

**AVX LIMITED PENSION SCHEME
ANNUAL REPORT
FOR THE YEAR ENDED 5 APRIL 2014
Scheme Registration Number: 10023435**

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2014

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AVX Limited Pension Scheme

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Trustees, Principal Employer and Advisers

Trustees

Employer-nominated Trustees

R J Lawrence - Chairman

K P Cummings

M H McCann

Member-nominated Trustees

S H Cunday

P Fenwick

M Bogues (appointed 6 December 2013)

Principal Employer

AVX Limited

Scheme Actuary

Paul McCarron, F.I.A.

Mercer Limited

Independent Auditors

PricewaterhouseCoopers LLP

Administrator and Consultants

Mercer Limited

Investment Manager

State Street Global Advisors

Investment Custodian

State Street Bank and Trust Limited

Additional Voluntary Contribution (AVC) Providers

Prudential Assurance

Phoenix Life and Pensions Limited

Aviva (from 30 September 2013)

Life Assurance Companies

UnumProvident

Assicurazioni Generali S.p.A

Bank

National Westminster Bank plc

Legal Adviser

Pinsent Masons LLP

AVX Limited Pension Scheme

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Trustees, Principal Employer and Advisers

Contact for further information and complaints about the Scheme

Mr R J Lawrence
AVX Limited
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Lyon Way
Frimley, Surrey
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AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2014

Trustees' Report

Introduction

The Trustees of AVX Limited Pension Scheme (the Scheme) are pleased to present their report together with the accounts for the year ended 5 April 2014. The Scheme is a defined benefit scheme. The Scheme was closed to new entrants with effect from 1 April 1997. With effect from 30 September 2013 the defined benefit section of the AVX Retirement Plan merged into AVX Limited Pension Scheme.

Management of the Scheme

Trustees

In accordance with the Occupational Pension Schemes (Member-nominated Trustees and Directors) Regulations 2006, members have the option to nominate and vote for Member-nominated Trustees.

The three Member-nominated Trustees (2013: two), as shown on page 1, are nominated by the members under the rules notified to the members of the Scheme to serve for a period of five years. They may be removed before the end of their five year term only by agreement of all the remaining Trustees, although their appointment ceases if they cease to be members of one of the pension plans of the Principal Employer, AVX Limited.

In accordance with the trust deed, the Principal Employer, AVX Limited, has the power to appoint and remove the other Trustees of the Scheme.

The Trustees have met three times during the year (2013: twice).

Governance and risk management

The Trustees have in place a business plan which sets out their objectives in areas such as administration, investment and communication. This, together with a list of the main priorities and timetable for completion, helps the Trustees run the Scheme efficiently and serves as a useful reference document.

The Trustees have also focused on risk management. A risk register has been put in place which sets out the key risks to which the Scheme is subject along with the controls in place to mitigate these. This register is regularly reviewed and updated by the Trustees.

Trustee knowledge and understanding

The Pensions Act 2004 requires trustees to have sufficient knowledge and understanding of pensions and trust law and be conversant with the Scheme documentation. The Pensions Regulator has published a Code of Practice on Trustee Knowledge and Understanding to assist trustees on this matter which became effective from 6 April 2006 and which was revised and reissued in November 2009. The Trustees have agreed a training plan to enable them to meet these requirements.

Principal Employer

The Scheme is provided for all eligible employees of the Principal Employer whose registered address is AVX Limited, Prospect House, 6 Archipalego, Lyon Way, Frimley, Surrey, GU16 7ER.

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2014

Trustees' Report

Financial development

The accounts on pages 14 to 21 have been prepared and audited in accordance with the Regulations made under Section 41 (1) and (6) of the Pensions Act 1995. They show that the value of the fund increased from £70,168,865 at 5 April 2013 to £88,514,051 at 5 April 2014.

The increase shown above comprised net additions from dealings with members of £13,457,355 together with net returns on investments of £4,887,831.

Transfer of the defined benefit section from The AVX Retirement Plan

The Trustees and Employer agreed the terms of merging the defined benefit section of The AVX Retirement Plan into the AVX Limited Pension Scheme with effect from 30 September 2013. On this date assets totalling £12,238,458, in respect of the 230 members, were transferred from the defined benefit section of The AVX Retirement Plan to the AVX Limited Pension Scheme. There will be no changes in members' defined benefits as a result of the transfer. As AVX Limited is the Principal Employer for both pension schemes, there will be no change in who is ultimately responsible for funding the members' benefits.

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2014

Trustees' Report

Actuarial position of the Scheme

The last full actuarial valuation of the Scheme was carried out with an effective date of 5 April 2012. A Summary Funding Statement has since been produced by the Trustees dated January 2014 in accordance with the Pensions Act 2004 requirements. The results of the latest actuarial valuation which took place prior to the merger showed that on 5 April 2012:

| | £ millions |
|---|------------|
| The Statutory Funding Objective (SFO) in relation to the liabilities: | 82.0 |
| Valuation of assets: | 59.6 |
| Shortfall relative to the SFO | 22.4 |
| Funding level | 73% |

The Trustees also prepared the funding position of the Schemes both individually and combined, as at 5 April 2013 in advance of the merger:

| Effective date: 5 April 2013 | The AVX Retirement Plan | AVX Limited Pension Scheme | Combined Scheme |
|---|-------------------------|----------------------------|-----------------|
| | £ millions | £ millions | £ millions |
| Value of liabilities | 12.5 | 90.3 | 102.8 |
| Value of assets | 11.9 | 70.0 | 81.9 |
| Shortfall of assets compared to liabilities | 0.6 | 20.3 | 20.9 |
| Funding level, i.e., asset value of a percentage of liability value | 95% | 78% | 80% |

In order to eliminate the shortfall the Employer and Trustees agreed to pay contributions of £398k per month (ie £4.8m per annum) into the Scheme, with a target date of 31 May 2018 to reach a 100% funding level. The Actuary has also updated the combined funding position as at 31 October 2013 which shows an improvement in the funding position as set out below:

| | £ millions |
|---------------|------------|
| Assets | 85.7 |
| Liabilities | 94.6 |
| Deficit | 8.9 |
| Funding level | 91% |

The above figures indicate that the Scheme is well ahead of reaching its 100% funding position by 31 May 2018. Improvements in the funding position of the Scheme are as a result of:

- The additional contributions being paid by AVX Limited;
- A slight increase in long term interest rates since 5 April 2013;
- Good investment returns in the Scheme's assets.

The funding position for the combined AVX Limited Pension Scheme and The AVX Retirement Plan as at 5 April 2013 showed that the Scheme's assets could not have paid for full benefits of all members to be provided by an insurance company if the Scheme had wound-up at that date. This is not at all unusual given that winding the Scheme up and securing benefits with an insurance company is much more expensive than continuing to run it.

| | £ millions |
|--|------------|
| The estimated liabilities if the Scheme were to be wound-up were | 142.4 |
| The Scheme's assets | 81.9 |
| Buy-out shortfall | 60.5 |

The fact that we have shown the solvency position does not mean that the Company is thinking of winding up the Scheme. It is just another piece of information we hope will help you understand the financial security of your benefits.

The actuarial information in relation to the Scheme is shown on pages 27 to 28 of the Annual Report.

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2014

Trustees' Report

Membership

The membership movements of the Scheme for the year are given below:

| | Actives | Pensioners | Members with Preserved Benefits | Total |
|--|----------|------------|--|--------------|
| At 6 April 2013 | 9 | 447 | 451 | 907 |
| Adjustments | - | (1) | - | (1) |
| Retirements | (3) | 10 | (7) | - |
| Deaths | - | (11) | - | (11) |
| Transfers out | - | - | (2) | (2) |
| Spouses and dependants | - | 2 | - | 2 |
| Leavers with deferred benefits | (2) | - | 2 | - |
| Pension Commuted for Cash | - | (1) | - | (1) |
| Group transfer in from The AVX Retirement Plan | 2 | 81 | 147 | 230 |
| At 5 April 2014 | <u>6</u> | <u>527</u> | <u>591</u> | <u>1,124</u> |

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2014

Trustees' Report

Investments

General

All investments have been managed during the year under review by the investment manager and AVC providers as detailed in the Trustees, Principal Employer and Advisers section on page 1. There is a degree of delegation of responsibility for investment decisions.

The investment strategy is agreed by the Trustees after taking appropriate advice. Subject to complying with the agreed strategy, which specifies the target proportions of the fund which should be invested in the principal market sectors, the day-to-day management of the Scheme's asset portfolio, which includes full discretion for stock selection, is the responsibility of the investment manager.

Investment principles

The Trustees have produced a Statement of Investment Principles in accordance with Section 35 of the Pensions Act 1995. The statement was updated in June 2010 and a copy of the statement is available on request. The Trustees primary objectives in considering the investment policy are:

- To restore the funding position of the Scheme on an ongoing basis to at least 100%.
- To ensure that it can meet its obligation to the beneficiaries of the Scheme.
- To pay due regard to the Company's interest in the size and incidence of contribution payments.
- To achieve a return on the total Scheme monies which is compatible with the level of risk considered appropriate.

Responsible investment and corporate governance

The Trustees believe that good stewardship and environmental, social and governance (ESG) issues may have a material impact on investment returns. The Trustees have given the investment manager full discretion when evaluating ESG issues and in exercising right and stewardship obligations attached to the Scheme's investments.

Similarly, the Scheme's voting rights are exercised by its investment manager in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

Equity managers who are regulated by appropriate UK (or other relevant) authorities are expected to report on their adherence to the UK Stewardship Code on an annual basis.

The Myners Review and Code of Best Practice

The Myners principles codify best practice in investment decision-making. While they are voluntary, pension scheme trustees are expected to consider their applicability to their own scheme and report on a 'comply or explain' basis how they have used them.

The principles emphasise the essentials of investment governance, notably the importance of effective decision-making, clear investment objectives and a focus on the nature of each scheme's liabilities. The principles also require that trustees include a statement of the scheme's policy on responsible ownership in the Statement of Investment Principles and report periodically to members on the discharge of these responsibilities.

The Trustees consider that their investment policies and their implementation are in keeping with these principles.

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2014

Trustees' Report

Investment Report

Market Review

Despite some substantial asset price swings and a volatile start to 2014, the year under review delivered considerable gains for developed market equities amid a greater sense of stability around markets and the global economy alike. The advances achieved by developed market equities in particular belied a somewhat bumpy start to the review period when a bail-out of the Cyprus banking system was required; and this time the solution involved depositors sharing in the pain of shareholders and bondholders. However, this did not trigger anything greater than a temporary flight from European assets, adding to the sense that investors remain comforted by the 'whatever it takes' policy of Mario Draghi to protect the Euro. That was a pattern that remained very much in place throughout the review year.

A rather larger bump was encountered when Draghi's US counterpart Ben Bernanke introduced the 'tapering' term to the investment conversation in May, worrying markets with his suggestion that the Federal Reserve might turn off the liquidity tap provided via its monthly bond purchase programme. The taper was delayed until December, but the suggestion of it was enough to cause sizeable losses for some emerging markets, and as a group EM equities trailed developed market stocks by some distance in the 12 months. Rising tensions in Ukraine in early 2014 also tended to have a greater impact on sentiment towards EM equities. The MSCI Emerging Markets Index lost 9.9% in British pound terms, while the MSCI World Index gained 9.2% on a total return basis.

The US economy enjoyed healthy growth through the year as the long period of economic stimulus and accommodative monetary policy was reflected in an improving rate of expansion. There was a generally positive tone to economic data releases; manufacturing and services industry activity was in expansion mode and the trade deficit fell consistently. Although unemployment ticked up from a five-year low in January to stand at 6.7% in March, this represents a solid improvement in the year. There are also signs that some recent data weakness was the result of harsh weather conditions rather than a more negative medium-term trend. The strength of the UK economy took many by surprise, with releases reflecting robustness within employment, housing and manufacturing data. At the same time, inflation continued to ease and is now down to 1.7%, suggesting the Bank of England will be able to keep rates at accommodative levels for a considerable period yet.

At face value, the eurozone macro-economic backdrop provided little to inflate investor confidence levels, but the trends were positive. After a run of six consecutive quarterly contractions to Q1 2013, the single currency area expanded in each subsequent quarter. Purchasing manager indices that provide a good indication of business health within an economy suggested that activity across the region was picking up. Italy halted a series of nine straight negative quarters with economic growth of 0.1% in the final three months of 2013. Furthermore, unemployment levels in Europe's 'peripheral' economies are also showing signs of improvement of late. The European Central Bank contributed to the better risk appetite, cutting its benchmark refinancing rate to 0.5% in May and then, in a surprise to markets, the bank lowered it again to 0.25% in November.

Fears of a slowdown in Chinese economic activity dampened the enthusiasm of investors for some Asia-Pacific stock markets. Chinese stocks were among the poorer performers with occasional bounces proving fleeting amid growth concerns and sustained worries about the shadow banking industry. The Shanghai Composite Index lost 9.1% in local currency terms for the 12 months, with weak demand from a still-sluggish European economy also proving a headwind. The US tapering debate had a considerable impact on EM investment flows as the potential for higher yields in the US diverted some funds towards America and other developed markets.

Japan's Nikkei is about 70% higher since November 2012 when a new government with a stimulus agenda was elected. For the last 12 months, the Nikkei gained 19.6%, although yen weakness offset much of this for US, UK and Euro based investors. In Europe, the previously beleaguered peripheral markets were the strongest performers as evidence of economic renewal bolstered sentiment and investor appetite for Europe's revival focused on those that had fallen most. Germany's Dax recorded a capital gain of 22.6% as improving global and Eurozone economic data underpinned its large export sector. France's Cac-40 index gained 17.7%, while Spanish equities benefited from an improvement in sentiment towards the country to rally 30.6%. Italian equities were more volatile than most amid political spats, but the FTSE MIB Index achieved a stunning 41.4% return. Irish equities gained 26.2% as the country exited its bailout, returned to funding markets, had their investment grade credit rating restored and enjoyed improving economic conditions.

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2014

Trustees' Report

The UK stock market's sizeable exposure to the energy and mining industries dragged on overall returns as commodity prices fell, detracting somewhat from strong gains in industrial, telecoms and consumer discretionary sectors. The US stock market hit new record highs through the year, overcoming the tapering related dip and a renewal of 'debt ceiling' and budget-related political bickering at the end of September. The S&P 500 Index rose 19.3%, while demand for growth stocks helped the tech-heavy Nasdaq Index to a 28.5% gain.

Improved investor risk appetite amid stabilisation in economic data and declining Euro concerns were a combination that inevitably weighed on the relative attractiveness of major country bonds. Fed tapering speculation led yields higher through 2013, before a fresh bout of emerging market jitters in early 2014 allowed bonds to reverse some of the earlier losses. Having ended 2013 just above 3%, US 10-year yields tracked lower in 2014 to end the review period at 2.72% (compared to 1.85% a year earlier). Similarly, 10-year UK gilts rose from 1.77% to 3.02% by the end of 2013 before falling back to 2.74%. German yields saw less action, ending March at 1.57%, not much higher than a year earlier. Meanwhile, peripheral eurozone government bonds gained through the year as the debt crisis took something of a back-seat and economic data supported a modest recovery. Spanish 10-year yields ended March at 3.23% (5.06% in March 2013), Italian yields at 3.29% (4.76%) and Irish yields fell to 3.02% (3.86%).

The decline in the value of a number of Asia-Pacific and emerging market currencies in the period was a feature of 2013 and in early 2014; countries with twin deficits tended not to enjoy much of currency rebound when tapering worries subsided. Argentina, Turkey and Indonesia each recorded currency declines of more than 20% against the British pound, which was the strongest currency in the period. The Euro was also a strong performer, while the Japanese yen lost about 9% against the US Dollar, which in turn lost about 9% versus sterling.

Review of investment performance

The performance of the SSgA MPF Commingled Funds portfolio against each of their benchmarks for the 1, 3 and 5 year periods to 31 March 2014, as reported in the SSGA investment report quarter to 31 March 2014, is shown in the table below

| | 1 Year % | 3 Years % p.a. | 5 years % p.a. |
|---|--------------|-------------------|-------------------|
| SSgA MPF UK Equity Index Fund | 8.88 | 8.89 | 16.50 |
| <i>Benchmark</i> | <i>8.81</i> | <i>8.81</i> | <i>16.36</i> |
| SSgA MPF Japan Equity (100% Hedged) Index Fund | 17.09 | 12.56 | 9.99 |
| <i>Benchmark</i> | <i>16.96</i> | <i>12.38</i> | <i>10.01</i> |
| SSgA MPF North American Equity (100% Hedged) Index Fund | 21.72 | 13.56 | 20.07 |
| <i>Benchmark</i> | <i>21.72</i> | <i>13.53</i> | <i>20.05</i> |
| SSgA MPF Asia Pacific Equity (100% Hedged) Index Fund | 5.52 | 3.00 | 12.77 |
| <i>Benchmark</i> | <i>5.61</i> | <i>2.98</i> | <i>12.78</i> |
| SSgA MPF Europe ex-UK Equity (100% Hedged) Index Fund | 21.94 | 9.70 | 16.18 |
| <i>Benchmark</i> | <i>22.13</i> | <i>9.72</i> | <i>16.16</i> |
| SSgA MPF UK Over 15yr Conventional Gilt Index Fund | -3.08 | 8.72 | 6.55 |
| <i>Benchmark</i> | <i>-3.14</i> | <i>8.68</i> | <i>6.51</i> |
| SSgA MPF Sterling Corporate Bonds All Stocks Index Fund | 1.57 | 7.37 | 9.81 |
| <i>Benchmark</i> | <i>1.48</i> | <i>7.32</i> | <i>9.64</i> |
| SSgA MPF UK Index Linked Gilts Over 5 Years Index Fund | -4.39 | N/A | N/A |
| <i>Benchmark</i> | <i>-4.45</i> | <i>N/A</i> | <i>N/A</i> |

*3 and 5 year return figures are not applicable as Inception date 11 February 2012.

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2014

Trustees' Report

Deployment of Assets

The deployment at the year end and the previous year end of the assets underlying the investments (excluding AVCs) is shown in the table below:

| | 2014 | 2013 |
|---------------------------------------|---------------|--------------|
| | % | % |
| UK Equities | 17.97 | 19.5 |
| Overseas Equities | 28.36 | 28.7 |
| UK Fixed Interest and Corporate Bonds | 53.67 | 51.8 |
| | <u>100.00</u> | <u>100.0</u> |

Custodial arrangements

The Trustees have appointed the custodian as detailed on page 1 as custodian of the Scheme's assets managed by the investment manager. The custodian is responsible for the safekeeping, monitoring and reconciliation of documentation relating to the ownership of listed investments. Investments are held in the name of the custodian's nominee company, in line with common practice for pension scheme investments.

PFT Limited, a wholly owned subsidiary of Mercer Limited, has been appointed by the Trustees as custodian of the cash held in connection with the administration of the Scheme.

Basis of investment manager's fees

State Street Global Advisors charges fees quarterly based on an annual fixed charge of £1,000 plus variable rates bands of 0.04% to 0.275% on investment fund balances.

Further information

Further disclosures required by legislation are included in the Compliance Statement on pages 24 to 26.

Further information about the Scheme is given in the explanatory booklet which has been issued to all members.

Signed on behalf of the Trustees on16th Oct 2014.....

.....*R) Lounce*..... Trustee

.....*M A M'Caun*..... Trustee

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2014

Statement of Trustees' Responsibilities

The accounts, which are prepared in accordance with UK Generally Accepted Accounting Practice, are the responsibility of the Trustees. Pension scheme regulations require the Trustees to make available to Scheme members, beneficiaries and certain other parties, audited accounts for each Scheme year which:

- 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 Plan 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 the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

The Trustees are responsible for supervising the preparation of the accounts and for agreeing suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

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

The Trustees are responsible under pensions legislation for preparing 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 Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and the members.

The Trustees also have a general responsibility for ensuring 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.

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2014

Independent Auditors' Report to the Trustees

Independent Auditors' Report to the Trustees of AVX Limited Pension Scheme

Report on the accounts

Our opinion

In our opinion the accounts, defined below:

- show a true and fair view of the financial transactions of the Scheme during the year ended 5 April 2014, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The accounts, which are prepared by AVX Limited Pension Scheme, comprise:

- the net assets statement as at 5 April 2014;
- the fund account for the year then ended; and
- the notes to the accounts, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Trustees have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of accounts involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Scheme's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Trustees; and
- the overall presentation of the accounts.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2014

Independent Auditors' Report to the Trustees

Responsibilities for the accounts and the audit

Our responsibilities and those of the Trustees

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees are responsible for the preparation of the accounts and being satisfied that they show a true and fair view.

Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and ISAs (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the Trustees as a body in accordance with Section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast
Date: *21 October 2014*

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2014

Accounts

Fund Account

| | Note | 2014 £ | 2013 £ |
|---|------|--------------------------|--------------------|
| Contributions and benefits | | | |
| Contributions | 3 | 4,622,025 | 4,284,379 |
| Transfers in | 4 | 12,391,079 | - |
| Other income | 5 | 878 | 1,040 |
| | | <u>17,013,982</u> | <u>4,285,419</u> |
| Benefits | 6 | (3,002,863) | (2,253,228) |
| Payments to and on account of leavers | 7 | (289,152) | - |
| Other payments | 8 | (28,343) | (16,224) |
| Administration expenses | 9 | (236,269) | (200,315) |
| | | <u>(3,556,627)</u> | <u>(2,469,767)</u> |
| Net additions from dealings with members | | <u>13,457,355</u> | <u>1,815,652</u> |
| Returns on investments | | | |
| Investment income | 10 | 30,838 | 29,107 |
| Investment management expenses | 11 | (108,886) | (82,056) |
| Change in market value of investments | 12 | 4,965,879 | 8,647,529 |
| Net returns on investments | | <u>4,887,831</u> | <u>8,594,580</u> |
| Net increase in the fund during the year | | 18,345,186 | 10,410,232 |
| Net assets at 6 April | | 70,168,865 | 59,758,633 |
| Net assets at 5 April | | <u>88,514,051</u> | <u>70,168,865</u> |

The notes on pages 16 to 21 form part of these accounts.

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2014

Accounts

Net Assets Statement

| | Note | 2014 £ | 2013 £ |
|------------------------------|------|-------------------|-------------------|
| Investment assets | 12 | 88,248,463 | 69,728,291 |
| Current assets | 13 | 835,512 | 504,258 |
| Current liabilities | 14 | (569,924) | (63,684) |
| Net assets at 5 April | | 88,514,051 | 70,168,865 |

The accounts summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of 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 Trustees' Report on page 5 and the actuarial information on pages 27 to 28 and these accounts should be read in conjunction therewith.

The notes on pages 16 to 21 form part of these accounts.

The accounts on pages 14 to 21 were approved by the Trustees on 16th Oct 2014

Signed on behalf of the Trustees

R. J. Lawrence Trustee

M. H. M. Cannon Trustee

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2014

Notes to the Accounts

1. Basis of preparation

The accounts have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, and with the guidelines set out in the Statement of Recommended Practice, "Financial Reports of Pension Schemes" (Revised May 2007).

2. Accounting policies

The principal accounting policies are set out below. Unless otherwise stated, they have been applied consistently year on year.

2.1 Accruals concept

The accounts have been prepared on an accruals basis.

2.2 Valuation of investments

The market value of pooled investment vehicles is based on the bid price operating at the year end, as advised by the investment manager.

The AVC investments include policies of assurance. The market value of these policies has been taken as the surrender values of the policies at the year end, excluding final expected bonus, as advised by the AVC providers.

The changes in investment market values are accounted for in the year in which they arise and include profits and losses on investments sold as well as unrealised gains and losses in the value of investments held at the year end.

2.3 Contributions and benefits

Contributions are accounted for in the period in which they fall due.

Benefits are accounted for in the period in which they fall due based on the date of leaving, retirement or death.

Employer deficit funding contributions are accounted for on the due dates in accordance with the Schedule of Contributions.

Income arising from annuity policies is included in investment income and the pensions paid are included in benefits payable.

2.4 Transfers

Individual transfers are accounted for when the transfer has been agreed by both parties and the receiving scheme has accepted liability for the transfer.

Group transfers are accounted for on the accruals basis where the Trustees have agreed to accept the liability for members' benefits.

2.5 Income

Income is accounted for in the period in which it falls due.

2.6 Fees and expenses

Fees and expenses are accounted for in the period in which they fall due.

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2014

Notes to the Accounts

3. Contributions

| | 2014 £ | 2013 £ |
|------------------------------------|------------------|------------------|
| Contributions from employer: | | |
| Normal | 58,948 | 46,118 |
| Deficit funding | 4,491,000 | 4,200,000 |
| | <u>4,549,948</u> | <u>4,246,118</u> |
| Contributions from members: | | |
| Normal | 38,287 | 34,937 |
| Additional voluntary contributions | 33,790 | 3,324 |
| | <u>72,077</u> | <u>38,261</u> |
| | <u>4,622,025</u> | <u>4,284,379</u> |

Deficit funding contributions were received in accordance with the Schedules of Contributions certified by the Actuary on 9 April 2013 and 6 August 2013. Under the Schedule of Contributions certified by the Actuary on 6 August 2013 deficit contributions of £398,500 per month is payable into the Scheme during the period 1 October 2013 to 31 May 2018 inclusive.

4. Transfers in

| | 2014 £ | 2013 £ |
|--|-------------------|-----------|
| Group transfers in from other schemes | 12,238,458 | - |
| Individual transfers in from other schemes | 152,621 | - |
| | <u>12,391,079</u> | <u>-</u> |

During the year a group transfer in was received from the defined benefit section of the AVX Retirement Plan in respect of 230 members with effect from 30 September 2013. The group transfer in consisted of pooled investment vehicles of £12,086,136, AVC investments of £70,500 and net current assets of £81,822.

5. Other income

| | 2014 £ | 2013 £ |
|--|------------|--------------|
| Interest on cash deposits held by the Trustees | <u>878</u> | <u>1,040</u> |

6. Benefits

| | 2014 £ | 2013 £ |
|--|------------------|------------------|
| Pensions | 2,413,201 | 2,153,624 |
| Commutations and lump sums on retirement | 586,759 | 85,958 |
| Lump sums on death in retirement | 1,073 | 1,525 |
| Refunds of contributions on death | 1,830 | 12,121 |
| | <u>3,002,863</u> | <u>2,253,228</u> |

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2014

Notes to the Accounts

7. Payments to and on account of leavers

| | 2014 £ | 2013 £ |
|--|----------------|-----------|
| Individual transfer values paid to other schemes | <u>289,152</u> | <u>-</u> |

8. Other payments

| | 2014 £ | 2013 £ |
|-------------------------------------|---------------|---------------|
| Premiums on term insurance policies | <u>28,343</u> | <u>16,224</u> |

Term insurance is secured by policies underwritten by Assicurazioni Generali S.p.A and UnumProvident.

9. Administration expenses

| | 2014 £ | 2013 £ |
|-----------------------------------|----------------|----------------|
| Administration fees | 58,184 | 68,749 |
| Audit fees | 3,900 | 3,225 |
| Trustee fees | 4,200 | 3,200 |
| Legal fees | 9,778 | 2,968 |
| Miscellaneous expenses | 35 | 35 |
| Scheme levies | 39,189 | 44,050 |
| Pension consultancy and actuarial | 120,983 | 78,088 |
| | <u>236,269</u> | <u>200,315</u> |

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2014

Notes to the Accounts

10. Investment income

| | 2014 £ | 2013 £ |
|----------------|---------------|---------------|
| Annuity income | <u>30,838</u> | <u>29,107</u> |

11. Investment management expenses

| | 2014 £ | 2013 £ |
|---|----------------|---------------|
| Administration, management and custody fees | <u>108,886</u> | <u>82,056</u> |

12. Investment assets

12.1 Investments

| | 2014 £ | 2013 £ |
|-------------------------|-------------------|-------------------|
| Pooled investments | | |
| - Managed funds | | |
| - UK non-property | 62,963,641 | 51,196,024 |
| - Overseas non-property | 24,925,004 | 18,364,580 |
| | <u>87,888,645</u> | <u>69,560,604</u> |
| AVC investments | 359,818 | 167,687 |
| | <u>88,248,463</u> | <u>69,728,291</u> |

12.2 Summary of movement of investments for the year

| | Market value at 6 April 2013 £ | Cost of investments purchased £ | Proceeds of sales of investments £ | Change in market value £ | Market value at 5 April 2014 £ |
|--------------------|---|--|---|--------------------------------|---|
| Pooled investments | 69,560,604 | 77,328,695 | (63,965,586) | 4,964,932 | 87,888,645 |
| AVC investments | 167,687 | 240,445 | (49,261) | 947 | 359,818 |
| | <u>69,728,291</u> | <u>77,569,140</u> | <u>(64,014,847)</u> | <u>4,965,879</u> | <u>88,248,463</u> |

Investment assets were assigned to the AVX Limited Pension Scheme from The AVX Retirement Benefits Plan (defined benefit section) with effect from 30 September 2013. Purchases within pooled investments above include the transfer in of £12,086,136 from The AVX Retirement Plan. AVC assets held within AVIVA, with an assigned value of £70,500, were transferred from The AVX Retirement Plan to the AVX Pension Scheme with effect from 30 September 2013. This value has been included within the AVC purchases above.

12.3 Pooled investments

The pooled investments are held in the name of the Scheme. Income generated by these units is not distributed, but retained within the pooled investments and reflected in the market value of the units.

The company managing the pooled investments is registered in the United Kingdom.

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2014

Notes to the Accounts

12.4 AVC investments

The Trustees hold assets which are separately invested from the main fund in the form of policies of assurance. These secure additional benefits, on a money purchase basis, for those members who have elected to pay additional voluntary contributions. Members participating in this arrangement receive an annual statement made up to 5 April each year, confirming the amounts held to their account and the movements during the year.

The total amount of AVC investments at the year end is shown below.

| | 2014 | 2013 |
|-----------------------------------|----------------|----------------|
| | £ | £ |
| Prudential Assurance | 266,108 | 150,199 |
| Phoenix Life and Pensions Limited | 19,586 | 17,488 |
| Aviva | 74,124 | - |
| | <u>359,818</u> | <u>167,687</u> |

12.5 Transaction costs

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £2,403 (2013: £986). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within the pooled investment vehicles. The amount of indirect costs is not separately provided to the Scheme.

12.6 Concentration of investments

The following investments each account for more than 5% of the Scheme's net assets at the year end:

| | 2014 | | 2013 | |
|---|------------|------|------------|------|
| | £ | % | £ | % |
| SSgA Sterling Corp Bonds All Stock Fund | 23,415,270 | 26.5 | 18,869,075 | 26.9 |
| SsgA UK Equity Index Fund | 15,789,514 | 17.8 | 12,455,358 | 17.8 |
| SSgA MPF UK Index Linked Gilts over 5y | 11,883,282 | 13.4 | 10,073,494 | 14.4 |
| SSgA MPF UK Conventional Gilts Over 15y Gilt Index Fund | 11,875,574 | 13.4 | 9,798,097 | 14.0 |
| SSgA Europe ex UK Equity (100% Hedged) Sub Fund | 10,302,425 | 11.6 | 6,956,011 | 9.9 |
| SSgA North America Equity(100% Hedged) Sub Fund | 7,632,936 | 8.6 | 5,786,275 | 8.2 |

The Scheme did not hold any employer related investments during the current and prior year.

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2014

Notes to the Accounts

13. Current assets

| | 2014 £ | 2013 £ |
|--|----------------|----------------|
| Contributions receivable - employer | 402,620 | 354,567 |
| - members | 2,854 | 2,987 |
| Reimbursement of insured pensions | 610 | 221 |
| Pensions paid in advance | 30,784 | 30,303 |
| Life assurance paid in advance | 22,980 | 10,380 |
| Monies due from AVX Retirement Plan | - | 11,967 |
| AVC maturities receivable | 5,634 | - |
| Cash deposits held with the Scheme Administrator | 370,030 | 93,833 |
| | <u>835,512</u> | <u>504,258</u> |

The contributions due as at 5 April 2014 were received after the year end in accordance with the due date set out in the Schedule of Contributions.

The cash deposits held with the Scheme Administrator represents the balance applicable to the Scheme on the PFT Limited Clients' Trust Account. The account is held with the National Westminster Bank Plc.

14. Current liabilities

| | 2014 £ | 2013 £ |
|---|----------------|---------------|
| Reimbursement of pensions received in advance | 327 | 2,364 |
| Lump sums on retirement payable | 406,313 | - |
| Death benefits payable | 2,208 | - |
| Taxation payable | 25,900 | 17,121 |
| Administrative expenses payable | 74,585 | 10,606 |
| Investment management expenses payable | 60,591 | 22,027 |
| Amounts owed to other Schemes | - | 11,566 |
| | <u>569,924</u> | <u>63,684</u> |

15. Related party transactions

S H Cunday, a Trustee of the Scheme, was a deferred member of the Scheme during the current and prior year. P Fenwick, a Trustee of the Scheme was a pensioner of the Scheme during the current and prior year. R J Lawrence, a Trustee of the Scheme, became an active member of the Scheme with effect from 30 September 2013.

S H Cunday and P Fenwick are being paid for services as Trustees. This is because they are Member-Nominated Trustees who are no longer employed by the Company. A retainer fee of £1,000 is paid annually at the start of the calendar year and £300 for attendance at a Trustees meeting. The fees are met by the Scheme.

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2014

Independent Auditors' Statement about Contributions to the Trustees

Independent Auditors' Statement about Contributions to the Trustees of AVX Limited Pension Scheme

Statement about contributions

Our opinion

In our opinion, the contributions required by the Schedules of Contribution for the Scheme year ended 5 April 2014 as reported in the Summary of Contributions have in all material respects been paid in accordance with the Schedules of Contribution certified by the Scheme Actuary on 18 March 2010, 9 April 2013 and 6 August 2013.

This opinion is to be read in the context of what we say in the remainder of this statement.

What we have examined

The Summary of Contributions for the Scheme year ended 5 April 2014, which has been prepared by AVX Limited Pension Scheme, is set out on the following page.

What an examination of the Summary of Contributions involves

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the Summary of Contributions have been paid in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme under the Schedule of Contributions and the timing of those payments.

Responsibilities for the statement about contributions

Our responsibilities and those of the Trustees

As explained more fully in the Statement of Trustees' Responsibilities, the Scheme's Trustees are 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 relevant requirements.

It is our responsibility to provide a statement about contributions and to report our opinion to you.

This report, including the opinion, has been prepared for and only for the Trustees as a body in accordance with Section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Belfast

Date: 21 October 2014

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2014

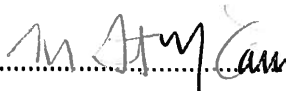
Summary of Contributions

During the year ended 5 April 2014, the contributions payable to the Scheme by the company were as follows:

| | 2014 £ |
|---|-------------------------|
| Contributions payable under the Schedule of Contributions: | |
| Contributions from employer: | |
| Normal | 58,948 |
| Deficit funding | 4,491,000 |
| | <u>4,549,948</u> |
| Contributions from members: | |
| Normal | 38,287 |
| Contributions payable under the Schedule of Contributions (as reported on by the Scheme Auditors) | |
| | <u>4,588,235</u> |
| Other contributions: | |
| Additional voluntary contributions | 33,790 |
| Total contributions reported in the accounts | <u><u>4,622,025</u></u> |

Signed on behalf of the Trustees on 16th Oct 2014

.....  Trustee

.....  Trustee

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2014

Compliance Statement

Constitution

The Scheme was established on 16 November 1987 and is governed by a definitive trust deed dated 20 September 1991, with subsequent amendments.

Taxation

The Scheme is a registered pension scheme under Chapter 2 of part 4 of the Finance Act 2004.

Pension increases

The following pension increases are disclosed as at 6 April 2013, as these reflect the pensions in payment during the year:

As at 6 April 2013, all pensions in payment to Tantalum members of the Scheme were increased as follows:

- 3.0% on pre 97 excess over Guaranteed Minimum Pension;
- 2.2% on post 1988 Guaranteed Minimum Pension;
- 2.6% on the post 1997 pension; and
- 2.5% on the post 6 April 2006 pension.

As at 6 April 2013 all pensions in payment to Varelco members of the Scheme were increased as follows:

- 3.0% on pre 97 excess over Guaranteed Minimum Pension;
- 2.2% on post 1988 Guaranteed Minimum Pension;
- 3.0% on the post 1997 pension; and
- 2.5% on the post 6 April 2006 pension.

No discretionary pension increase was awarded during the year.

Calculation of transfer values

Transfer values paid during the year were calculated and verified in the manner required by the Regulations made under Section 97 of the Pension Schemes Act 1993. None of the transfer values paid was less than the amount provided by the Regulations.

Benefit Design Changes

From 1 July 2007 active members in the Scheme can elect to remain on the 1/60ths accrual rate or move down to the 1/80ths accrual rate, with corresponding member contribution rates of 13% or 8% of Pensionable Salaries respectively.

Pension built up prior to 1 July 2007 is unaffected.

Active members have a further option on a one-off basis to switch from their original decision on any 1 April between now and when they retire. This switch, if made, would be final and non-reversible.

Employer-related investments

There was no employer-related investment at any time during the year.

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2014

Compliance Statement

The Pensions Regulator

The statutory body that regulates occupational pension schemes is the Pensions Regulator and it can be contacted at:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW
Telephone: 0845 600 0707
Email: customersupport@tpr.gov.uk
Website: www.thepensionsregulator.gov.uk

Pensions tracing

A pension tracing service is carried out by the Department for Work and Pensions. This service can be contacted as follows:

Pension Tracing Service
The Pension Service
Tyneview Park
Whitley Road
Newcastle upon Tyne
NE98 1BA
Telephone: 0845 600 2537

The Pensions Advisory Service

Any concerns connected with the Scheme should be referred to Mr R J Lawrence, at the address shown on page 2, who will try to resolve the problem as quickly as possible. Members and beneficiaries of pension schemes who have problems concerning their scheme and are not satisfied by the information or explanation given by the administrators or the trustees can consult with The Pensions Advisory Service. A local adviser can usually be contacted through a Citizens Advice Bureau. Alternatively the Service can be contacted at:

The Pensions Advisory Service
11 Belgrave Road
London
SW1V 1RB
Telephone: 0300 123 1047
Website: www.pensionsadvisoryservice.org.uk

Pensions Ombudsman

In cases where a complaint or dispute cannot be resolved, normally after the intervention of The Pensions Advisory Service, an application can be made to the Pensions Ombudsman for him to investigate and determine any complaint or dispute of fact or law involving occupational pension schemes. The address is:

The Office of the Pensions Ombudsman
11 Belgrave Road
London
SW1V 1RB
Telephone: 020 7630 2200
Email: enquiries@pensions-ombudsman.org.uk
Website: www.pensions-ombudsman.org.uk

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2014

Compliance Statement

The Pension Protection Fund

The Pension Protection Fund (PPF) was established to pay compensation to members of eligible defined benefit pension schemes, when there is a qualifying insolvency event in relation to the employer and where there are insufficient assets in the pension scheme to cover PPF levels of compensation. The pension protection levy is one of the ways that the PPF funds the compensation payable to members of schemes that transfer to the PPF.

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2014

Actuarial Information

Certification of schedule of contributions

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the Statutory Funding Objective can be expected to be met at the valuation date of 5 April 2012, by the end of the period specified in the Recovery Plan dated April 2013.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated April 2013.

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

Paul McCarron

Scheme Actuary

Paul McCarron

Qualification

Fellow of the institute of Actuaries

Date of signing

6 August 2013

Name of employer

Mercer Limited

Address

Bedford House
Bedford Street
Belfast BT2 7DX

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2014

Actuarial Information

Certificate of technical provisions

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 5 April 2012 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustees of the Scheme and set out in the Statement of Funding Principles dated April 2013

Signature

Paul McCarron

Name

Paul McCarron

Qualification

Fellow of the institute of Actuaries

Date of signing

5 July 2013

Name of employer

Mercer Limited

Address

Bedford House
Bedford Street
Belfast BT2 7DX