Rhosili Road, Brackmills,
Northampton, NN4 7LZ
Tel : 01604 762881
www.johnsonandstarley.co.uk

Johnson & Starley Limited Pension Scheme
Statement of Investment Principles

This Statement of Investment Principles ("the SIP") covers the Johnson & Starley Limited Pension Scheme ("the Scheme"), and clarifies the Trustee's policy relating to Governance.

Investment Objective

The Trustees invest the assets of the Scheme with the aim of ensuring that all members' accrued benefits can be paid. The Scheme's funding target is specified in the Statement of Funding Principles, and the Scheme's funding position will be reviewed annually to assess the position relative to the funding target and whether the investment policy remains appropriate to the Scheme's circumstances.

The Scheme's present investment objective is to achieve a return of at least 6.5% per annum.

Risks

Before deciding whether and how much investment risk to take relative to the liabilities, the Trustees receives advice from Investment Advisors and the Scheme Actuary, and hold discussions with the sponsor. In particular, they consider carefully the following possible consequences.

- The assets might not achieve the excess return relative to the liabilities anticipated over the longer term. This would result in deterioration in the Scheme's financial position and consequently higher contributions from the sponsor than are currently expected.
- The relative value of the assets and liabilities will be more volatile over the short term than if investment risk had not been taken This will increase the likelihood of there being a shortfall of assets relative to the liabilities in the event of discontinuance of the Scheme. This consequence is particularly serious if it coincides with the sponsor being liable to make good the shortfall.
- This volatility in the relative value of assets and liabilities may also increase the short-term volatility of the sponsor's contribution rate set at successive actuarial valuations, depending on the approach to funding adopted

The Trustees willingness to take investment risk is dependent on the continuing financial strength of the sponsor and its willingness to contribute appropriately to the Scheme. The Trustees would consider reducing investment risk relative to the liabilities should either of these deteriorate.

The degree of investment risk the Trustees are willing to take also depends on the financial health of the Scheme and the Scheme's liability profile. The Trustees monitor these with a view to altering the investment objectives, risk tolerance or return target should there be a significant change if either.

Investment strategy

The Scheme's present strategy is to invest 60% in return generating assets and 40% in Bonds and Cash. Approximately 5% of the assets will be held in Cash and the Trustees are aligning their assets to reflect this. The Trustees may vary this alignment in light of changes in market conditions.

The expected return of 6.5% per annum represents long-term expectations of asset classes as a whole. Where the Scheme has appointed "active" fund managers, their objective is to outperform the market average. Short-term returns in some asset classes may exhibit considerable variability.

The above investment strategy was derived from careful consideration of the nature and duration of the Scheme's liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of contributions required to fund the Scheme, and also the strength of the sponsor's covenant. The Trustees considered the merits of a range of asset classes, including various "alternative assets". The Trustees may also consider special investment vehicles.

The Trustees recognise that the investment strategy is subject to risk, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities. This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities. The risk is manage by investing in assets which are expected to perform in excess of the liabilities over the long term and also by investing in a suitably diversified portfolio of assets with the aim of minimising (as far as possible) volatility relative to the liabilities. The assets of the Scheme consist of predominantly of investments admitted to trading on regulated markets.

Investment mandates

The Trustees have appointed various Investment Managers to manage the assets of the Scheme. All the Investment Manager (s) are regulated under the Financial Services and Markets Act 2000.

Investment restrictions

Most decisions about the day-to-day management of the assets have been delegated to the Investment Managers via a written agreement. This delegation includes decisions about:

- Realisation of investments;
- Social, environmental and ethical considerations in the selection, retention and realisation of investment;
- The exercise of rights (including voting rights) attaching to the investments.

The Trustees take Investment Managers' policies in the above respects into account when selecting and monitoring managers. The Investment Manager is expected to exercise their powers of investment with a view to giving effect to the principles contained within this statement, so far as reasonably practicable.

Investment Management Fees

The investment Managers remuneration is based upon a percentage value of the assets under management; alternatively a fixed annual fee can be agreed in advance. The fees have been negotiated to be competitive.

Custodian

The Scheme's assets may be invested in pooled vehicles where the custody of the holdings is arrange by the Investment Managers. The custodian provides safekeeping for the assets, and performs all the associated administrative duties such as the collection of dividends. In addition, custody of Scheme assets that are not invested in pooled vehicles may be held in a FSA regulated Stockbroker nominee account and in addition all settlements will be made using a CREST sponsored membership, or with a custodian.

Employer-related investments

The Trustees' policy is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005.

Direct investments

Direct investments, as distinguished by the Pensions Act 1995, are products purchased without delegation to an Investment Manager through a written contract. When selecting and reviewing any direct investments, the Trustees will obtain appropriate written advice from their investment advisers.

Governance

The Trustees of the Scheme make all major strategic decisions including, but not limited to, the Scheme's asset allocation and the appointment and termination of fund managers.

When making such decisions, and when appropriate, the Trustees may take appropriate advice. The Trustees' investment advisers, are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience. The investment adviser's remuneration may be a fixed fee or based on time worked, as negotiated by the Trustees in the interest of obtaining best value for the Scheme.

The Trustees may appoint an Investment committee to monitor the operation of the Scheme's investment strategy, make day-to-day decisions as necessary for the smooth running of the Scheme, and make recommendations to the Trustees on overall strategy.

Compliance

This statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational pension Schemes (Investment) Regulations 2005. Before preparing or subsequently revising this statement, the Trustees consulted the sponsoring employer and took appropriate advice. The Statement is reviewed as least every three years, and without delay after any significant change in investment policy.

Signed.. Date: 27/05/2010