as a Data Controller for the purposes of the Data Protection Act. This registration covers the information processed about you as a member of the Plan. Your information is used for the purposes of carrying out the statutory duties of the Plan Actuary and in particular valuing the Plan's assets and liabilities and will never be shared with any person outside of Xafinity. The data processed may include information about your health if you make a claim for ill-health retirement benefits but this data will only be used if passed to him by the Trustees of the Plan. Information will be kept for regulatory purposes to demonstrate his compliance with actuarial practice and regulation.

Member Nominated Trustees

As reported previously, the Pensions Act 2004 introduced the requirement for occupational pension schemes to have at least one third Member Nominated Trustees (MNTs). The Company had decided that the size of the Trustee board should remain at nine. As such, following a selection panel David Stuart Edge, Roy Lawrence and Andrew Luff were appointed as MNTs from 14 November 2007. Their term of office runs until 14 November 2014.

We will be contacting members regarding the MNT election process to appoint the three MNTs towards the end of 2014.

The Company appointed Trustees are selected by Fuller, Smith & Turner P.L.C.

Nomination Form Reminder

In order that the Trustees can take account of your wishes when distributing a Death lump sum, you must make sure that your Nomination Form is up to date and reflects your current circumstances. If you are unsure as to whether this is the case the Trustees recommend that you complete a new form.

Forms can be obtained from the Company Secretariat at the address shown earlier. These forms are confidential and kept by the Plan Administrators, Xafinity.

Additional Voluntary Contributions (AVCs)

Legal & General is the main AVC provider under the Plan, as appointed by the Trustees. The AVC providers are reviewed regularly to ensure that their administration and investment performance are to the standard the Trustees' expect. Members are able to contribute up to 25% of earnings in total to the Plan, which includes any Member Plan contributions (see 'contribution rate section' for details of Member contribution rates).

Please note that you will only be able to pay contributions including AVCs to the Plan up until 31 December 2014. Further details of how to pay AVCs are available on request from the Company Secretariat (see contact details on page 1).

How the Plan Works

Following the merger of the George Gale & Company Limited Staff Pension and Assurance Scheme and the Fuller, Smith & Turner Director's Plan on 23 March 2007, the Plan is split into three sections. The three sections are the Main Section, Gales Section and Directors' Section.

The Company decides the design of the Plan, and the Trustees then administer the Plan and safeguard the Plan assets. They have a duty to act in accordance with the Trust Deed and Rules and in the best interests of all beneficiaries.

Some of these responsibilities are carried out on behalf of the Trustees. The Trustees and their advisers are shown in the table below:

Trustees

David Van Ristell (Chairman)
James Douglas
David Moseley
Ian Turner
Marie Gracie
Robert Phillips
Andrew Luff*
David Stuart Edge*
Roy Lawrence*

* These are Member Nominated Trustees

Administrators and Consultants

Xafinity
Xafinity House
42/62 Greyfriars Road
Reading, Berkshire, RG1 1NN

Actuary

RJ Birmingham FFA,
Xafinity

Auditors

Menzies LLP

Investment Managers

Schroder Investment Management Ltd

Legal & General Investment Management Ltd

BlackRock Investment Management Ltd

Royal London Asset Management Ltd

Barings Asset Management Ltd

Majedie Asset Management Ltd

Investment Consultant

AllenbridgeEPIC Investment Advisers Ltd

Scheme Membership

	Active Members	Deferred Members	Pensioner Members
Main Section	163	357	270
Directors' Section	2	0	11
Gales Section	5	77	68
Totals	170	434	349

Plan Documentation

A full copy of the Trustees' Annual Report & Accounts is available from the Company Secretariat (see contact details on page 1). Other documents available on request include:

- The Statement of Funding Principles, which sets out how the Plan will be funded.
- The Schedule of Contributions, which sets out how much money is being paid into the Plan and when.
- The Recovery Plan, which explains how the funding shortfall is being made up.
- The Statement of Investment Principles, which sets out the principles, applied to the investment of the Plan assets.
- The Rules of the Plan.
- The latest full Actuarial Valuation Report.

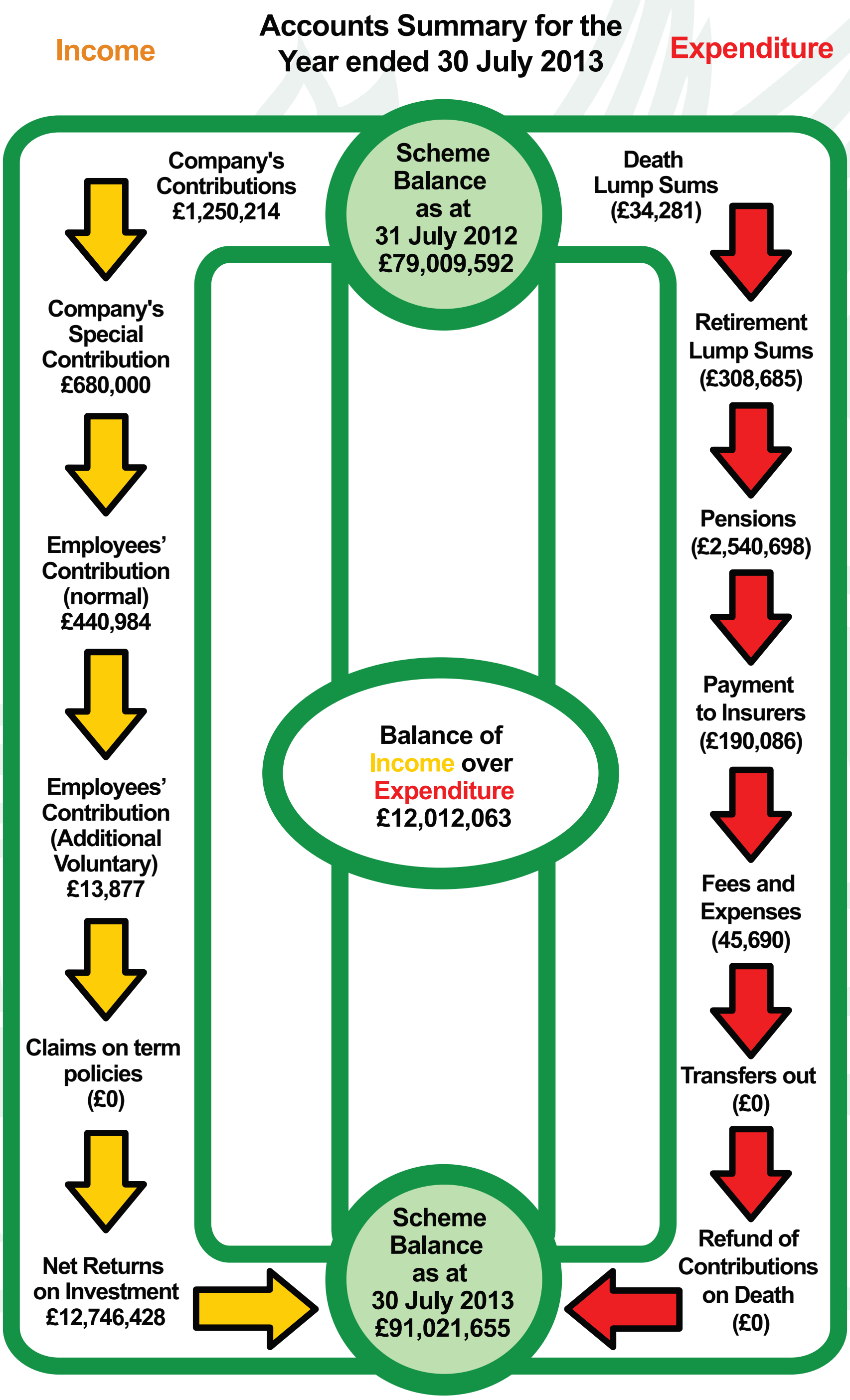
Answering your Questions

If you have any questions about your pension, please put your questions in writing to the Company Secretariat (see contact details on page 1).

Accounts for the Year to 30 July 2013

Summary of the Accounts

The summary below has been extracted from the audited accounts of the Plan for the year ended 30 July 2013. The Plan's Auditor, Menzies LLP, reported that the accounts gave a true and fair view of the financial transactions. As mentioned on page 1, a full copy is available from the Company Secretariat (see contact details on page 1).



Xafinity are the Plan Administrators for the merged Plan, including the Gales Section. If you have any queries about your benefits under the Plan, please contact the Plan Administrators in writing at the address shown above, by e-mail to Fullers@Xafinityconsulting.com or by telephone on 0118 918 5565.