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AVX LIMITED PENSION SCHEME
ANNUAL REPORT
FOR THE YEAR ENDED 5 APRIL 2018
Scheme Registration Number: 10023435

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2018

Contents

Trustees, Principal Employer and Advisers

Trustees

Employer-nominated Trustees

R J Lawrence - Chairman
K P Cummings (resigned 2 December 2017)
M E Hufnagel (appointed 1 December 2017)
M H McCann
N Birkett

Member-nominated Trustees

S H Cunday
P Fenwick
M Bogues

Principal Employer

AVX Limited

Scheme Actuary

Simon Hall, F.I.A.
Mercer Limited

Independent Auditors

PricewaterhouseCoopers LLP

Administrator

Mercer Limited

Investment Manager

Mercer Global Investments

Investment Custodian

State Street Custodial Services (Ireland) Limited

Additional Voluntary Contribution (AVC) Providers

Prudential Assurance
Phoenix Life and Pensions Limited
Aviva

Banks

National Westminster Bank plc (removed 29 January 2018)
HSBC Bank plc (appointed 29 January 2018)

Legal Adviser

Burges Salmon

Contact for further information and complaints about the Scheme

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Introduction

The Trustees of AVX Limited Pension Scheme (the Scheme) are pleased to present their report together with the audited financial statements for the year ended 5 April 2018. 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 AVX Retirement Plan merged into AVX Limited Pension Scheme.

Constitution

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

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 (2017: three), 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 twice during the year (2017: twice).

Statement of Trustees' Responsibilities

The Statement of Trustees' Responsibilities is set out on page 12 and forms part of this Trustees' Report.

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.

Financial development

The financial statements on pages 15 to 25 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 £124,718,593 at 5 April 2017 to £128,457,563 at 5 April 2018.

The increase shown above comprised net withdrawals from dealings with members of £117,422 together with net returns on investments of £3,856,392.

Note 4 on page 18 provides an analysis of contributions between Employer and Employee, including the deficit contributions made by the Employer.

Report on actuarial liabilities

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustees and the Principal Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 5 April 2015. An updated valuation was performed on 5 April 2016. These showed:

	Actuarial Valuation 5 April 2015	Actuarial Update 5 April 2016
The value of Technical Provisions was	£109.0 million	£109.0 million
The value of assets was	£104.2 million	£103.2 million
Percentage of Technical Provisions	96%	95%

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles).

Method

The actuarial method to be used in the calculation of the technical provisions is the Attained Age Method.

Significant actuarial assumptions

Principal actuarial assumptions for valuation as at 5 April 2015	
Discount interest rate:	Pre-retirement: 4.30% p.a. Post-retirement: 2.45% p.a.
Future Retail Price inflation:	3.10% p.a.
Future Consumer Price inflation:	2.35% p.a.
Pay increases:	4.10% p.a.
Pension increases in payment:	
RPI capped at 3.00% p.a.	2.50% p.a.
RPI capped at 5.00% p.a	3.05% p.a.
RPI capped at 2.50% p.a.	2.20% p.a.
CPI capped at 3.00% p.a.	2.10% p.a.
CPI capped at 2.50% p.a.	1.90% p.a.
Mortality:	S2PA YoB tables with CMI 2014_1.50% improvements

Report on actuarial liabilities - continued

The derivation of these key assumptions and an explanation of the other assumptions to be used in the calculation of the technical provisions are set out below.

Derivation of actuarial assumptions for valuation as at 5 April 2015	
Discount interest rate:	An estimate of the yield available on a notional portfolio of UK Government conventional gilt stocks whose cash flows approximately match the Scheme's estimated benefit cashflows plus an additional 2.00% (pre-retirement) and 0.15% (post-retirement) per annum to reflect the allowance the Trustees have agreed for additional investment returns based on the investment strategy as set out in the Statement of Investment Principles dated 1 May 2015.
Future Retail Price inflation:	The assumption for the rate of increase in the Retail Price Index (RPI) will be taken to be the investment market's expectation for inflation as indicated by the difference between an estimate of the yields available on notional portfolios of conventional and index-linked UK Government bonds whose cashflows approximately match the Scheme's estimated benefit cashflows. An adjustment of 0.15% per annum has been made to the assumption to reflect market views that the prices of nominal gilts include a 'risk premium' to reflect, for example, future inflation uncertainty.
Future Consumer Price inflation:	The assumption for the rate of increase in the Consumer Price Index (CPI) will be derived from the RPI inflation assumption with an appropriate adjustment to recognise the difference between expectations of future RPI increases and future CPI increases. The Trustees have agreed on an adjustment of a deduction of 0.75% per annum.
Pay increases:	The assumption for real salary increases (salary increases in excess of increases in the RPI) has been determined after consulting AVX. The Trustees agreed an assumption of RPI plus 1.0% per annum. No additional allowance has been made for promotional increases.
Pension increases in payment:	Increases to pensions are assumed to be in line with the RPI/CPI inflation assumptions described above subject to caps/collars applying to the benefits as set out in the Scheme's governing documentation.
Mortality:	The mortality assumptions are based on up-to-date information published by the Continuous Mortality Investigation (CMI) and National Statistics, making allowance for future improvements in longevity and the experience of the Scheme. The mortality tables are S2PA Year of Birth tables with improvements based on the CMI 2014 model with a long term improvement rate of 1.5% per annum.

Membership

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

	Actives	Pensioners	Members With Preserved Benefits	Total
At 6 April 2017	1	555	534	1,090
Retirements	(1)	35	(34)	-
Deaths	-	(13)	-	(13)
Transfers out	-	-	(1)	(1)
Spouses and dependants	-	7	-	7
Pensions commuted for cash	-	(64)	-	(64)
Pensions ceasing	-	(3)	-	(3)
At 5 April 2018	-	517	499	1,016

Pensioners include 73 beneficiaries (2017: 78) receiving a pension.

These membership figures do not include movements notified to the Administrator after the completion of the annual renewal.

The active members decision choice of benefit was subsequent to 5 April 2017, although the member retired on 31 March 2017.

Pension increases

The following pension increases are disclosed as at 6 April 2017, as these reflect the pensions in payment during the year:

As at 6 April 2017, all pensions in payment to Tantalum members of the Scheme were increased as follows:

2.5% on pre 97 excess over Guaranteed Minimum Pension;
1.0% on post 1988 Guaranteed Minimum Pension;
2.0% on the post 1997 pension; and
2.0% on the post 6 April 2006 pension.

As at 6 April 2017, all pensions in payment to Varelco members of the Scheme were increased as follows:

2.2% on pre 97 excess over Guaranteed Minimum Pension;
1.0% on post 1988 Guaranteed Minimum Pension;
2.2% on the post 1997 pension; and
2.2% on the post 6 April 2006 pension.

As at 6 April 2017, all pensions in payment to ex-Retirement Plan members were increased as follows:

0.0% on benefits earned before 6 April 1997;
2.0% on the post 1997 pension; and
1.0% 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 and do not include discretionary benefits. 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 (including the recently merged section from the AVX Retirement Plan) 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.

Investment management

General

The Trustees have delegated day-to-day management of the AVX Limited Pension Scheme's (the Scheme) assets (excluding AVCs) to Mercer Limited (Mercer), who in turn delegates responsibility for the investment of the Scheme's assets to a range of underlying investment managers. Mercer is responsible for the selection, appointment, removal and monitoring of the underlying investment managers. The underlying investment managers have full discretion to buy and sell investments on behalf of the Scheme subject to constraints Mercer have agreed with the managers.

Mercer has been managing the Scheme's assets since 10 February 2016. On 18 May 2016, the Trustees implemented a de-risking strategy whereby the level of investment risk inherent in the Scheme's investment arrangements reduces as the Scheme's funding level improves. The Trustees agreed the way in which the investment risk should be reduced and have delegated the implementation of the de-risking strategy to Mercer. Mercer constructs portfolios of investments that are expected to maximise the return given the targeted level of risk.

Investment principles

The Trustees have produced a Statement of Investment Principles in accordance with Section 35 of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005. The SIP is available on request.

The Trustees' objective is to invest the Scheme's assets in the best interest of the members and beneficiaries, and in the case of a potential conflict of interest in the sole interest of the members and beneficiaries. Within this framework the Trustees have agreed a number of objectives to help guide them in their strategic management of the assets and control of the various risks to which the Scheme is exposed. The Trustees' primary objectives are as follows:

- To restore the funding positron 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 rights 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.

Investment Report

Investment Markets

Over the year to 31 March 2018, growth assets generally performed well against a backdrop of broad economic expansion, while defensive assets saw lower returns. Over the first quarter of 2018, however, equity markets experienced a correction. This shift in market sentiment was largely a reaction to a combination of escalating trade and geo-political tensions along with expectations of monetary tightening, especially in the US.

Even though economic activity and business, as well as consumer, confidence improved significantly over the year, concerns have started to surface that some economies, most notably the US, might be starting to overheat which would accelerate the tightening cycle by central banks. Persistent geopolitical tensions over the year, both on the Korean peninsula and in the Middle East, as well as rising trade tensions between the US and China in the first quarter of 2018 also weighed on financial markets and fuelled a resurgence in volatility, which had been abnormally low in the prior year.

Investment Markets - Continued

In the UK, Brexit continues to remain at the forefront of investors' minds. Since the triggering of Article 50 in March 2017 by Prime Minister Theresa May, some progress has been made but, complex negotiations with regards to a future trade deal and the Irish border lie ahead. The UK economy has held up reasonably well over 2017 with real GDP growth of 1.4% while the consensus forecast for 2018 is for 1.6% growth. An increase in inflation over the year prompted the Bank of England to increase the base rate in November 2017 for the first time in 10 years; the Consumer Price Index reached 3.0% at the end of the year even though inflation seemed to have peaked in November 2017 at 3.1% and has fallen back to 2.5% in March 2018. Currency volatility was a feature of the year, with Sterling rallying against the Yen and Dollar, but falling against the Euro.

Equity Markets

At a global level, developed markets as measured by the FTSE World Index, returned 2.55%. Meanwhile, a return of 8.75% was recorded by the FTSE All World Emerging Markets Index. At a regional level, European markets returned 4.26% as indicated by the FTSE World Europe ex UK Index. At a country level, UK stocks as measured by the FTSE All Share Index returned 1.25%. The FTSE USA Index returned 1.76% while the FTSE Japan Index returned 7.52%.

Equity market total return figures are in Sterling terms over the year to 31 March 2018.

Within equity markets emerging market returns were the strongest over the period as the region has benefited from a declining US Dollar and improved corporate earnings. At a regional level, considerable dispersion in the returns of emerging market economies persists.

Bonds

Returns on UK Government Bonds as measured by the FTSE Gilts All Stocks Index, returned 0.46%, while long dated issues as measured by the corresponding Over 15 Year Index had a return of 2.21% over the year. The yield for the FTSE Gilts All Stocks index rose over the year from 1.44% to 1.54%. The FTSE All Stocks Index Linked Gilts Index returned 0.53% with the corresponding over 15 year Index exhibiting a return of 1.15%.

UK corporate debt as measured by the Bank of America Merrill Lynch Sterling Non-Gilts Index returned 1.28%.

Bond market total return figures are in Sterling terms over the year to 31 March 2018.

Property

UK property investors continued to experience strong returns. Over the year to 31 March 2018, the IPD UK All Property Index returned 11.3% in Sterling terms. The three main sectors of the UK Property market each recorded positive returns over the year (retail: 7.1%; office: 8.6%; and industrial: 21.6%).

Commodities

The price of Brent Crude increased 33.20% from $52.62 to $70.09 per barrel over the one year period. Over the same period, the price of Gold rose 6.11% from $1247.25 per troy Ounce to $1323.43. The S&P GSCI Commodity Spot Index returned 4.00% over the year to 31 March 2018 in Sterling terms.

Currencies

Over the year to 31 March 2018, Sterling rose 12.18% against the US Dollar from $1.25 to $1.40. Sterling appreciated 7.07% against the Yen from ¥139.34 to ¥149.19. Sterling depreciated against the Euro by 2.56% from €1.17 to €1.14 over the same year.

Review of investment performance

The performance of the Scheme's investments with Mercer Global Investors is shown in the table below:

	Period from Year to 31 March 2018		Since Inception (18 May 2016 to 31 March 2018)	
Portfolio	**Portfolio**	**Benchmark**	**Portfolio**	**Benchmark**
	(%)	**(%)**	**(% p.a.)**	**(% p.a.)**
Growth				
Passive Global Equity (Hedged)	9.0	8.8	13.5	13.5
Matching				
UK Credit	1.2	0.8	5.8	5.2
Nominal LDI Bonds	3.2	3.2	11.6	11.6
Inflation-Linked LDI Bonds	0.7	0.5	22.6	22.4
Total (Gross of Fees) [a]	**4.8**	**4.7**	**12.7**	**12.7**
Total (Net of Fees) [a]	**4.6**	**4.7**	**12.5**	**12.7**

Performance provided by State Street Fund Services (Ireland) Limited, Mercer estimates and Thomson Reuters Datastream.

Performance is in £ terms using unswung returns for the underlying portfolios; gross of Mercer and underlying manager fees; net of all other expenses including custody and administration costs with the exception of Passive Global Equity (Hedged), which is gross of Mercer, net of underlying manager and hedging fees and all other expenses including custody and administration costs.

The Scheme implemented the de-risking strategy from 18 May 2016 and as such performance monitoring is available from this date.

(a) Total Returns use official (swung) prices.

Asset Allocation as at 5 April 2018

The Scheme's assets are split between "Growth" and "Matching" assets. The "Growth" category includes passive Global Equities. The "Matching" category includes UK Bonds (Gilts and Corporate Bonds) which aim to reduce interest rate and inflation risk.

The split of assets between the Growth and Matching portfolios is managed according to a de-risking strategy whereby assets are expected to be moved from the Growth portfolio to the Matching portfolio as the funding level increases.

The Scheme has hit 2 de-risking triggers in the Scheme year. The first de-risking trigger was breached in July 2017, reducing the target growth allocation from 41.2% to 39.0%. The Scheme hit a further de-risking trigger in January 2018, reducing the target growth allocation from 39.0% to 36.6%. Therefore, the current target Growth: Matching split is 36.6%:63.4% as at 5 April 2018.

	Actual Asset Allocation				
Portfolio	**Start of Year**	**End of Year**	**Start of Year**	**End of Year**	**Target as at 5 April 2018**
	(£m)	**(£m)**	**(%)**	**(%)**	**(%)**
Total Growth	49.7	45.9	40.1	35.9	36.6
Total Matching	74.1	81.8	59.9	64.1	63.4
Total	**123.8**	**127.7**	**100.0**	**100.0**	**100.0**

Source: Mercer. Based on official (swung) prices

Figures may not sum to total due to rounding.

Growth Portfolio

	Actual Asset Allocation			
Portfolio	**Start of Year**	**End of Year**	**Start of Year**	**End of Year**
	(£m)	**(£m)**	**(%)**	**(%)**
Passive Global Equity (Hedged)	49.7	45.9	100.0	100.0
Total Growth	**49.7**	**45.9**	**100.0**	**100.0**

Source: Mercer. Based on official (swung) prices

Figures may not sum to total due to rounding

Asset Allocation as at 5 April 2018 - Continued

Matching Portfolio

	Actual Asset Allocation			
Portfolio	Start of Year	End of Year	Start of Year	End of Year
	(£m)	(£m)	(%)	(%)
UK Credit	37.3	41.9	50.4	51.2
Nominal LDI Bonds	18.1	20.2	24.4	24.7
Inflation-Linked LDI Bonds	18.7	19.7	25.2	24.1
Total Matching	**74.1**	**81.8**	**100.0**	**100.0**

Source: Mercer. Based on official (swung) prices.
Figures may not sum to total due to rounding

Custodial arrangements

The Trustees have appointed the custodian as detailed in the list of Scheme advisers on pages 1 to 2 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 were appointed by the Trustees as custodian of the cash held in connection with the administration of the Scheme until 29 January 2018 at which time the cash was transferred to a separate bank account in the name of the Scheme with HSBC Bank plc.

Basis of investment manager's fees

The fee payable by the Scheme to Mercer Global Investments will, in aggregate, amount to 0.15% per annum. The Scheme will also pay variable sub-investment manager fees. These fees will be deducted from the account.

State Street Global Advisors charges fees quarterly based on an annual fixed charge of £1,000 plus variable rates bands of 0.100% to 0.275% on investment fund balances.

Further information

Further information about the Scheme is given in the explanatory booklet, dated April 1999, which is issued to all members.

Approved by the Trustees on 2nd Oct 2018

Signed on behalf of the Trustees

R J Lawrence .... Trustee

.... Trustee

Statement of Trustees' Responsibilities

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the Trustees. Pension scheme regulations require, and the Trustees are responsible for ensuring, that those financial statements:

- 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 Scheme 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 Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustees are responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

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

The Trustees also have a general responsibility for ensuring that 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.

The Trustees are responsible under pensions legislation for preparing, maintaining 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 adopting risk-based processes to monitor 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.

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

Report on the audit of the financial statements

Opinion

In our opinion, AVX Limited Pension Scheme's financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 5 April 2018, 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 (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

We have audited the financial statements, included in the Annual Report, which comprise: the statement of net assets available for benefits as at 5 April 2018; the fund account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Scheme's ability to continue as a going concern.

Reporting on other information

The other information comprises all the information in the Annual Report other than the financial statements, our auditors' report thereon and our auditors' statement about contributions. The Trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Trustees for the financial statements

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees are responsible for ensuring that the financial statements are prepared and for being satisfied that they show a true and fair view. The Trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements, the Trustees are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to wind up the Scheme, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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: 2 October 2018

Fund Account

	Note	2018 £	2017 £
Employer contributions		**4,730,000**	4,749,730
Employee contributions		**-**	5,962
Total contributions	4	**4,730,000**	4,755,692
Benefits paid or payable	5	**(4,268,875)**	(3,544,535)
Payments to and on account of leavers	6	**(296,909)**	(97,631)
Administrative expenses	7	**(281,638)**	(274,422)
		(4,847,422)	(3,916,588)
Net (withdrawals)/ additions from dealings with members		**(117,422)**	839,104
Returns on investments			
Investment income	8	**27,634**	31,261
Change in market value of investments	9	**3,532,315**	20,373,808
Investment management expenses	10	**296,443**	243,866
Net returns on investments		**3,856,392**	20,648,935
Net increase in the fund during the year		**3,738,970**	21,488,039
Net assets at 6 April		**124,718,593**	103,230,554
Net assets at 5 April		**128,457,563**	124,718,593

The notes on pages 17 to 25 form part of these financial statements.

Statement of Net Assets available for benefits

	Note	2018 £	2017 £
Investment assets			
Pooled investment vehicles	12	**127,679,717**	123,813,580
AVC investments	13	**118,548**	122,350
Total investments	9	**127,798,265**	123,935,930
Current assets	18	**796,060**	876,810
Current liabilities	19	**(136,762)**	(94,147)
Net assets at 5 April		**128,457,563**	124,718,593

The financial statements 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 takes into account such obligations, is dealt with in the report on actuarial liabilities on pages 4 to 5 and these financial statements should be read in conjunction therewith.

The notes on pages 17 to 25 form part of these financial statements.

The financial statements on pages 15 to 25 were approved by the Trustees on 2nd October 2018

Signed on behalf of the Trustees

.... Trustee

R J Lawrence .... Trustee

1. General information

AVX Limited Pension Scheme (the Scheme) is an occupational pension scheme established in the United Kingdom under trust.

The Scheme was established to provide retirement benefits to certain groups of employees of AVX Limited. The address of the Scheme's principal office is Prospect House, 6 Archipalego, Lyon Way, Frimley, Surrey, GU16 7ER.

The Scheme is a defined benefit scheme.

2. Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 (FRS 102) - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council (FRC) and the guidance set out in the Statement of Recommended Practice (SORP) (Revised 25 November 2014).

3. Accounting policies

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

3.1 Accruals concept

The financial statements have been prepared on an accruals basis.

3.2 Currency

The Scheme's functional currency and presentational currency is Pounds Sterling (GBP).

3.3 Contributions

Employee contributions, including AVCs, are accounted for by the Trustees when they are deducted from pay by the Employer.

Employer normal contributions are accounted for in the period to which they relate in accordance with the Schedule of Contributions.

Employer deficit funding contributions are accounted for in the period to which they relate, in accordance with the Schedule of Contributions, or on receipt if earlier, with the agreement of the employer and Trustees.

Employer additional contributions are accounted for in accordance with the agreement under which they are payable or, in the absence of an agreement, on a receipts basis.

3.4 Transfers

Individual transfers in or out of the Scheme are accounted for when member liability is accepted or discharged which is normally when the transfer amount is paid or received.

3.5 Other income

Income is accounted for in the period in which it falls due on an accruals basis.

3.6 Payments in respect of members and on account of leavers

Pensions in payment are accounted for in the period to which they relate.

Other benefits, and any associated tax liabilities, are accounted for in the period in which they fall due for payment. Where there is a choice, benefits are accounted for on the later of the date of leaving, retirement or death and the date on which any option or notification is communicated to the Trustees. If there is no choice, they are accounted for on the date of retirement or leaving.

3.7 Administrative and other expenses

Administrative expenses are accounted for in the period in which they fall due on an accruals basis.

Investment management expenses are accounted for in the period in which they fall due on an accruals basis.

3.8 Investment income

Receipts from annuity policies are accounted for as investment income on an accruals basis.

3.9 Change in market value of investments

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.

3.10 Valuation of investments

Investments are included at fair value as follows:

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, as advised by the AVC providers.

4. Contributions

	2018 £	2017 £
Employer contributions:		
Normal	-	19,730
Additional	230,000	230,000
Deficit funding	4,500,000	4,500,000
	4,730,000	4,749,730
Employee contributions:		
Normal	-	5,962
	4,730,000	4,755,692

Deficit funding contributions were received in accordance with Schedule of Contributions certified by the Actuary on 1 April 2016. Under the Schedule of Contributions certified by the Actuary on 1 April 2016 deficit contributions of £375,000 per month are payable into the Scheme during the period October 2013 to 31 May 2018 inclusive.

AVX Limited will pay an allowance of £230,000 per annum to cover the administrative, premiums for lump sum death in service benefits and any other expenses incurred by the Trustees. The contributions shall be paid no less frequently than monthly from 1 April 2016.

5. Benefits paid or payable

	2018 £	2017 £
Pensions	3,056,989	2,932,071
Commutations and lump sums on retirement	1,195,235	495,785
Lump sums on death in retirement	16,651	116,679
	4,268,875	3,544,535

6. Payments to and on account of leavers

	2018 £	2017 £
State scheme premiums	-	90
Individual transfer values paid to other schemes	**296,909**	97,541
	296,909	97,631

7. Administrative expenses

	2018 £	2017 £
Administration fees	**82,167**	81,367
Audit fees	**3,045**	5,000
Trustee fees	**15,200**	14,900
Legal fees	-	3,873
Miscellaneous expenses	**101**	51
Scheme levies	**29,333**	27,287
Pension consultancy and actuarial	**151,792**	141,944
	281,638	274,422

8. Investment income

	2018 £	2017 £
Annuity income	**27,634**	31,261

9. Reconciliation of investments

	Market value at 6 April 2017 £	Cost of investments purchased £	Proceeds of sales of investments £	Change in market value £	**Market value at 5 April 2018 £**
Pooled investment vehicles	123,813,580	10,066,606	(9,732,162)	3,531,693	**127,679,717**
AVC investments	122,350	-	(4,424)	622	**118,548**
	123,935,930	10,066,606	(9,736,586)	3,532,315	**127,798,265**

9.1 Transaction costs

Indirect transaction 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.

10. Investment management expenses

	2018 £	2017 £
Fee rebates	**(296,443)**	(243,866)

The total of the negative fee rebates £296,443 (2017: £243,866) relates to the investments managed by Mercer Global Investments.

11. Taxation

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

12. Pooled investment vehicles

	2018 £	2017 £
Equities	**45,922,929**	49,720,057
Bonds	**81,756,788**	74,093,523
	127,679,717	123,813,580

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.

13. AVC investments

The Trustees hold assets which are separately invested from the main fund in the form of individual 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:

	2018 £	2017 £
Prudential Assurance	**67,296**	71,453
Phoenix Life and Pensions Limited	**20,306**	20,604
Aviva	**30,946**	30,293
	118,548	122,350

14. Fair value determination

The fair value of financial instruments has been disclosed using the following fair value hierarchy:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity.
Level 3	Unobservable inputs for the asset or liability. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

The Scheme's investment assets have been included at fair value using the above hierarchy categories as follows:

	2018 Level 1 £	**2018 Level 2 £**	**2018 Level 3 £**	**2018 Total £**
Pooled investment vehicles	**-**	**127,679,717**	**-**	**127,679,717**
AVC investments	**-**	**-**	**118,548**	**118,548**
	-	**127,679,717**	**118,548**	**127,798,265**

Analysis for the prior year end is as follows:

	2017 Level 1 £	2017 Level 2 £	2017 Level 3 £	2017 Total £
Pooled investment vehicles	-	123,813,580	-	123,813,580
AVC investments	-	-	122,350	122,350
	-	123,813,580	122,350	123,935,930

15. Investment risks

The Financial Reporting Council (FRS) 102 requires the disclosure of information in relation to certain investment risks to which the Scheme is exposed at the end of the reporting period: this is set out in the revised Statement of Recommended Practice (SORP), published in November 2014.

All risk disclosures are based on Mercer's interpretation of guidance issued by the Pensions Research Accountants Group (PRAG) as at June 2015. For further information on all Mercer funds, please refer to the audited fund financial statements.

The risks set out by FRS 102 for disclosure are as follows:

Market risk: this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk, each of which is further detailed as follows:

- **Currency risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other price risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Scheme has exposure to the above risks through the assets held to implement its investment strategy. The investment strategy has been designed to balance the risk and return while allowing the Scheme to achieve its objectives. The Trustees have delegated day-to-day management of the Scheme's assets to Mercer Limited ("Mercer"), who in turn delegates responsibility for the investment of the Scheme's assets to a range of underlying investment managers. Mercer is responsible for the selection, appointment, removal and monitoring of the underlying investment managers. The underlying investment managers have full discretion to buy and sell investments on behalf of the Scheme subject to constraints Mercer has agreed with the managers.

The Trustees have taken the step to reduce investment risk within their portfolio by implementing a de-risking strategy whereby the level of investment risk inherent in the Scheme's investment arrangements will reduce further as the Scheme's funding level improves. The Trustees agreed the way in which the investment risk should be reduced and have delegated the implementation of the de-risking strategy to Mercer. The de-risking strategy comprises funding level triggers which are monitored daily by Mercer. When a pre agreed trigger level is breached, Mercer opportunistically switches from growth assets into matching assets. Mercer constructs portfolios of investments that are expected to maximise the return given the targeted level of risk.

The investment objectives and risk limits of the Scheme are further detailed in the Statement of Investment Principles (SIP).

Further information on the Trustees' approach to risk management, credit and market risk is set out on the following page.

15. Investment risks - continued

Investment strategy

The investment objective of the Scheme is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the Scheme payable under the Trust Deed and Rules as they fall due. The investment strategy is agreed by the Trustees, taking into account considerations such as the strength of the Employer covenant, the long-term liabilities of the Scheme and the Recovery Plan agreed with the Employer. The key decision is the level of growth and matching assets in the investment strategy. More details on the investment strategy are set out in the SIP.

The Scheme's current target investment strategy is as follows:

- 63.4% in investments that broadly share characteristics with the long term liabilities of the Scheme, referred to as 'matching' assets. The matching assets are invested in assets including UK Government and Corporate Bonds which aim to reduce the impact of interest rate movements and inflation expectations on the long term liabilities.
- 36.6% in investments that seek to generate a return above the liabilities, referred to as 'growth' assets. The growth assets are currently invested in global developed market equities.

The growth portfolio exposure is invested in a hedged share class, which means 100% of the growth portfolio is not exposed to changes in exchange rates.

The actual allocations will vary from the above due to market price movements, trigger breaches and intervals between rebalancing the portfolio

(i) Market risk

a. Currency risk

Indirect currency risk arises from the Scheme's investment in Sterling priced pooled investment vehicles which hold underlying investments denominated in foreign currency.

To limit currency risk, the Trustees have invested the Growth portfolio in a hedged share class, which means 100% of the growth portfolio is not exposed to changes in exchange rates.

b. Interest rate risk

The Scheme's growth and matching portfolio assets are subject to indirect interest rate risk. These are indicated in the table below.

The Scheme's assets are subject to indirect interest rate risk because some of the Scheme's investments are held in pooled funds which comprise Bonds and Cash. Mercer has considered these indirect risks in the context of the overall investment strategy.

At the year end, the matching asset portfolio represented 64.1% of the total investment portfolio (2017: 59.9%). The Trustees hold these assets as part of their matching strategy, under this strategy, if interest rates fall, the value of the matching portfolio will rise to help offset the increase in actuarial liabilities which will also increase if interest rates fall (all else equal). Conversely, if interest rates rise, the matching portfolio will fall in value, as will the actuarial liabilities.

c. Other price risk

Other price risk arises principally in relation to the Scheme's growth assets which seek a return above Gilts. These are indicated in the table below.

The benchmark set for investment in growth assets was 36.6% of the total investment portfolio as at 5 April 2018. Triggers are in place to reduce the allocation as the funding level improves. Mercer manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets and geographies.

At the year end, the growth portfolio represented 35.9% of the total investment portfolio (2017: 40.1%).

15. Investment risks - continued

(ii) Credit risk

Some of the Scheme's investments are subject to credit risk. These are indicated in the table above.

The pooled investment arrangements used by the Scheme comprise authorised unit trusts. The Scheme's holdings in Pooled investment vehicles are not rated by credit rating agencies. The Trustees manage and monitor the credit risk arising from its pooled investment arrangements by considering the nature of the pooled fund vehicles, the legal structure and regulatory environment. Credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the manager and custodian.

The Scheme is indirectly exposed to credit risks arising on the underlying investments held by these Pooled investment vehicles. The value of these assets at Scheme year end amounted to £41.9m (2017: £37.3m). Mercer manages credit risk within the Scheme's matching portfolio by predominantly holding UK Government Bonds and investment grade Corporate Bonds (within the UK Credit fund) which have a low expected risk of default. Credit risk is managed by limiting the expected allocation to sub investment grade credit to 10% of the total value of the Corporate Bond allocation within the UK Credit Fund.

Financial Risk Breakdown

The following table summarises the extent to which the various asset classes of investments are affected by financial risks:

	Portfolio	Indirect Currency Risk	Indirect Interest Rate Risk	Indirect Credit Risk	Indirect Other Price Risk
Passive Global Equities (Hedged)	Growth				X
UK Credit	Matching		X	X	
Nominal LDI Bonds	Matching		X		
Inflation-Linked LDI Bonds	Matching		X		X

16. Concentration of investments

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

	2018 £	2018 %	2017 £	2017 %
MGI Passive Global Equity CCF - Class M-GBP Hedge	**45,922,929**	**35.7**	49,720,057	39.9
MGI UK Credit Fund - Class M-6GBP	**41,856,694**	**32.6**	37,315,582	29.9
MGI Sterling Nominal LDI Bond Fund - Class M-4GBP	**20,249,418**	**15.8**	18,064,830	14.5
MGI Sterling Inflation LDI Bond Fund - Class M-4GBP	**19,650,675**	**15.3**	18,713,112	15.0

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

17. Employer-related investments

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

18. Current assets

	2018 £	2017 £
Reimbursement of insured pensions	**555**	-
Cash deposits held	**795,505**	-
Cash deposits held with the Scheme Administrator	**-**	876,810
	796,060	876,810

The cash deposits held as at 5 April 2018 represent the balance applicable to the Scheme on the HSBC Bank plc account.

19. Current liabilities

	2018 £	2017 £
Reimbursement of pensions received in advance	-	625
Lump sums on retirement payable	-	12,873
Death benefits payable	**3,616**	-
Taxation payable	**34,244**	33,849
Administrative expenses payable	**94,113**	42,011
Due to AVX Limited	**4,789**	4,789
	136,762	94,147

20. 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 and R J Lawrence, Trustees of the Scheme, were pensioners of the Scheme during the current and prior year.

S H Cunday, P Fenwick and R J Lawrence are being paid for services as Trustees. This is because they are Employer-nominated and Member-nominated Trustees who are no longer employed by the Company. The fees are met by the Scheme.

The Trustees and the Guarantor, AVX Corporation, have agreed that the Scheme will have the benefit of a guarantee from the Guarantor in respect of the liabilities of AVX Limited to the Scheme.

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

Statement about contributions

Opinion

In our opinion, the contributions payable under the Schedule of Contributions for the Scheme year ended 5 April 2018 as reported in AVX Limited Pension Scheme's Summary of Contributions have, in all material respects, been paid in accordance with the Schedule of Contributions certified by the Scheme Actuary on 1 April 2016.

We have examined AVX Limited Pension Scheme's Summary of Contributions for the Scheme year ended 5 April 2018 which is set out on the following page.

Basis for opinion

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the Summary of Contributions have, in all material respects, 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

Responsibilities of the Trustees in respect of contributions

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 employers in accordance with relevant requirements.

Auditors' responsibilities in respect of the statement about contributions

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

Use of this report

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: ......2 October 2018

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2018

Summary of Contributions

During the year ended 5 April 2018, the contributions payable to the Scheme by the Employer were as follows:

	2018 £
Contributions payable under the Schedule of Contributions:	
Employer contributions:	
Additional	230,000
Deficit funding	4,500,000
Contributions payable under the Schedule of Contributions (as reported on by the Scheme Auditors) and reported in the financial statements	4,730,000

Approved by the Trustees on 2nd October 2018

Signed on behalf of the Trustees

.... Trustee

R J Lawrence. .... Trustee

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 could have been expected on 5 April 2015 to be met by the end of the period specified in the Recovery Plan dated March 2016.

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 March 2016.

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	*Simon Hall*
Scheme Actuary	Simon Hall
Qualification	Fellow of the Institute and Faculty of Actuaries
Date of signing	1 April 2016
Name of employer	Mercer Limited
Address	Bedford House Bedford Street Belfast BT2 7DX