

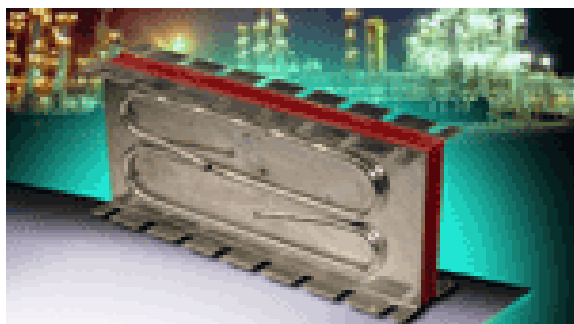
AVX LIMITED PENSION SCHEME (“the Scheme”)

TRUSTEES' REPORT FOR THE YEAR ENDED 5 APRIL 2015

1. INTRODUCTION

Welcome to your 2015 newsletter for the AVX Limited Pension Scheme (“the Scheme”). This newsletter is prepared by the Trustees of the Scheme and the aim is to provide you with relevant information about how the Scheme is run and to keep you updated on matters relating to it.

Please let us know what you think and if there are any items you would like to see in future newsletters (see the last page for our contact details).



2. WHO LOOKS AFTER THE SCHEME

The Trustees are entrusted with ensuring that the Scheme delivers the benefits promised to the members. **This involves reviewing how the Scheme is administered for different types of member**, managing how the funds are invested, what contributions AVX, the sponsoring Company and members make and any discretionary decisions such as beneficiaries in the event of a death.

The Trustees ensure that an annual benefit statement is sent to every active member, allowing them to understand **how their pension entitlement is building up**. A Summary Funding Statement, accompanying this newsletter, is issued to all members annually showing how the Scheme is funded. We also ensure that more detailed information about the Scheme, some of which is legally required, is available for all members on request.

Some of our Trustees are employees appointed by the Company (‘Company Trustees’) and some are voted on to the board by the members of the Scheme (‘Member Trustees’). **All our Trustees are required to act in the interests of the**

Scheme members, including retired employees (who are drawing pensions), deferred members (who are no longer paying into the Scheme, but still have pension entitlements that they will take in the future), and active members (who are currently employed by AVX, and are building up pension entitlements).

Company Trustees

Bert Lawrence
Kurt Cummings
Helen McCann

Member Trustees

Simon Cunday
Peter Fenwick
Martin Bogues



3. FINANCIAL REVIEW

3.1 AVX’s Commitment to the Scheme

The ability and willingness of AVX Limited to continue to fund the Scheme remains as important as ever. The Trustees remain closely engaged with the Company to help ensure that this continues to be the case. We negotiated a legally enforceable guarantee from AVX Corporation, the parent company to AVX Limited, as part of the 2009 actuarial valuation. AVX Corporation has agreed to ensure that AVX Limited has sufficient assets to meet its pension obligations both on an ongoing basis and in the event of the Scheme being wound up.

Simultaneously, we have continued to develop our understanding of AVX Limited’s financial strength and are satisfied that it is able to fund the Scheme.

The Summary Funding Statement in the Appendix provides you with the most recently available information on the Scheme's financial position and funding schedule.

3.2 Accounts

The accounts shown overleaf illustrate how the Scheme's assets increased from £70.2m on 5 April 2013 to £88.5m on the same date in 2014 and further increased to £104.7m on the same date in 2015. This reflects the strong investment returns that were achieved on the Scheme's assets during the period to 5 April 2015, along with the large contributions paid by the Company to the Scheme to rectify the current shortfall.

3.3 Summary

We, the Trustees, are satisfied that the Scheme's financial position is as secure as possible bearing in mind:

- The strong balance sheet of AVX Limited in the UK, combined with robust UK pensions legislation which places strong obligations on employers;
- The additional financial guarantee from AVX Corporation in the US to the Trustees of the Scheme in relation to AVX Limited's financial obligations to the Scheme;
- Continued payment of the additional contributions to restore the funding position to 100% by May 2018.
- Our continued strategy of gradually moving the Scheme's investments into bonds which

are better matched to the nature of the Scheme's liabilities.

- The Trustees continue to closely monitor the ongoing funding of the Scheme.

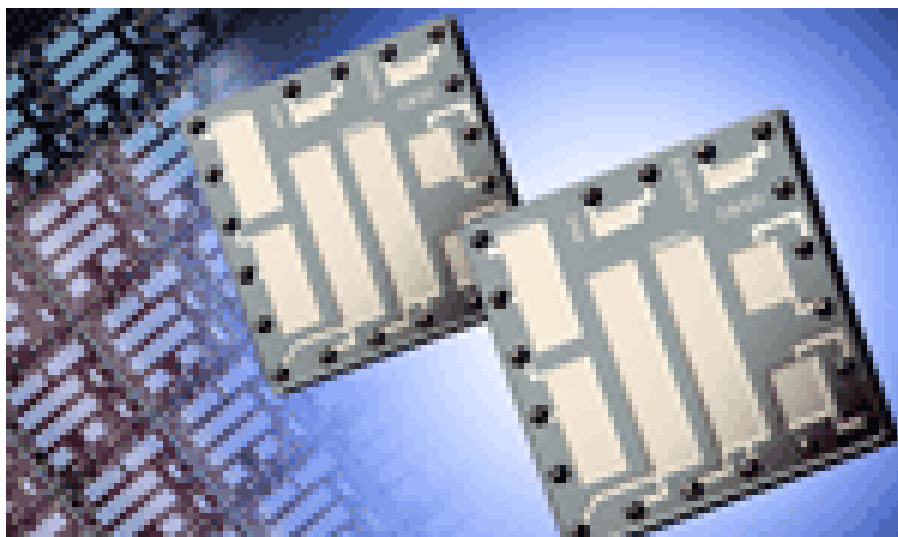
4. SCHEME MEMBERSHIP AT 5 APRIL 2014 AND 5 APRIL 2015

	2015	2014
Members currently employed	5	6
Pensioners:	532	527
Ex-employees who have retained their pension rights in the Scheme:	<u>580</u>	<u>591</u>
Total Membership:	1,117	1,124



5. SUMMARY FUNDING STATEMENT

The latest actuarial report of the Scheme was at 5 April 2014. An actuarial valuation of the Scheme is due as at 5 April 2015 and this is currently underway (see article 9 for more information). Once finalised, you will be provided with a Summary Funding Statement showing the position at that date. The attached 2014 Summary Funding Statement in the Appendix provides you with the most recently available information on the Scheme's financial position and funding schedule.



6. INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 5 APRIL 2014 AND 5 APRIL 2015

	2015 £000s	2014 £000s
INCOME		
Contributions (<i>see Note 1</i>)	4,894	4,622
Transfers in	150	12,391
Bank interest	1	1
Total Income	<u>5,045</u>	<u>17,014</u>
EXPENDITURE		
Benefits Paid (<i>see Note 2</i>)	2,895	3,003
Payments to and on account of leavers	30	289
Group Life Assurance Premiums	30	28
Fees and Expenses	250	236
Total Expenditure	<u>3,205</u>	<u>3,556</u>
Excess of Income over Expenditure	1,839	13,457
Plus:		
Investment Return on Scheme Assets	14,318	4,888
Plus		
Balance of Fund at Start of Year	88,514	70,169
Equals		
Balance of Fund at End of Year	<u>104,671</u>	<u>88,514</u>

Notes:

1. A split of the Contributions paid during the year is as follows:

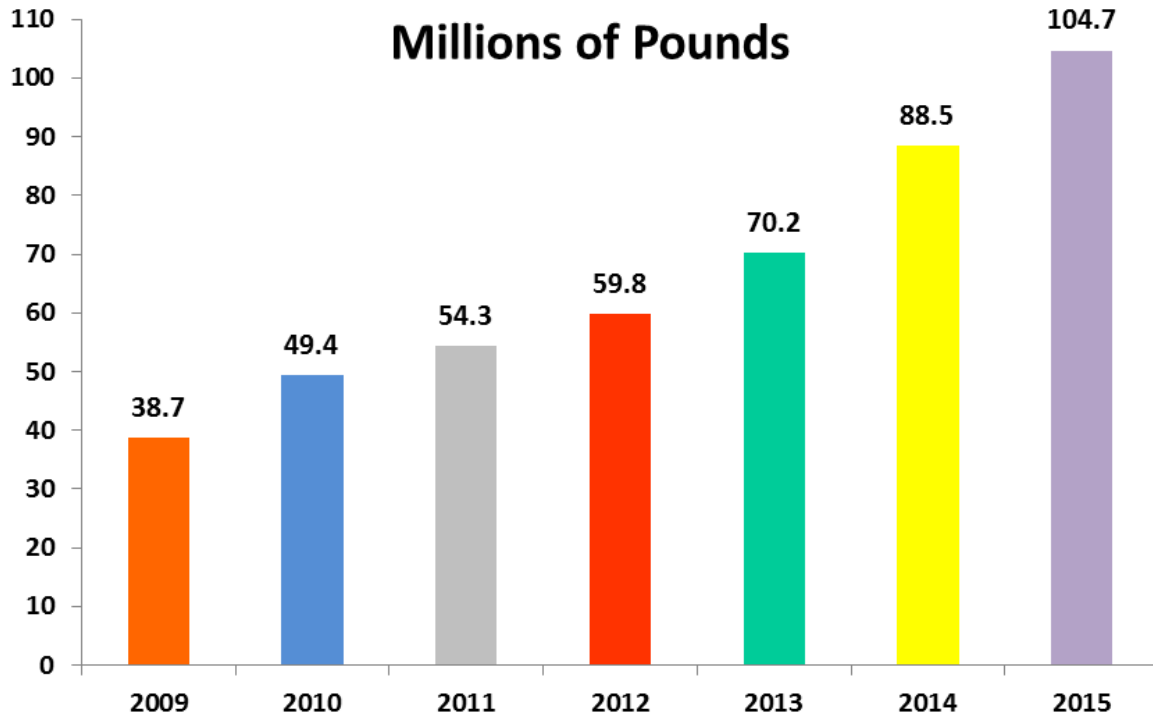
	2015 £'000	2014 £'000
Company	4,828	4,550
Members	33	38
Additional Voluntary Contributions	<u>33</u>	<u>34</u>
	4,894	4,622

2. Benefits paid during the year were as follows:

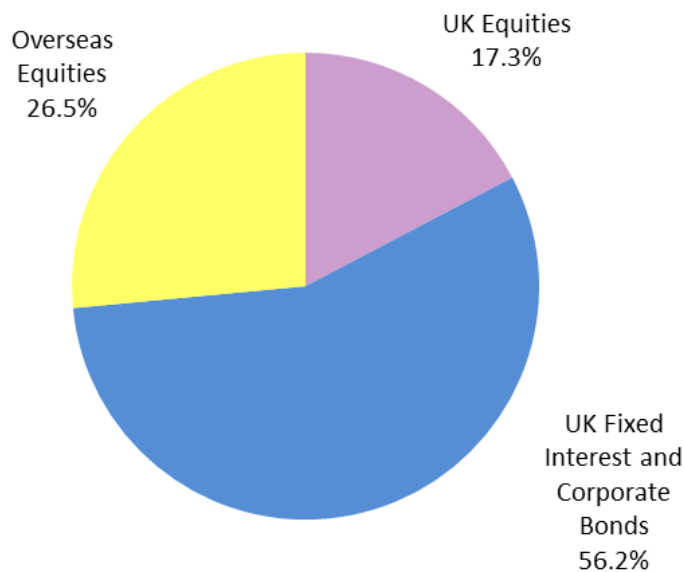
	2015 £'000	2014 £'000
Pensions	2,743	2,413
Lump sums on retirement	138	587
Lump sums on death in retirement	14	1
Refunds of contributions on death	<u>-</u>	<u>2</u>
	2,895	3,003

7. ASSET VALUES

The following chart shows how the market value of the Scheme's assets has changed over the last six years. In each year, the market value of the assets is shown as at 5 April. For the period from 2014, the assets include the former Retirement Plan assets which were merged into the Scheme in late 2013.



8. ASSET DISTRIBUTION AT 5 APRIL 2015



The target asset split is 55% in bonds and 45% in equities.

9. VALUATION

Valuation Update

Pension schemes like ours are required to keep a regular check on their financial position. This means we need to employ a qualified, independent professional expert to give us regular reports on the Scheme's finances. He or she is called an actuary. Our actuary is Simon Hall of Mercer Limited, who has over 15 years of professional actuarial experience.

The actuary is given guidance on how he should prepare these regular reports, and what methods to use, from two main sources – pensions law and the body governing the actuarial profession.

The funding level

To check the Scheme's financial security the actuary looks at the Scheme's 'funding level'. This is a comparison between the Scheme's 'liabilities' and its 'assets' and is expressed as a percentage figure.

Liabilities – the estimated cost of providing all the benefits you and other members of the Scheme have earned at a particular date.

Assets – all the contributions paid into the Scheme adjusted by the investment return. If the value of the Scheme's assets is less than its liabilities, we say there's a 'shortfall'. If the Scheme's assets are bigger than the liabilities, there's a 'surplus'.

Actuarial valuations

Pensions law requires the Trustees to call for an in-depth look at the Scheme's finances at least once every three years. The Scheme's actuary undertakes this financial health check – which is called an 'actuarial valuation'. When preparing his valuation the actuary has to make certain assumptions about the future, including things like investment returns, life expectancies and salary growth.

What happens next?

Once an actuarial valuation has been completed and the figures have been finalised and agreed, the actuary estimates the contributions needed to cover the cost of benefits now and in the future.

The Trustees then agree a level of contributions for the Scheme with the company and we record this in a document called the Schedule of Contributions. The Trustees then review and update the Schedule of Contributions at least each time the Scheme has an actuarial valuation.

Regular financial updates

But that's not the end of our responsibility. As well as the formal three-yearly actuarial valuation, the Trustees also check the financial security of the Scheme regularly – usually at least once a year. Between formal valuation years we also issue a Summary Funding Statement to our members each year, giving you more information on the financial position. By checking the Scheme's finances more often than just once every three years we keep an eye on any changes in the assets and liabilities of the Scheme and can take action swiftly and efficiently. Nothing is guaranteed in this world (except death and taxes) but we're doing our best to make sure the security of your benefits is as good as we can make it.

The Scheme's in-depth valuation is as at 5 April 2015. The Trustees, alongside AVX and Simon as Scheme Actuary, are currently working on the valuation results which are due to be finalised early next year. Once the valuation results have been finalised, your new Summary Funding Statement will be circulated.

10. SCHEME ADVISORS

The advisers to the Scheme are:

Scheme Actuary: Mr Simon Hall,
Mercer Limited

**Pension Administrators/
Consultants:** Mercer Limited

Auditors: Pricewaterhouse-
Coopers LLP

Insurers: Friends Life

Investment Managers: State Street Global
Advisors UK Ltd

11. KEY CHANGES FOLLOWING THE 2014 AND 2015 BUDGETS

A number of key changes to pensions schemes were introduced by the Chancellor of the Exchequer's Budget in March 2014. The changes mainly apply directly to members of Defined Contribution (DC) schemes, but members of the Defined Benefit (DB) schemes may also be able to take advantage of the additional flexibility by exercising transfer and other options available to them, either at the point of retirement or before. A number of these changes came into effect during 2014 and were detailed in last year's communication.

One of the key changes introduced by the Budget is the increased flexibility to exchange small benefits for cash. The Government changed the limits which apply to anyone with small amounts of pension savings and this applies to any individual over age 55, irrespective of whether they have retired or not.

There have also been various pension taxation changes which may impact your current or future benefits in the Scheme or other pension arrangements you may be a member of. We have detailed a number of the key changes below.

The Lifetime Allowance – this is the amount of tax favoured pension savings that can be built-up over an individual's lifetime before a tax penalty applies. The Lifetime Allowance decreased from £1.5 million to £1.25 million in April 2014 and will fall further to £1 million from April 2016. Broadly each £1 of Defined Benefit (DB) pension is valued for Lifetime Allowance purposes at the rate of 1:20 at the point it is taken. So if you bring a DB pension of £20,000 into payment when you retire this uses up £400,000 of Lifetime Allowance available at that time. DC benefits and any tax free cash taken are generally valued by reference to the amount of the DC pot/cash at face value.

Members may be able to apply for transitional protection to retain the higher Lifetime Allowance if they have already exceeded or expect to exceed the lifetime allowance in the future.

Should you exceed the Lifetime Allowance you will be subject to the Lifetime Allowance charge. The Lifetime Allowance charge is payable on the excess of a rate of 25% where the excess is taken as pension.

Further changes to pension taxation came in the Summer Budget presented on 8 July 2015. Highlights of the changes include:

- From 6 April 2016, the Annual Allowance (AA) (the maximum amount in each tax year that can be saved by or on behalf of a member on a tax efficient basis) will be reduced from its current level of £40,000 for high earners (broadly those earning more than £110,000 in any tax year from all sources of income).
- For these high earners impacted by the changes, their individual AA could be as low as £10,000.
- The Pension Input Period (PIP) (the period over which pension savings are measured) will be aligned to the tax year from 6 April 2016.

Special transitional arrangements will be in place for all pension schemes during the 2015/16 tax year.

The Trustees cannot give members advice on their tax position and if appropriate, you may wish to take tax advice on how these changes may impact on your own tax position.

12. TAKE YOUR PICK

With so many financial products and providers in the market, it is well worth taking professional advice to see which options best fit your own circumstances. Using an authorised financial adviser is important as it provides you with extra protection should something go wrong.

There are effectively three types of financial advisers:

- an adviser who represents just one company and sells only that company's products. These are sometimes called 'tied' advisers;

- an adviser who sells financial products from a limited range of companies, not just the one they work for;
- an adviser who sells products from the whole market without any limits on what they can offer. These are called 'independent financial advisers' or IFAs for short.

The new rules also state that consumers should be given two 'key facts' documents by their adviser at the beginning of the first meeting:

- one document explains what type of advice they provide and what companies' products they will recommend. This will make it crystal clear what kind of adviser they are and the range of products they can sell;
- a second document will tell the consumer about payment options. The information will allow consumers to compare the costs of different advisers and will help in making the decision about whether to pay by commission or by fee.

You can find out more information about financial advice and check whether a firm is authorised by contacting the FCA consumer helpline on **0800 111 6768** or emailing consumer.queries@fca.org.uk.

If you would like to find an IFA you can find a list of local IFAs by logging onto www.unbiased.co.uk.

13. SCHEME WEBPAGE

As you may recall, members of the Scheme can access information about their pension online via the Scheme's website. This website address is currently www.mercerbelong.com/client/AVXPensionScheme and will be changing to;

www.avxlimitedpensionscheme.com

The change will be take effect during Q1 of 2016 and all of the information previously provided on the website will continue to be available. You will automatically be redirected from the previous web address.

14. NOTIFYING MEMBERS

An issue has arisen in relation to current pensions legislation under which it is necessary for the Trustees to take action so that, in the (unlikely) event that a future scenario ever results in a payment being made from the Scheme to the Company (as the Principal Employer under the Scheme), any such payment can legitimately be made. Currently the Scheme Rules give the Trustees the power to pay surplus assets to Scheme employers, subject to certain conditions.

However, the provisions of section 251 of the Pensions Act 2004 provide that the power to pay surplus to the Company will lapse after 6 April 2016 unless the Trustees pass a resolution preserving this power. There are a number of strong arguments as to why the existing power should be preserved, in particular in relation to scheme funding negotiations with the Company. Without a power for the Trustees to pay surplus to the Company, the Company might decide to be more cautious in its funding of the Scheme. Accordingly, the Trustees do need to take action to maintain the current position.

Having discretion to make a payment to the Company in this way does not mean that the Trustees will use this power, and there is no proposal to refund any assets. This exercise is confined to preserving the existing possibility that there might be a refund in the future. Even then, refunds can only be made if a number of stringent statutory conditions are met. These include a requirement that the Scheme must have sufficient assets to secure members' benefits in full with an insurer before there can be a refund.

The Trustees have carefully considered this and are satisfied that it is in the best interests of the Scheme and its members to preserve the current powers under the Scheme to make payments to the Company, and accordingly intend to pass the necessary resolution to do so.

Legislation requires the Trustees to give you the formal notice below of the decision to pass a resolution.

NOTICE

In accordance with statutory requirements, this notice lets you know that:

(a) the Trustees have decided to exercise their power under section 251(3) of the Pensions Act 2004 to preserve the power under the Scheme Rules to refund surplus assets to employers; and

(b) they propose to do this by passing a resolution that will take effect on 5 April 2016.

The law requires that members are given at least three months' notice of the intention to pass the resolution, and this section of the Trustees' Report accordingly gives that notice.

15. STAYING IN TOUCH

The Trustees will continue to meet regularly to monitor the progress of the Scheme.

The member-nominated trustees are Simon Cunday, Peter Fenwick (pensioner) and Martin Bagues.

They are keen to ensure that you remain in touch with them and their contact details are:

Simon Cunday:

Telephone: 01803 401766

E-mail: simon-cunday@blueyonder.co.uk

Peter Fenwick:

Telephone: 01803 782723

E-mail: peterfenwick68@yahoo.co.uk

Martin Bagues:

Telephone: 02870 340422

E-mail: baguesm@col.avxeur.com

If you have any questions or concerns which you would like to be addressed via the Company, your contact is:

Ms Helen McCann
HR Manager
AVX Limited
Hillmans Way
Coleraine
BT52 2DA

Telephone: 02870 340661

E-mail: McCannH@col.avxeur.com

Your contact at Mercer, the advisers for the AVX Scheme, is

Kathryn Rae

Telephone: +44(0)141 285 0051

E-mail: Kathryn.Rae@mercer.com

**Trustees of the AVX Limited Pension Scheme
November 2015**