

# **ANNUAL REPORT**

**AVX LIMITED PENSION SCHEME**

**FOR THE YEAR ENDED**

**5 APRIL 2008**

**Scheme Registration Number: 10023435**

# **AVX Limited Pension Scheme**

## **Annual Report**

### **For the year ended 5 April 2008**

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# **AVX Limited Pension Scheme**

## **Annual Report**

**For the year ended 5 April 2008**

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### **Scheme Advisers and Principal Employer**

#### **Scheme Actuary**

Paul McCarron FIA  
Mercer Limited

#### **Independent Auditors**

PricewaterhouseCoopers LLP

#### **Investment Managers**

Fidelity Institutional Asset Management (removed 6 August 2007)  
State Street Global Advisors

#### **Additional Voluntary Contribution (AVC) Providers**

Clerical Medical  
Prudential Assurance (Varelco members only)  
Phoenix Life and Pensions Limited (Varelco members only)

#### **Legal Adviser**

McGrigors

#### **Scheme Administrator and Consultants**

Mercer Limited

#### **Bank**

National Westminster Bank plc

#### **Life Assurance Companies**

Assicurazioni Generali S.p.A  
UnumProvident

#### **Principal Employer**

AVX Limited

# **AVX Limited Pension Scheme**

## **Annual Report**

**For the year ended 5 April 2008**

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### **Contacts for further information and issues about the Scheme**

Mr MJ Symonds  
AVX Limited  
Long Road  
Paignton  
Devon  
TQ4 7ER

# AVX Limited Pension Scheme

## Trustees' Report

### For the year ended 5 April 2008

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#### Introduction

The Trustees of the AVX Limited Pension Scheme (the "Scheme") are pleased to present their report together with the accounts for the year ended 5 April 2008. The Scheme is a defined benefit scheme.

#### Management of the Scheme

Under the Pensions Act 2004, from 6 April 2006 scheme trustees, including those whose sponsoring employers opted out of the 1996 Member-nominated Trustee requirements, are required to ensure that at least one third of trustees, or directors of a trustee company, are nominated by and selected by the members. The AVX Pension scheme already complies with these requirements.

During the year under review the Trustees of the Scheme have been:

R J Lawrence	
M J Symonds	
S H Cunday	Member-nominated
P Curtis	Member-nominated
K P Cummings	
C Mellelieu	(retired 27 July 2007)

The Member-nominated Trustees 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 the Scheme. In accordance with the Trust Deed, the Principal Employer, AVX Limited, has the power to appoint and remove the other Trustees of the Scheme.

Further information about the Scheme is given in the explanatory booklet, dated April 1999, which is issued to all members. The Trustees are currently reviewing the current explanatory booklet to reflect recent legislative and benefit design changes.

#### Governance and risk management

The Trustees have a business plan which sets out their objectives in areas such as administration, investment, funding 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.

#### 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. The Trustees have agreed a training plan to enable them to meet these requirements.

# **AVX Limited Pension Scheme**

## **Trustees' Report**

**For the year ended 5 April 2008**

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### **Principal Employer**

The Scheme is provided for all eligible employees of the Principal Employer who's registered address is AVX Limited, Admiral House, Harlington Way, Fleet, Hampshire, GU51 4BB.

### **Financial development**

The accounts on pages 15 to 23 have been prepared and audited in accordance with the Regulations made under Sections 41 (1) and (6) of the Pensions Act 1995. They show that the value of the fund increased from £44,289,142 at 5 April 2007 to £44,840,306 at 5 April 2008.

# AVX Limited Pension Scheme

## Trustees' Report

### For the year ended 5 April 2008

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#### Actuarial position of the Scheme

An actuarial valuation of the Scheme was carried out with an effective date of 5 April 2006. This was the first valuation carried out under the scheme specific funding requirements of the Pensions Act 2004.

A Summary Funding Statement has been produced by the Trustees dated January 2008 in accordance with the Pensions Act 2004 and the following are extracts taken therefrom.

A summary of the funding position at the date of the latest actuarial valuation of the Scheme showed the following.

	£ million's
The Statutory Funding Objective (SFO) in relation to the liabilities:	54.8
Valuation of assets:	41.2
Shortfall relative to the SFO:	13.6
Funding level	75 %

If the Trustees were to buy insurance policies to meet the Scheme's liabilities, instead of continuing to run the Scheme as a going concern, the Company would need to meet the full additional cost of doing this. At the last valuation, the estimated cost of securing benefits with an insurance policy would be £96.1 million and the Scheme's assets were 43% of this amount. The Company does not wish to wind up the Scheme.

The Trustees have reviewed the Company's financial position and are satisfied that it is financially secure and can continue to pay the agreed level of contributions to the Scheme.

In addition, the Pension Protection Fund (PPF) was set up in April 2005 to help protect member's pension benefits. Further information is available on the PPF's website at [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk).

It is worth remembering that a valuation is just a "snap shot" of the Scheme's funding position and it can change considerably if there are sudden changes in share prices, gilt yields or we just live longer than we expect.

The Actuarial Certificate in relation to the Schedule of Contributions is shown on page 24 of the Annual Report and the Actuarial Certificate of Technical Provisions is shown on page 25 of the Annual Report.

# AVX Limited Pension Scheme

## Trustees' Report

### For the year ended 5 April 2008

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#### Membership

Details of the current membership of the Scheme are given below:

	2008	2007
<b>Active members</b>		
Active members at the start of the year	192	236
Retirements	(31)	(22)
Deaths	-	(2)
Members leaving with preserved benefits	(48)	(20)
<b>Active members at the end of the year</b>	<b>113</b>	<b>192</b>
<b>Pensioners</b>		
Pensioners at the start of the year	328	300
Adjustments	(3)	-
Members retiring	31	22
Members with preserved benefits reaching retirement	6	5
Spouses and dependants	1	8
Pensioners who died	(7)	(7)
<b>Pensioners at the end of the year</b>	<b>356</b>	<b>328</b>
<b>Members with preserved benefits</b>		
Members with preserved benefits at the start of the year	428	415
Benefits shared on divorce	1	-
Leavers with preserved benefits	48	20
Members with preserved benefits becoming pensioners	(6)	(5)
Transfers out	-	(1)
Cash Taken	(1)	-
Deaths	-	(1)
<b>Preserveds at the end of the year</b>	<b>470</b>	<b>428</b>
<b>Total membership at the end of the year</b>	<b>939</b>	<b>948</b>

Pensioners include individuals receiving a pension upon the death of their spouse.

The Scheme was closed to new entrants with effect from 1 April 1997. New entrants after that date are eligible to join the defined contribution section of The AVX Retirement Plan.



# **AVX Limited Pension Scheme**

## **Trustees' Report**

**For the year ended 5 April 2008**

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### **Investments**

#### **General**

All investments, with the exception of the AVC assets, have been managed during the year under review by Fidelity Institutional Asset Management until 6 August 2007 and State Street Global Advisors. There is a degree of delegation of responsibility for investment decisions. The investment strategy is agreed by the Trustees after taking appropriate advice. The day-to-day management of the Scheme's asset portfolio, which includes full discretion for stock selection is the responsibility of the investment managers.

#### **Investment principles**

The Trustees have produced a Statement of Investment Principles in accordance with Section 35 of the Pensions Act 1995. A copy of the statement is available on request. The main priority of the Trustees when considering the investment policy is to ensure that the promises made about members' pensions may be fulfilled. To ensure this, investments are spread across the available range, both by type of investment (equities, bonds, property etc.) and geographically. Spreading the investments in this way reduces the risk of a sharp fall in one particular market having a substantial impact on the whole fund.

#### **The Myners review and code of best practice**

The Trustees understand that the primary purpose of the Code of Best Practice is to ensure that Trustees have the right skill set and decision-making structures and also that they have clear objectives for the Scheme and an appropriate and well-documented strategy in place for achieving these objectives. In a similar vein, the Trustees know that they should set explicit goals for the fund managers used by the Scheme.

The Trustees have complied with the requirements for setting clear objectives and making strategic asset allocation decisions for the Scheme. The Trustees have agreed explicit mandates, appropriate benchmarks and performance targets with each of the investment managers. The Statement of Investment Principles is reviewed regularly and is available to all members on request.

In addition, the Trustee Board continually reviews its training needs and the skills of its members to ensure effective decision-making. Where appropriate, it takes independent expert advice.

# AVX Limited Pension Scheme

## Trustees' Report

### For the year ended 5 April 2008

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#### Investment report

##### Economic Background

The Bank of England's Monetary Policy Committee (MPC) raised interest rates by 0.25% in May and July 2007 (by which point the interest rates had reached 5.75%, their highest level in six years). However the MPC voted to reduce interest rates by 0.25% in December 2007 to 5.5%. This marked the first decrease in interest rates in over two years. In February 2008 the MPC cut rates again to 5.25% and further to 5.0% shortly after the end of the year.

The UK Government's chosen inflation measure, the Consumer Price Index (CPI), fell to 2.4% over the year to March 2008 (compared to 3.1% for the year to March 2007). Over the year the CPI fell steadily to 1.7% in September before increasing over the latter part of the period.

The European Central Bank ('ECB') increased interest rates by 0.25% in June 2007 to 4.0% and the interest rate has remained unchanged since then. Annualised inflation rose to 3.5% in March 2008 (largely as a result of soaring oil prices) from 1.9% in March 2007, the highest level since 1993.

In the US, the Federal Reserve Board (the Fed) cut interest rates for the first time in four years in September 2007 from 5.25% to 4.75%, and then to 4.5% in October 2007 and 4.25% in December 2007. Since the turn of the year, the Fed cut rates by a further 1.25% at two separate meetings in January and by 0.75% in March, ending the period at 2.25%.

The Bank of Japan kept interest rates on hold at 0.5% over the year amidst the uncertainty in the global economy and global financial markets.

Sterling appreciated against the US Dollar by 1.1% over the year to 5 April 2008 to \$1.99 in comparison to \$1.97 as at 5 April 2007. Sterling depreciated against the Yen and Euro by 13.3% and 13.7% respectively from ¥234 and €1.47 as at 5 April 2007 to ¥203 and €1.27 as at 5 April 2008.

Brent crude oil prices were around \$100 per barrel at the end of the period, having hit a record \$110 during March 2008. Over the year the price of oil has risen significantly driven by strong global demand and tight supplies, having started the year at c\$68.

##### Capital Market

During the months of July and August 2007 global capital markets became extremely volatile, as concerns over rising default rates in the US sub-prime mortgage market and the implications for associated structured products spread to the broader global market, resulting in general re-pricing of risk by investors. Effectively, some markets ceased to operate and a number of central banks intervened to provide liquidity to domestic money markets, although not in the UK. The Bank of England was subsequently forced to take action to help support Northern Rock after problems in meeting short term liquidity requirements culminated in the run on the bank.

Confidence was not helped by a number of banks and insurers announcing a second round of sub-prime related write-offs, or discovering additional losses shortly after having announced their financial results. Nervousness was further increased by the revelation of a major fraud at Société Générale in January which cost the bank an estimated €4.9bn. Meanwhile, in the UK, Northern Rock was nationalised after the Government failed to find a private sector buyer that was willing to make an acceptable offer.

# AVX Limited Pension Scheme

## Trustees' Report

### For the year ended 5 April 2008

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#### Equities

In the UK, the FTSE All Share Index fell by 5.6% over the year. Large cap stocks outperformed the broader market over the year, returning -3.6%. Small and Mid cap stocks however underperformed the index, falling by 21.8% and 12.6% respectively.

The FTSE W USA Index returned -4.3% to Sterling investors and -3.2% to local currency investors over the year.

The FTSE W Europe (ex-UK) Index returned 3.5% in Sterling terms, but fell by 11.1% in local currency terms due to the depreciation of Sterling versus the Euro.

The Japanese equity market was the worst performing major equity market over the year, falling by 11.7% to Sterling investors and by 23.4% to local currency investors.

The Asia Pacific (ex-Japan) region was the best performing major equity market with the FTSE W Pacific (ex-Japan) Index returning 13.5% to the unhedged Sterling investor and 8.8% in local currency terms.

#### Bonds

Over the year to 5 April 2008, UK gilts produced positive returns due to the de-risking in global markets whilst corporate bonds returned negatively. The FTSE A Over 15 Year Gilts Index rose by 4.9% over the year, whilst the FTSE A Over 5 Year index-linked Gilts Index returned 13.0% and the Merrill Lynch Sterling Non Gilts Index declined by 0.8%. Overseas bonds returned 17.8% and 5.8% in Sterling and local currency terms respectively over the year.

#### Review of investment performance

The State Street Global Advisors Managed Pension Fund is invested in the SSgA MPF Commingled Funds. The objective is to achieve the total return (capital plus income) in line with the benchmark (net of transaction costs) with acceptable tracking tolerance. The overall return of the Commingled Funds since inception was 11.04% (2007: 14.72%) compared to the benchmark of 11.08% (2007: 14.72%).

The Fidelity Institutional Asset Management Fund was invested in the Fidelity Institutional Unit Trust Funds until 6 August 2007 when all funds were transferred to SSgA.

# AVX Limited Pension Scheme

## Trustees' Report

### For the year ended 5 April 2008

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#### Review of investment performance- continued

The performance of the State Street Global Advisors (SSgA) MPF Commingled Funds and the Fidelity portfolio against each of their benchmarks for the 1, 3, and 5 year periods to 31 March 2008 is shown in the table below.

	1 year %	3 years % p.a.	5 years % p.a.
SSgA MPF UK Equity Index Fund	(9.9)	9.5	N/A
Benchmark	(9.9)	9.5	14.7
SSgA MPF Japan Equity Index Fund	(7.2)	4.4	N/A
Benchmark	(7.2)	4.1	9.5
SSgA MPF North American Equity Index Fund	(9.1)	5.5	N/A
Benchmark	(9.2)	5.5	7.4
SSgA MPF Pacific (ex-Japan) Equity Index Fund	(13.3)	20.7	N/A
Benchmark	13.3	20.7	22.8
SSgA MPF Europe Equity (ex-UK) Index Fund	(7.5)	16.0	N/A
Benchmark	(7.5)	15.9	20.2
SSgA MPF UK Over 15yr Conventional Gilt Index Fund	N/A	4.8	N/A
Benchmark	(0.1)	4.8	4.5
SSgA Total Fund	(5.3)	10.0	N/A
Benchmark	(5.0)	10.0	N/A
SSgA MPF Sterling Corp Bonds	(2.6)	N/A	N/A
Benchmark	(2.8)	2.7	3.9

#### 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:

	2008 %	2007 %
UK equities	20.8	37.1
Overseas equities	31.0	24.9
UK fixed interest	<u>48.2</u>	<u>38.0</u>
	<u>100.0</u>	<u>100.0</u>

# AVX Limited Pension Scheme

## Trustees' Report

For the year ended 5 April 2008

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### Review of Investment Strategy

All the assets of the Scheme were switched from Fidelity Pensions Management to State Street Global Advisors over the period from July to August 2007. The revised investment strategy includes around 50% of the assets being invested in equities and 50% in bonds after the switch.

### Custodial arrangements

PFT Limited have been appointed by the Trustees as custodian of the cash held in connection with the administration of the Scheme.

### Basis of investment managers' 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 the balance up to £50m. Fidelity Institutional Asset Management levied management charges of up to 0.75% which were taken from the unit trust assets and reflected in the unit prices.

### Further information

Further disclosures required by legislation are included in the Compliance Statement on pages 26 to 28.

Signed on behalf of the Trustees on 27 October 2008

**R J Lawrence** Trustee

**M J Symonds** Trustee

# AVX Limited Pension Scheme

## Statement of Trustees' Responsibilities

### For the year ended 5 April 2008

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The accounts 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 that year, of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year, in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), 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, including a statement as to whether the accounts have been prepared in accordance with the Statement of Recommended Practice, "Financial Reports of Pension Schemes" (Revised May 2007).

The Trustees have supervised the preparation of the accounts and have agreed 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 ensuring that there is prepared, maintained and from time to time revised 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 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 appropriate internal controls.

# **AVX Limited Pension Scheme**

## **Independent Auditors' Report to the Trustees**

### **For the year ended 5 April 2008**

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We have audited the accounts of the AVX Limited Pension Scheme for the year ended 5 April 2008 which comprise the Fund Account, the Net Assets Statement and the related Notes. These accounts have been prepared under the accounting policies set out therein.

#### **Respective responsibilities of Trustees and Auditors**

The Trustees' responsibilities for obtaining an Annual Report and audited accounts prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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.

We report to you our opinion as to whether the accounts give a true and fair view and contain the information required by the relevant legislation. We also report to you if, in our opinion, we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited accounts. This other information comprises only the Trustees' Report, the Statement of Trustees' Responsibilities, the Actuarial Certificate, the Compliance Statement and the Summary of Contributions. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by or on behalf of the Trustees in the preparation of the accounts, and of whether the accounting policies are appropriate to the Scheme's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

# **AVX Limited Pension Scheme**

## **Independent Auditors' Report to the Trustees**

### **For the year ended 5 April 2008**

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#### **Opinion**

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial transactions of the Scheme during the year ended 5 April 2008, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year, and
- the accounts 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.

#### **PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors  
Belfast

Date: 27 October 2008



# AVX Limited Pension Scheme

## Accounts

As at 5 April 2008

### FUND ACCOUNT

	Note	2008		2007	
		£	£	£	£
<b>Contributions and Benefits</b>					
<b>Additions</b>					
Contributions	3	3,061,584		2,834,437	
Transfers in	4	24,621		-	
Other income	5	13,787		154,802	
			3,099,992		2,989,239
<b>Withdrawals</b>					
Benefits	6	(2,109,125)		(1,898,753)	
Payments to and on account of leavers	7	-		(12,083)	
Other payments	8	(119,897)		(97,561)	
Administrative expenses	9	(169,988)		(139,265)	
			(2,399,010)		(2,147,662)
<b>Net additions from dealings with members</b>					
			700,982		841,577
<b>Returns on investments</b>					
Investment income	10	79,857		23,668	
Investment management expenses	11	(42,024)		(12,957)	
Change in market value of investments	12	(187,651)		1,942,425	
			(149,818)		1,953,136
<b>Net returns on investments</b>					
			551,164		2,794,713
<b>Net increase in the fund during the year</b>					
			44,289,142		41,494,429
<b>Net Assets at 6 April</b>					
			44,840,306		44,289,142

The notes on pages 17 to 23 form part of these accounts.

# AVX Limited Pension Scheme

## Accounts

As at 5 April 2008

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### NET ASSETS STATEMENT

	Note	2008 £	2007 £
Investment assets	12	44,510,698	43,959,521
Current assets	13	463,497	447,778
Current liabilities	14	<u>(133,889)</u>	<u>(118,157)</u>
<b>Net Assets at 5 April</b>		<b><u>44,840,306</u></b>	<b><u>44,289,142</u></b>

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 note on page 5 and the Actuarial Certificates on pages 24 to 25 and these accounts should be read in conjunction therewith.

The notes on pages 17 to 23 form part of these accounts.

The accounts on pages 15 to 23 were approved by the Trustees on 27 October 2008

Signed on behalf of the Trustees

**R J Lawrence** Trustee

**M J Symonds** Trustee

# AVX Limited Pension Scheme

## Notes to the Accounts

### For the year ended 5 April 2008

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#### 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.

##### 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 taken as the bid price at the accounting date, as advised by the investment managers. This is a change to the accounting policy as the prior year figures for pooled investment vehicles are valued at the mid price as stated in the prior year financial statements. The prior year figures have not been restated as the difference in the valuation is immaterial.

The AVC investments include policies of assurance underwritten by Clerical Medical, Prudential Assurance and Phoenix Life and Pensions Limited. The market value of these policies of assurance has been taken as the surrender values of the policies at the year end, 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 and benefits are accounted for in the period in which they fall due.

Augmentations are accounted for in accordance with the agreement under which they are received or, in the absence of an agreement, on a receipts basis.

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

The Trustees hold insurance policies that secure pensions payable to specified beneficiaries. These policies remain assets of the Trustees but, as is permitted under current regulations and accounting practice, the Trustees have decided that these policies need not be valued in the net assets statement.

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

# AVX Limited Pension Scheme

## Notes to the Accounts

### For the year ended 5 April 2008

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#### 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.

#### 2.5 Investment and other income

Interest on bank deposits is accounted for as it accrues.

#### 2.6 Administrative expenses and investment management expenses

Administrative expenses and investment management expenses are accounted for on an accruals basis.

### 3. Contributions

	2008 £	2007 £
Contributions from employer:		
Normal	372,548	500,377
Deficit funding	2,262,000	1,920,000
Augmentations	84,300	-
	<u>2,718,848</u>	<u>2,420,377</u>
Contributions from members:		
Normal	311,996	399,013
AVCs	30,740	15,047
	<u>342,736</u>	<u>414,060</u>
	<u><u>3,061,584</u></u>	<u><u>2,834,437</u></u>

### 4. Transfers in

	2008 £	2007 £
Transfer in of AVC fund	<u>24,621</u>	<u>-</u>

### 5. Other income

	2008 £	2007 £
Claims on term insurance policies	-	144,024
Interest on cash deposits	13,787	10,778
	<u>13,787</u>	<u>154,802</u>

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# AVX Limited Pension Scheme

## Notes to the Accounts

For the year ended 5 April 2008

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### 6. Benefits

	2008	2007
	£	£
Pensions	1,485,706	1,235,054
Commutations and lump sums on retirement	620,177	476,940
Lump sums on death in service	-	178,498
Lump sums on death in retirement	3,242	8,261
	<u>2,109,125</u>	<u>1,898,753</u>

### 7. Payments to and on account of leavers

	2008	2007
	£	£
Individual transfers to other schemes	<u>-</u>	<u>12,083</u>

### 8. Other payments

	2008	2007
	£	£
Premiums on term insurance policies	<u>119,897</u>	<u>97,561</u>

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

### 9. Administrative expenses

	2008	2007
	£	£
Administration	63,959	59,570
Pension consultancy and actuarial	52,089	59,972
Audit	2,100	1,620
The Pensions Regulator and Pension Protection Fund	45,385	18,068
Data protection	35	35
Legal	6,420	-
	<u>169,988</u>	<u>139,265</u>

Except as noted above, costs of the administration of the Scheme are borne by the Principal Employer.

# AVX Limited Pension Scheme

## Notes to the Accounts

For the year ended 5 April 2008

### 10. Investment income

	2008 £	2007 £
Annuity income	27,813	23,668
Investment income - Other	52,044	-
	<u>79,857</u>	<u>23,668</u>

### 11. Investment management expenses

	2008 £	2007 £
Administration, management and custody	<u>42,024</u>	<u>12,957</u>

### 12. Investment

#### Investment assets

	2008 £	2007 £
<b>Pooled Investment Vehicles</b>		
SSgA Managed Pension Fund		
- UK Equities	9,163,057	8,602,626
- UK Fixed Interest	21,280,556	4,351,674
- Overseas Equities	13,719,357	5,823,914
	<u>44,162,970</u>	<u>18,778,214</u>
 Fidelity Institutional Unit Trust Funds		
- UK Equities	-	7,542,729
- UK Fixed Interest	-	12,223,980
- Overseas Equities	-	5,010,653
	-	<u>24,777,362</u>
 AVC investments	347,728	401,198
Taxation recoverable	-	2,747
	<u>44,510,698</u>	<u>43,959,521</u>

# AVX Limited Pension Scheme

## Notes to the Accounts

### For the year ended 5 April 2008

#### 12. Investments (continued)

The movements in total investments during the year were as follows:

	Market value at 6 April 2007 £	Cost of investments purchased £	Proceeds of sales of investments £	Change in market value £	Market value at 5 April 2008 £
Pooled investment vehicles - managed funds	18,778,214	37,960,068	(12,438,159)	(137,153)	<b>44,162,970</b>
Pooled investment vehicles - unit trusts	24,777,362	130,775	(24,840,540)	(67,597)	-
AVC investments	401,198	30,740	(101,309)	17,099	<b>347,728</b>
Sub total	43,956,774	<u>38,121,583</u>	<u>(37,380,008)</u>	<u>(187,651)</u>	<b>44,510,698</b>
Taxation recoverable	2,747				-
	<u>43,959,521</u>				<u><b>44,510,698</b></u>

The pooled investment vehicles are held under a managed fund policy in the name of the Scheme. Income generated by the SSgA MPF Commingled Funds is not distributed, but retained within the pooled investments and reflected in the market value of the pooled investment units. Income generated from the Fidelity Institutional Unit Trust Funds was not distributed but reflected in the unit price.

In addition to those fees detailed in note 11 Fidelity Institutional Asset Management levied a management charge which was taken from the pooled investment vehicles and reflected in the market value of the pooled investment vehicles.

The companies managing the investments are registered in the United Kingdom.

# AVX Limited Pension Scheme

## Notes to the Accounts

### For the year ended 5 April 2008

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#### Concentration of investments

The following pooled investments account for more than 5% of the Scheme's net assets as at 5 April 2008.

	<b>2008</b>	<i>2007</i>
	<b>%</b>	<i>%</i>
SSgA MPF UK Equity Index Fund	<b>20.5</b>	<i>19.4</i>
SSgA MPF Europe (ex UK) Index Fund	<b>47.5</b>	<i>5.4</i>
SSgA MPF UK Over 15y Gilt Index Fund	<b>30.6</b>	<i>9.8</i>
Fidelity Institutional UK Equity Fund	<b>N/A</b>	<i>17.0</i>
Fidelity Institutional Long Bond Fund	<b>N/A</b>	<i>27.6</i>
Fidelity Institutional UK Corporate Bond Fund	<b>N/A</b>	<i>5.1</i>

#### 12.1 AVC investments

The Trustees hold assets which are separately invested from the main fund, in the form of individual insurance policies. These secure additional benefits, on a money purchase basis, for those members who have elected to pay AVCs. Members participating in this arrangement receive an annual statement made up to 31 March 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.

	<b>2008</b>	<i>2007</i>
	<b>£</b>	<i>£</i>
Prudential	<b>44,247</b>	<i>42,031</i>
Phoenix Life and Pensions Limited	<b>15,122</b>	<i>14,482</i>
Clerical Medical	<b>288,359</b>	<i>344,685</i>
	<b><u>347,728</u></b>	<i><u>401,198</u></i>



# AVX Limited Pension Scheme

## Notes to the Accounts

### For the year ended 5 April 2008

#### 13. Current assets

	2008	2007
	£	£
Contributions receivable - employer	229,115	196,923
- members	20,289	29,186
Reimbursement of insured pensions	1,915	1,915
Interest on cash deposits	341	267
Pensions paid in advance	16,982	19,287
VAT recoverable	1,124	-
AVC maturities	-	9,757
Cash deposits held with Scheme Administrator	193,731	190,443
	<u>463,497</u>	<u>447,778</u>

#### Contributions receivable

The contributions due as at 5 April 2008 were received after the year end in accordance with the due date set out in the Schedule of Contributions.

#### Cash deposits

This amount 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

	2008	2007
	£	£
Reimbursed pensions received in advance	515	1,204
Pensions	-	16,036
Lump sums on retirement	62,589	45,678
Death benefits	404	404
Refund of contributions	720	720
Taxation	10,791	9,458
State scheme premiums	1,177	1,177
Life assurance premiums	1,759	-
Administrative expenses	25,200	37,002
Investment management expenses	30,734	6,478
	<u>133,889</u>	<u>118,157</u>

# Actuarial Certificate

## Certification of Schedule of Contributions

**Name of Scheme: AVX Limited Pension Scheme**

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### 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 by the end of the period specified in the Recovery Plan dated June 2007.

### 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 June 2007 .

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

**Name**

Paul McCarron

**Date of signing**

28 June 2007

**Name of Employer**

Mercer Limited

**Address**

Clarendon House  
23 Clarendon Road  
Belfast  
BT1 3BG

**Qualification**

Fellow of the Institute of Actuaries

# Actuarial Certificate

## Certificate of Technical Provisions

**Name of Scheme: AVX Limited Pension Scheme**

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### Calculation of Technical Provisions

I certify that, in my opinion, the calculation of the Scheme's Technical Provisions as at 5 April 2006 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 June 2007 .

**Signature**

Paul McCarron

**Name**

Paul McCarron

**Date of signing**

28 June 2007

**Name of Employer**

Mercer Limited

**Address**

Clarendon House  
23 Clarendon Road  
Belfast  
BT1 3BG

**Qualification**

Fellow of the Institute of Actuaries

# **AVX Limited Pension Scheme**

## **Compliance Statement**

### **For the year ended 5 April 2008**

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#### **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 status**

In accordance with the provisions of Schedule 36 of the Finance Act 2004, the Scheme became a registered pension scheme under Chapter 2 of part 4 of the Finance Act 2004 with effect from 6 April 2006.

#### **Pension increases**

As at 1 April 2007, all pensions in payment were increased as follows:

- 3.0 % on pre 97 excess over Guaranteed Minimum Pension
- 3.0 % on post 1988 Guaranteed Minimum Pension, and
- 3.9 % on the post 1997 pension

All pensions in payment in respect of pensionable service completed on or after 6 April 2006 will be increased by 2.5% compound a year, or if less the percentage increase in the index of retail prices in the previous 12 months.

#### **Calculation of transfer values**

No allowance is made in the calculation of transfer values for discretionary pension increases.

#### **Benefit Design Changes**

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

Pension built up prior to 1st July 2007 is unaffected.

# **AVX Limited Pension Scheme**

## **Compliance Statement**

### **For the year ended 5 April 2008**

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#### **Employer-related investment**

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

#### **The Pensions Regulator**

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

The Pensions Regulator  
Napier House  
Trafalgar Place  
Brighton  
BN1 4DW

Telephone: 0870 6063636

Email: [customersupport@thepensionsregulator.gov.uk](mailto:customersupport@thepensionsregulator.gov.uk)

Website: [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

#### **Pension 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 6002537

Website: [www.thepensionservice.gov.uk](http://www.thepensionservice.gov.uk)

# **AVX Limited Pension Scheme**

## **Compliance Statement**

**For the year ended 5 April 2008**

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### **The Pensions Advisory Service**

Any concerns connected with the Scheme should be referred to Mr MJ Symonds, 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 which are not satisfied by the information or explanation given by the administrators or the trustees can consult with The Pensions Advisory Service. A local advisor can usually be contacted through a Citizen's Advice Bureau. Alternatively the Service can be contacted at:

The Pensions, Disability and Carers Service

11 Belgrave Road

London

SW1V 1RB

Telephone: 0845 6012923

Email: [enquiries@pensionsadvisoryservice.org.uk](mailto:enquiries@pensionsadvisoryservice.org.uk)

Website: [www.pensionsadvisoryservice.org.uk](http://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:

Pensions Ombudsman

11 Belgrave Road

London

SW1V 1RB

Telephone: 0207 8349144

Email: [enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)

Website: [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)

### **Pension Protection Fund**

The Pension Protection Fund (PPF) levy for 2007/2008 consists of two parts: a scheme-based levy (20%) based on the Scheme's PPF liabilities, and a risk-based levy (80%) based on the level of underfunding in the Scheme and the risk of the sponsoring employer becoming insolvent. Schemes which are more than 125% funded will not have to pay the risk-based levy. The total levy which the PPF expects to raise in respect of UK pension schemes in 2007/2008 is estimated at £675 million.

# **AVX Limited Pension Scheme**

## **Independent Auditors' Statement about Contributions to the Trustees**

**For the year ended 5 April 2008**

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We have examined the Summary of Contributions to the AVX Limited Pension Scheme for the year ended 5 April 2008 which is set out on the following page.

### **Respective responsibilities of Trustees and Auditors**

The Trustees' responsibilities for ensuring that there is prepared, maintained and from time to time revised Schedules of Contributions are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to provide a statement about contributions to the Scheme in accordance with relevant legislation and to report our opinion to you. This report, including the Statement about Contributions, has been prepared for and only for the Scheme's 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 statement, 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.

### **Basis of Statement about contributions**

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that contributions reported in the attached summary have been paid in accordance with relevant requirements. For this purpose the work that we carried out included examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedules of Contributions. Our statement about contributions is required to refer to those breaches of the Schedules of Contributions which we consider to be material for this statement and which come to our attention in the course of our work.

### **Statement about contributions to the Scheme**

In our opinion, the contributions payable to the Scheme required by the Schedules of Contribution during the periods 6 April 2007 to 27 June 2007 and 28 June 2007 to 5 April 2008, as reported in the Summary of Contributions on the following page, have in all material respects been paid in accordance with the Schedules of Contributions certified by the Actuary on 23 January 2006 and 28 June 2007 respectively.

### **PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors  
Belfast

Date: 27 October 2008

