Pensions Newsletter

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

As mentioned in last year's annual Newsletter, after undertaking the required consultation with Plan members, the Company took the decision to cease future accrual under the Plan with effect from 31 December 2014. Whilst this was a disappointment to the Trustees it was not unexpected in the current pensions and economic climate. Further details are included in the Newsletter.

During the year the Trustees held quarterly meetings with the Plan advisors to discuss, amongst other things, the funding position of the Plan as part of the latest Actuarial Valuation as at 30 July 2013. As detailed in the Newsletter, with the continued support of the Company, the Plan remains in a strong position.

The Newsletter includes the Summary Funding Statement which provides an update on the funding position of the Plan as at the last Actuarial Valuation at 30 July 2013 and 30 July 2014.

With the help of the appointed investment adviser, the Trustees also continually monitor the investment performance of the Plan. The Newsletter provides details of the Plan's investment performance over the year to 30 July 2014 and a value of the Plan's investments as at 30 July 2014 and 31 December 2014.

The Newsletter also provides a summary of the formal Trustees' Report and Accounts for the year ended 30 July 2014. 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 2014

Over the third quarter of 2013, markets reacted negatively, particularly those in emerging countries and those running current account deficits. Prices were volatile, fuelled by the possibility of Western involvement in the Syrian conflict, and an eventual US Government shutdown, following the 'stalemate' on deficit cuts. Optimistic signs of economic recovery, led by the US, pushed some equity markets to new all-time highs, contradicting the bull markets of bonds, which had clearly come to an end. The net result was a general recovery, led by risk assets, from June lows, with small positive returns seen across the board.

In the fourth quarter of 2013, economic data in the West surprised on the upside, led by falls in unemployment in the US and the UK, encouraging the Fed Reserve to trigger its 'tapering' module, cutting back its bond buying programme by $1billion per month. This was despite the political fallout and Government shutdown over the US budget.

Housing activity in the US, UK and even Germany was strong, with Spain and Greece also recovering, albeit France and Italy were still struggling. Japan slowed on concerns about the sales tax rise in April whilst credit growth concerns in China unnerved emerging markets, where large amounts of retail monies had moved in the search for yield.

After a 20% gain in 2013, equity markets fell sharply in January 2014, influenced by emerging market volatility and disappointing earnings results.

The first quarter of 2014, showed concerns over growth rates and secondary banking in China which impacted emerging markets where the prospect of slowing QE in the US was also felt to be negative. However, the scaling back of purchases was offset by calming words from the new Federal Reserve Chair, Janet Yellen, with the US Equity market hitting all-time highs. On balance global equities, despite increased volatility, rose marginally, the exceptions being UK (-0.6%) and Japan (-6.0%) where ongoing concerns over inflating the economy and a strong currency led by further negativity. Political issues in the Ukraine continued to unsettle financial stability, with emerging markets giving double figure negative returns.

Bond markets, initially being worried about the strength of the economic recovery, proved resilient despite the monthly scaling back of QE in the US. Soothing words from the Central Banks indicated low interest rates were here indefinitely until strong signs of a long and sustained economic recovery. Inflated house prices, led by the UK, were brushed aside despite Central Bank Governors expressing worries of overheating bubbles.

The second quarter of 2014, saw Central banks, led by the new Federal Reserve chairwomen, continuing to drive investor sentiment with the ongoing promise of record low interest rates for some time to come. The European Central Bank even moved to negative interest rates for bank funding, with the carrot of quantitative easing, if required. In the UK the strength of the recovery in the economy undermined indefinite low rates and Mr Carney's forward guidance policy was encouraging for equities. However, low wage growth had triggered reassessment.

Bonds

In the fourth quarter of 2013, bond markets suffered, with the 'tapering' support beginning to dissipate away. Yields rose despite reassuring noises from the Central Banks that interest rates would remain low indefinitely. This was illustrated with UK Gilts giving negative returns over the quarter.

Bond markets, initially being worried about the strength of the economic recovery, proved resilient in the first quarter of 2014 despite the monthly scaling back of QE in the US.

Equities

In the third quarter of 2013, Equity markets showed small rises with some Western equity markets hitting post Lehman highs.

Equities enjoyed a cocktail of ongoing Global economic recovery lead with Central Bank support and investor appetite in the final quarter of 2013. Emerging markets however struggled as the search for yield dissipated away rapidly on numerous concerns.

In the first quarter of 2014, Equities weathered worldwide political uncertainties, disappointing growth and profit numbers and ended the quarter mixed. Developed equity markets continued to lead the way but emerging markets were still suffering from high political risk and declining economic momentum.

In the second quarter of 2014, US Equities lead the way and returned another positive quarter despite the Federal Reserve's tapering bond-buying scheme and disappointing Q1 GDP growth. Japan struggled with the rise in sales tax but emerging markets were helped by confirmation of China's economy stabilising.

Property

The improving economic backdrop continues to support recovery, with the spread beginning to move out into underlying regions.

Investment Manager Performance

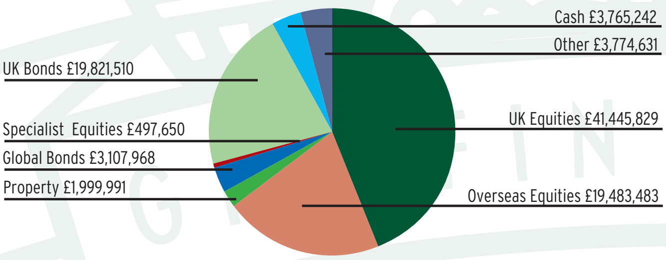
Many people will have been considering carefully their retirement planning given the economic environment over the last few years. During the year, the Trustees were broadly satisfied with the rate of return achieved by the underlying investments of the Plan. The Trustees have the full backing from the sponsor, Fuller, Smith & Turner P.L.C.

Details of the Plan's investment performance to 30 July 2014 are provided in the table below, together with the value of the Plan's investments as at 31 December 2014.

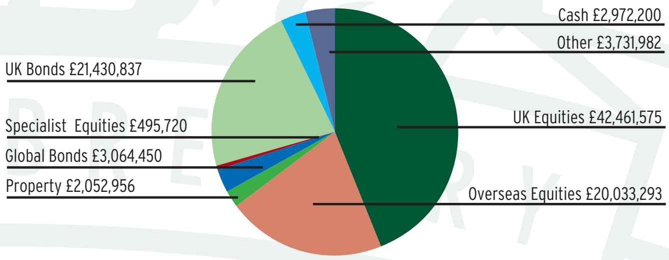
Manager	Value as at 30 July 2014	Annual Return to 30 July 2014	Benchmark Return to 30 July 2014	Value as at 31 Dec 2014
Schroder Prime UK Equity Fund	£10,361,454	16.4%	13.1%	£10,412,965
Schroder UK Alpha Plus Fund	£7,217,543	15.3%	13.1%	£7,219,664
Blackrock UK Equity Fund	£14,663,741	13.1%	13.1%	£15,052,158
Majedie Tortoise Fund	£2,663,697	9.9%	5.0%	£2,684,613
L&G Overseas Equity Consensus Fund	£11,273,128	9.7%	9.5%	£11,977,844
RLAM UK Bond Portfolio	£18,374,152	16.6 %	15.1%	£19,808,481
Schroder Exempt Property Unit Trust	£795,033	11.3%	9.3%	£878,438
Barings (Various)	£28,388,587	4.6%	4.5%	£28,165,904
Cash Deposits	£158,969	0.3%	0.4%	£42,946
Total	**£93,896,304**	**9.7%**	**7.5%**	**£96,243,013**

The charts below show how the assets of the Plan are split between asset classes as at 30 July 2014 and 31 December 2014. 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 2014



Asset Allocation between Managers of the Plan as at 31 December 2014



Post Scheme year end event

In April this year, the Trustees sold all the holdings in the Schroder UK Alpha Plus Fund and re-invested the holdings in the Majedie Global Equity Fund.

Funding Position

The Scheme Actuary has prepared an annual update with an effective date of 30 July 2014. 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 2013 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 2013. 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:	£91,600,000
Value of accrued liabilities	£112,400,000
Shortfall	£20,800,000
Funding Level	81%

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

To meet the funding shortfall, the Company paid £680,000 per annum until 31 December 2014. From 1 January 2015, the Company will pay £1,100,000 per annum in equal monthly installments, adjusted each 1 January by the change in the Consumer Price Index over the twelve months to the previous 30 September. The first adjustment will take effect from 1 January 2016. The intention is to remove the funding shortfall by 31 March 2024.

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 Scheme Actuary has prepared an annual update with an effective date of 30 July 2014. 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 2014 together with the comparative figures of the last formal valuation and previous annual updates.

Annual Update as at 30 July 2014

Value of Plan Assets:	£95,400,000
Value of accrued liabilities:	£119,400,000
Shortfall:	£24,000,000
Funding Level:	80%

Formal Valuation as at 30 July 2013

Value of Plan Assets:	£91,600,000
Value of accrued liabilities:	£112,400,000
Shortfall:	£20,800,000
Funding Level:	81%

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%

Formal Valuation 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 annual update shows that the deficit of £20,800,000 as at 30 July 2013 has increased to an estimated deficit of £24,000,000 as at 30 July 2014. The main reason for this deterioration is the fall in gilt yields which serves to increase the value of the liabilities. This was offset by Employer contributions in line with the Plan's Recovery Plan and actual Retail Price Inflation and Consumer Price Inflation over the year being lower than expected.

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 2013. The following figures summarise the position at that date, assuming that the Plan had wound up:

Value of Plan Assets:	£91,600,000
Value of accrued liabilities	£159,800,000
Shortfall	£68,200,000
Funding Level	57%

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 2013. 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 next full triennial actuarial valuation will take place as at 30 July 2016.

Plan Closure

As mentioned in last year's annual Newsletter, after undertaking the required consultation with Plan members, the Company took the decision to cease future accrual under the Plan with effect from 31 December 2014. Whilst this was a disappointment to the Trustees it was not unexpected in the current pensions and economic climate.

This change meant that members who had continued to build up benefits in the Plan up to 31 December 2014 are now entitled to a deferred pension in the Plan from 31 December 2014. In January this year, these members received a deferred benefit statement showing full details of their benefits in the Plan.

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

Member Nominated Trustees

The Plan is currently managed by nine Trustees. Six (including an independent Chairman) are appointed by the Company, and three are nominated by Plan members. These three Trustees are Member Nominated Trustees or MNTs. A Selection Panel is used to validate the applications and select the MNTs.

In October 2014, the Trustees invited nominations from all active and pensioner members to appoint three Member Nominated Trustees ("MNTs") for the Plan as the existing MNTs terms of office expired on 13 November 2014.

Nominations were received in relation to the three current MNTs - Messrs. D S Edge, R Lawrence and A Luff indicating they were prepared to serve another term.

We are therefore pleased to announce that Messrs. D S Edge, R Lawrence and A Luff were re-appointed for a further seven year term of office from 3 December 2014 and their terms of office will expire on 2 December 2021.

As a result of the closure of the Plan to future accrual on 31 December 2014, the Trustees had decided to make an adjustment to the MNT arrangements currently in place. From 1 January 2015, the MNT nomination and selection process will involve deferred members still employed by the Company and pensioner members (excluding pension credit members and those in receipt of a spouse's or dependant's pension). All other provisions in the MNT nomination and selection process remain unchanged.

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

Freedom and Flexibilty from April 2015

As you may be aware, in the March 2014 Budget the Government announced a number of changes to pensions legislation, which will took effect from 1 April 2015. These changes allow individuals to use their Defined Contribution pension funds in more ways than before. A summary of the changes is set out below, with a note of the options and contact details for further information.

What is Changing?

In the past, the only option available to the majority of people on retirement was to purchase a lifetime annuity. This is an annual income, usually payable for life, which is purchased from an insurance company using the value of your defined contribution pension fund when you come to retire. After April 2015 however, individuals may use their pension fund in different ways:

- Taking the whole fund as a cash lump sum, or a series of lump sums, with up to 25% as tax free cash, and the remainder taxed as income;

- Purchase a different type of annuity such as a flexible or a fixed term, rather than a lifetime annuity;

- Taking Flexible Drawdown - leaving your fund invested but drawing a little at a time, with up to 25% tax free, and the remainder taxed as income.

You are entitled to take a transfer value from the Plan, as you always have been, if you would like to take advantage of these new flexibilities in another arrangement.

What are my Options?

If you are retiring from the Plan, there are a number of options currently available to you:

- Retire from the Plan, using the current options of a full Defined Benefit pension or a reduced Defined Benefit pension and a tax free cash lump sum.

- Transfer your Defined Benefits from the Plan out to another arrangement and use one of the new flexible retirement options.

Further information

Whilst these options are intended to offer greater flexibility for individuals at retirement, we recommend that you take Independent Financial Advice from a registered Advisor (IFA) before making any decisions regarding your pension benefits. The new changes offer more choice than ever before, and it is important to understand how any choices you make now could affect your income in retirement. You can find an IFA in your area by visiting www.unbiased.co.uk

The Government now offers a new pension guidance service called ‘Pension Wise’. If you are age 50 or over, and have a Defined Contribution pension, Pension Wise will offer you free and impartial face-to-face guidance from specialists at The Pensions Advisory Service and Citizens Advice, to help you understand what your pension choices are and how they work. For more information please visit: www.pensionwise.gov.uk.

Other Changes from 2014 Budget

Lifetime Allowance

The Lifetime Allowance (LTA) is the maximum value of your retirement benefits from all sources on which tax relief will be given. From 6th April 2016, it was announced that the Lifetime Allowance is to be reduced from £1.25m to £1m.

Changes to State Pensions

A new single-tier state pension will be brought in a year earlier than originally planned. It will now apply to those reaching State Pension Age (SPA) on or after 6th April 2016. Those reaching SPA before then will continue to receive benefits under the current system. Further details can be found by visiting this website: https://www.gov.uk/new-state-pension/overview.

Pension Scams

You may be aware from the Press, that pension scams are on the increase now that you can access your pension savings in new ways. Scammers have a variety of tricks to catch you out. They may:

- claim that you can access your pension pot before age 55.

- approach you out of the blue over the phone, via text message or in person door-to-door.

- entice you with upfront cash.

- offer a free 'pension review' or try to lure you in with so-called 'one-off' investment opportunities.

The scammers may even pretend that the Government has asked them to contact you. What they won't tell you is that you'll probably never see your pension pot again and you will be left with a large **tax** bill.

Check the facts before you make a rushed irreversible decision. A lifetime’s savings can be lost in a moment. Please visit www.pension-scams.com to find out more about pension scams.

Early Retirement

Deferred members of the Plan who have reached age 55 may, with the consent of the Company and Trustees, may take early retirement from the Plan. On early retirement, a 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.

However, the Company and Trustees have reviewed this policy and had decided to relax the requirements for applications for early retirement for 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.

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 Scheme Administrators, Xafinity.

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.

How the Plan Works

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

Trustees

David Van Ristell (Chairman)
James Douglas
David Moseley
Ian Turner
Marie Gracie – resigned on 10 June 2014
Séverine Garnham – appointed on 10 June 2014
Robert Phillips
Andrew Luff* – re-appointed on 3 December 2014
David Stuart Edge* – re-appointed on 3 December 2014
Roy Lawrence* – re-appointed on 3 December 2014

* These are Member Nominated Trustees

Administrators and Consultants

Xafinity
Phoenix House, 1 Station Hill
Reading, RG1 1NB

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	146	354	281
Directors' Section	0	1	12
Gales Section	4	72	71
Totals	150	427	364

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.

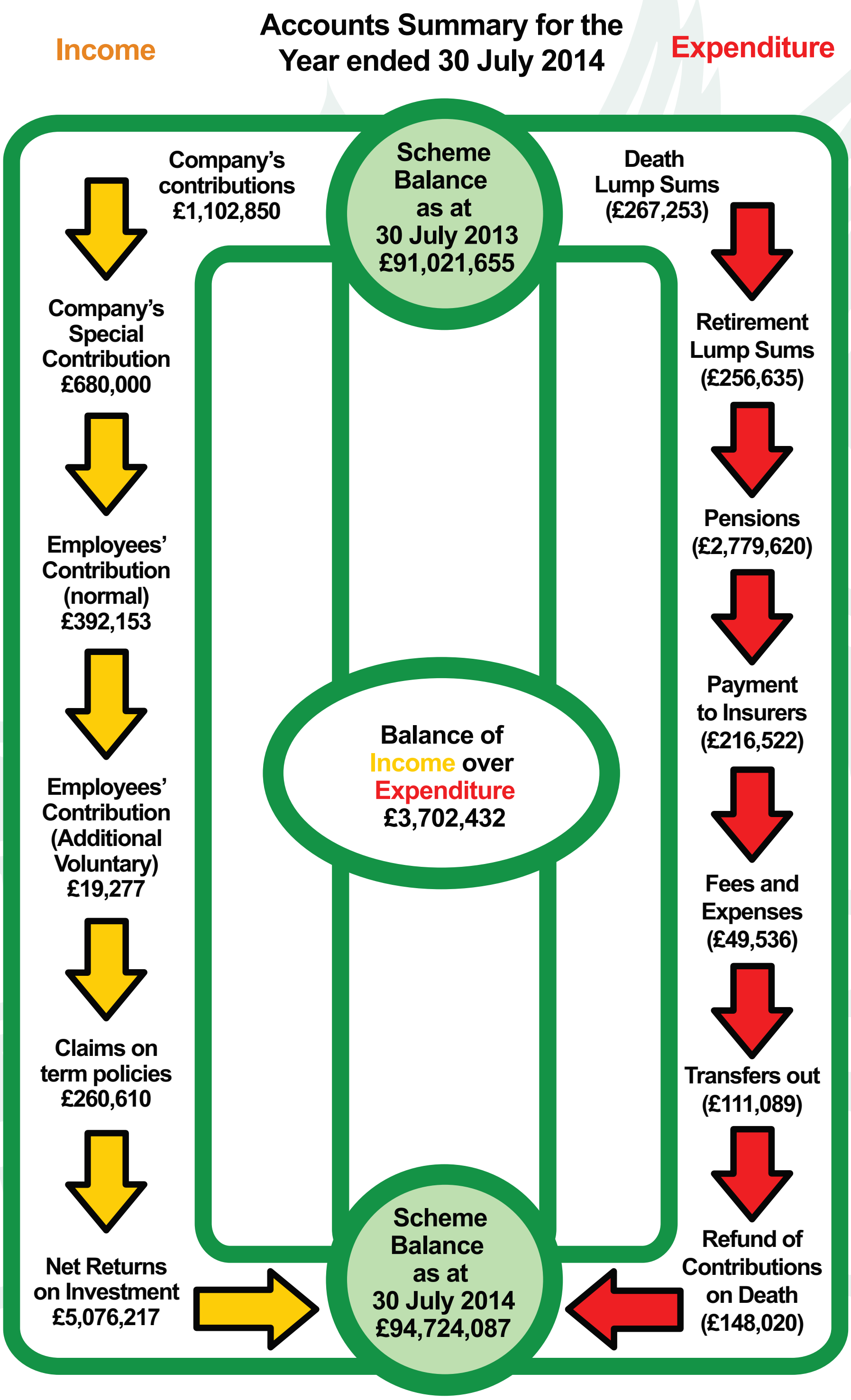
Answering your Questions

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 2014

Summary of the Accounts

The summary below has been extracted from the audited accounts of the Plan for the year ended 30 July 2014. The Plan's Auditor, Menzies LLP, reported that the accounts gave a true and fair view of the financial transactions.



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 on page 7, by e-mail to Fullers@Xafinityconsulting.com or by telephone on 0118 918 5565.