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Annual Report & Accounts 2002

Volex Group p.l.c.

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Financial Highlights

	Year 2002 £'000	Year 2001 £'000
Turnover	**275,696**	418,299
Operating (loss)/profit on continuing activities before goodwill, exceptional operating item and fundamental restructuring costs	**(548)**	35,219
Operating (loss)/profit	**(2,452)**	34,320
Exceptional restructuring costs	**(6,278)**	(3,344)
Finance costs - interest, net	**(3,060)**	(4,448)
- refinancing costs	**(2,260)**	-
Taxation (net) - reclaimed/(charged)	**3,907**	(7,690)
(Loss)/Profit on ordinary activities after taxation	**(10,143)**	18,838
(Loss)/Earnings per ordinary share - Headline	**(8.4)p**	79.9p
- Basic	**(35.5)p**	66.1p
Dividends per ordinary share	**5.5p**	28.0p
Capital expenditure	**4,599**	14,179

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Group Profile

▶ **Volex is one of the world's largest producers of electrical, electronic and fibre optic cable assemblies with over thirty five facilities located strategically in the major geographic markets of Europe, North and South America and Asia.**

The Volex Group provides global manufacturing and supply chain management support to the world's leading producers of computers, telecommunications systems and networking devices. In addition, the Group builds products for consumer electronics and appliances, for transportation, defence and for aerospace applications.

Volex is a leader in the development of state of the art equipment and processes to support custom designed products for a variety of industry applications. We invest heavily in our engineering capabilities to support customer requirements in design and new product development and we are leading the cable assembly industry in providing expertise in global materials sourcing and product transfers around the globe. All Volex facilities are closely co-ordinated to provide services and solutions that are globally efficient and locally sensitive to the needs of our customers.

Today, our markets demand that each of the partners in the supply chain create value for their end customer. Our total supply chain management solution takes care of the product from early involvement in product design and prototyping to full line production and direct shipment to the end customer. In addition, Volex offers clear solutions to the customer in managing total cost. Our ability to source products globally and to manufacture in locations that provide cost advantages to our customers is a vital piece in our strategy to create real value.

Our supply chain management solutions together with our quality products and services give us the ability to satisfy customer demand seamlessly and that is why Volex is recognised as a leading full service global partner in the cable assembly market place.

Volex is a leader in the development of state of the art equipment and processes to support custom designed products for a variety of industry applications.

Group Profile

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► **Volex offers the broadest global product range of cable assemblies in the industry with custom and industry standard products for the communications, computing, consumer appliances and automotive and aerospace markets.**

Volex specialises in communications and computer cable assemblies, including radio frequency (RF) and fibre optics, power cords and wiring harnesses. By continuously broadening our customer base Volex services a full range of markets that offer a significant opportunity for long-term growth.

Communications

Volex has become one of the world leaders in the production of cable assemblies used in advanced routing, switching, fixed line applications and wireless communication devices, where ever increasing demand for transportation of data, voice and video is leading to growth in copper and fibre cabling.

Computing

A well-known leader in the PC/printer market, Volex continues to support market leaders with cable assemblies and power cords for notebooks, desktop computers, display devices, printers and industrial appliances.

Consumer Appliances

As the world's No. 1 manufacturer of power cords Volex supplies an extensive range of international standard and custom designed products suitable for a variety of markets including white goods, brown goods, floorcare, gardening, power tools and small appliances.

Auto/Aero

In our specialist wiring harnesses divisions we produce sophisticated, multi-drop harnesses used in commercial and off-highway vehicles, aerospace and industrial engines, avionics and flight management systems, and defence applications, such as weapons systems and armoured fighting vehicles.

Chairman's Statement

Bill Goodall Chairman

The 2002 financial year saw the first break in growth the Group has had for many years. At this time last year we indicated that a high degree of uncertainty existed in our markets, in particular in the communications and computer area. As we went through the year, the Group's trading position deteriorated and in mid December 2001 we announced that the likely out-turn for the full year was that sales would be down some 33% over the preceding year, with the Group trading broadly at break-even at the operating profit level.

Results

In the event the year to 31 March 2002 confirmed our expectations, with Group sales down 34% to £275.7m and with an operating loss before restructuring costs and goodwill amortisation of £0.5m (2001 - operating profit of £34.3m).

In the light of the low levels of business the Board has taken steps to optimise cash flows and reduce overheads. Stocks, debtors and trade creditors reduced by £26.0m and capital additions of £4.6m, representing some 53% of depreciation, were restricted to priority items.

Overall, net borrowings fell by £8.0m during the year. Overhead costs had been reduced by the year end by more than £15m per annum or approximately 17%, compared with overhead levels at the same time last year.

Bank Facilities

In December 2001 the Company commenced discussions with its principal bankers in order for them to agree to the suspension of its profit related banking covenants as at the year-end. The Company has now concluded a two year refinancing with the banks with a subsequent one year extension option subject to meeting certain conditions. Further details of the new financing arrangements with the banks are given in the Financial Review on page 13 and in note 31 on page 53.

Dividend

The Board declared an interim dividend of 5.5p per share, or an aggregate of £1.6m, during the year. In the light of the out-turn for the full year the Board is not recommending the payment of a final dividend for the year.

Employees

I should like to take this opportunity to express my appreciation to all employees, including those who unfortunately have lost their jobs under our restructuring programmes, for their support and contribution in what has been a very difficult year. Whilst the future will still pose challenges in the current market environment, the continued support from our employees world-wide is essential for the Group to take full advantage of future opportunities.

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Directors

On 7th May 2002 we announced changes in the composition and roles of directors as part of the Board's succession plans.
I announced I would step down as Chairman at the conclusion of this year's Annual General Meeting to be held in July, having been Chairman for 10 years and a director for 14 years, and my intention is to resign as a director later this year. Dom Molloy, who has been Group Chief Executive for 6 years, will become non-executive Chairman on my retirement as Chairman in July and this will ensure that his experience of the Group and the industries which it covers will be retained. On the announcement of these changes John Corcoran, previously Managing Director of Volex Europe Ltd., was appointed a main Board director and Group Chief Executive (Designate). He will assume his full responsibilities on the change of Chairmanship. Some time ago Mr. Dick Malthouse, our senior non-executive director who has been on the Board since 1993 and whose contribution to the direction of the company over this period has been outstanding, indicated that he would like to retire this year. Today, we announced that Mr. David Beever, previously Vice Chairman of SG Warburg, currently Chairman of KPMG Corporate Finance and who holds other non-executive directorships, will be joining the Board as a non-executive director with effect from 1st August 2002. Mr. Beever adds to the Board his strong City experience and, following the retirement of Mr. Malthouse at the conclusion of the Annual General Meeting, his appointment will maintain the balance of the Board.

Overall, these changes will ensure continuity of strong leadership of the Group at Board level.

Future

The Board believes its strategy of focusing on cable assemblies and related value-added products and services will enable the Company to maintain growth in the future. Overall, the financial year 2002/03 is likely to see business volumes broadly in line with the previous year with sales in the first half similar to the current year's second half and an upturn towards the end of the year. This increased demand is anticipated to come largely from opportunities presented by our customers continuing to consolidate their supply base globally and not from immediate material growth in underlying markets.

In this changed market environment and with the benefit of our reduced cost base, I am confident that the Group can look forward to a period of sustained growth and profitability.

R.W. Goodall

R.W. Goodall
Chairman
17 June 2002

Chief Executive's Review

Dom Molloy Group Chief Executive

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The year to March 2002 proved to be very challenging for the Volex Group with falling demand in each of its major markets. However, current demand indicators point to a levelling off and a return to modest increases as marketplace inventories reduce to the level of real-time requirements.

The Group has used this period well to re-structure its global operations, to reduce operating expenses and to re-focus the organisation in how it addresses new market opportunities. We reacted quickly to the changing environment and, while this necessitated a reduction in our employee base, the changes and re-structuring activities have created a platform for a return to growth with a more focused, efficient and cost-effective organisation.

During the year, consolidation of the customer base and outsourcing continued to dominate the changing profile of targeted markets. Volex has used its global presence both to adapt to those changes and to identify opportunities to service the new market more effectively. The customer profile continues to reflect global manufacturers of telecommunications equipment, storage devices, computers, consumer goods and transportation products. Utilising our global account approach and regional account management strength, we maintained our market share and have developed new opportunities for growth within our existing customer base and with new accounts.

The Group has emerged stronger and leaner with a cost base correctly profiled to secure new business. Many internal initiatives targeted on continuous improvement have delivered efficiencies in manufacturing processes, order fulfilment, inventory management capabilities and in time-to-market routines for new product and process introduction. The challenge is to quickly capitalise on these improvements and grow our market presence in new segments, with new customers and within our existing customer base.

Global Markets

The telecommunications (telecom) sector, specifically in the wire line and internet segments, experienced the most dramatic decline, with funding pressures on the operators and carriers combined with both excess inventories and delayed technology introduction contributing to reductions in hardware spending. When the demand collapsed the market was flooded with excess inventory of products such as routers, PBXs, optical switches and related equipment. Dramatic as the reduction in demand was, the period required to liquidate excess inventories was even more pronounced.

On the wireless side, recent years have seen an explosion in the mobile technology market. While there have been differing standards (GSM, CDMA and TDMA), the infrastructure for each standard has delivered the same level of bandwidth. This is largely sufficient for voice communications but wholly inadequate for combined voice and data communications. Significant resources have been expended by the equipment manufacturers on increasing the speed and efficiency of the networks and to support the arrival of 2.5G (or GPRS) and 3G (or UMTS) promising speeds capable of efficient video streaming and high packet data communications. However, this market opportunity has stalled due both to capital shortages at the carrier level and technology challenges to the handset and application level.

While the optical networking infrastructure has been put in place at the backbone level, the last mile and specifically the metro area has not been extensively fibred. Therefore, the utilisation of office and domestic networks is still limited by the speed of the copper capacity and much of the fibre backbone remains unlit.

Our power cords business has been impacted over the year by a soft recessionary environment. However, with aggressive interest rate cuts in the US and some downward movement in Europe, there are indications of modest returns in demand. While investment in technology at the corporate level is focused on systems security, consumers will continue to drive spending on electronic equipment for the home as long as the economic environment improves. We also expect demand to return to the consumer appliance sector.

Sales, Marketing and Operations

After several years of unprecedented growth in our industry, the market rapidly declined throughout the financial year and as a result our sales fell by 34% overall.

We have continued to strengthen our presence across all of the supported technologies, customers and market segments. The strategy of targeting specific accounts and segments yielded significant market share benefit in Asia, particularly with a number of Japanese-based multi-national companies. We have tracked the movement of many organisations to lower-cost environments and continue to support their requirements in the new location.

In each of the regions, the customer base has benefited from our location coverage and our global product and sourcing approach. We will continue the work of the past year in positioning the Group as an organisation with global reach and local presence. We will also continue our approach of re-profiling existing capacity to meet the local requirements of our key customers as they consolidate and re-locate.

The drive for value-added services continued across design, order fulfilment and logistics and a number of key accounts have been identified where such services can create value for the customer and the Group.

In all regions, significant focus was placed on lean business methodologies to increase operational effectiveness in all areas. External assessments under the European Foundation For Quality Management process were also used successfully to identify opportunities for business improvement.

The Americas

Sales in the Americas declined by 40% year on year. The trading and operational environment for the Americas matched the decline in the communications and computing market segments. The first indicators of global market difficulties were experienced in this region and the increasing outsourcing and global consolidation within our industry saw the demise of smaller regional competitors. The Group's market share has improved and its position strengthened through strategic alliances with key customers in the Electronic Manufacturing Service (EMS) sector.

In order to reduce the cost base and improve the flexibility and responsiveness required in today's market, the Group's US North East coast facility was closed and consolidated into various US and Mexican sites. Further, the full range of product technologies, including fibre optics, has been added to our facilities in Mexico.

The operation in Brazil was severely impacted by the market and economic downturn there. However, this location remains strategic from a regional perspective and we have strengthened the management team. We expect that our focus will drive opportunities with new accounts and maximise revenue potential with existing global accounts. Cost reduction initiatives, including head count reductions and improved facility utilisation, have minimised the overall impact on the Group of the poor market conditions within which Volex Brazil currently operates.

Asia

Sales in Asia fell by 20%, largely caused by the dramatic reduction in demand from other Volex regions and from a reduction in order levels from telecom customers. As the telecom market weakened, there was further acceleration of outsourcing of manufacture by the telecom companies to low cost manufacturers in Asia but market demand has dampened the opportunity to realise the benefit of this for Volex. The outlook for the telecom business remains positive, as there will be ongoing need to build basic telecom infrastructure throughout the region.

Chief Executive's Review

The power cord market remains strong with the continuing movement of high volume production of consumer electronics to the region. We improved our market share with Japanese customers as they continue to invest in China and elsewhere in the region. Our regional and global reach is a key advantage in our relationships with the many multinational companies operating in Asia.

From an operational perspective we have established one quality and manufacturing system for power cord products in Asia that we can promote as a competitive advantage to our customers worldwide. In addition to process standardisation, we are making organisational changes to better distribute the support staff to lower cost sites, particularly in China. The supplier base for raw materials has grown in China and we will continue to develop these sources for our regional and global benefit.

Europe

Sales declined overall in Europe by 40% compared to the prior financial year. The data/telecom side of this operation was severely impacted by market conditions during this period, although the effect on the power cord business was not as significant.

In line with the changing structure of the Group's world-wide markets, particularly the growing presence of multinational EMS companies, the Group merged its European based data/telecom and power cord assembly operations in the last quarter of the year. This brings our European structure in line with that already existing in the Americas and Asia.

Our power cord production in Europe is now confined to fully automated plant, with the majority of products for the region being manufactured in our facilities in Asia. This approach, combined with supply line management strengths in Europe, delivers a very competitive solution to the customer base in this region.

The Group had identified opportunities to service the global EMS companies as they expanded and re-organised their facilities in Europe. Volex has established a presence in Poland, complementing our existing facilities in Croatia, to capitalize on the migration of EMS customers to Eastern Europe. This new facility will provide the complete technology breadth to support the total requirements of our customers and will create opportunity for further account growth in the coming year.

The wiring harness businesses, focused on custom harnesses for niche applications, continued to grow in the commercial vehicle and off-highway vehicle markets, and in aircraft and defence wiring. Further offshore sub-contract manufacturing was employed to reduce costs. Overall, these businesses made a worthwhile contribution to the performance of the Group during the year.

Technology

Investment in technical resources and equipment was focused on opportunities to realise revenue in the medium term. The structuring of our engineering resource along global lines has enhanced our ability to quickly react to customer demand for global deployment or to intra-Group moves into lower-cost environments.

The Group concentrated on increasing its technical capabilities in each region and on leveraging the strength of its RF Centre of Excellence in the USA to deliver opportunities within our global customer base. In this period the Group expanded its technical capabilities to ensure that we are positioned for recovery in market demands across fibre, RF, fibre channel and copper products.

In the field of fibre optic technologies, the Group retained its focus on development of standardised products and processes. We strengthened our capability on device termination, miniaturisation, passive and active technologies and higher bandwidth products. In RF we supported our customers' demand across coaxial and semi-rigid and conformable products. Passive intermodulation, corrugated and micro-miniature technologies were also focused on to deliver revenue potential and market share growth.

Strategy

Our strategy remains intact: leveraging our independence and global presence to service target markets with flexibility and responsiveness to customers' changing needs. We expect to deliver growth through existing accounts by increasing our product and service coverage, target new accounts within the industry segments we currently support and develop opportunities in new market segments where global cable assembly capability is required.

As a responsive and flexible supplier with global reach, we can further integrate ourselves into the operations of our customer base with a clear value proposition of total supply from design to delivery. By leveraging our engineering competence, our supply chain processes and our IT strength we can provide our customers with a complete solution to their cable provision needs. This will have the benefit of driving cost from our customers' operations and delivering opportunity for growth for us.

With the intensity and pace of consolidation within our market, we constantly identify the opportunities created and re-shape our sales account focus to address the new entities. The outsourcing programmes from the Original Equipment Manufacturers (OEMs) have already created opportunity for us to increase our market share and will continue to do so, as our independence enables us to service a wide range of OEMs through our alignment to the key EMS providers.

The Future

Over the next few years the Volex Group has a significant opportunity to capitalise both on a potential upturn in the market and on the current difficulties experienced by our competition. We enter the year with a stable financial base and a competitive and capable platform delivered through:

- a re-aligned and competitive cost base, with manufacturing operations structured for growth across the range of required technologies;

- a focused sales plan with a powerful offering: the complete breadth of product portfolio required by our customers and a competitive go-to-market model according to price and service sensitivity;

- a market leading supply chain model, capable of delivering product to point of use or storage, in a cost-competitive but service-driven way;

- a proven value-added service offering, spanning design to delivery;

- a focused management structure and team who intend to grow targeted revenue with optimum investment and minimal increase in overhead costs.

Foremost in our plans is the assumption that this year is concentrated on consolidation and growth through existing and new accounts already identified. It recognises a new and expanding opportunity with marketplace consolidation and a need for partnership and relationship strength.

There are external factors, both economic and technical, which continue to impact the Group. However, the management action of the past year has positioned Volex competitively and the Group can look forward to a period of increased market share and sustainable long-term growth.

D.J. Molloy
Group Chief Executive
17 June 2002

Financial Review

Ken Hooper Group Finance Director

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The year to 31 March 2002 was very difficult. The downturn in the trading environment, which started in the final quarter of the preceding year, continued throughout the first three-quarters of the 2002 year. The last quarter of the year showed signs that the bottom of the trading downturn had been reached and the Group's order book started to pick up.

Results

Turnover for the year at £275.7m was down 34% over last year.

An analysis of sales by market sector showed sales into the Group's major markets of communications and computers (including industrial and medical segments) declining by 40% and accounting for 68% of sales (2001 - 75%). Sales into the appliance markets declined by 30% and accounted for 20% of sales (2001 - 18%), whilst sales into the vehicle and aerospace markets increased by 15% and accounted for 12% (2001 - 7%) of Group sales.

A review of sales by product category showed that communications and data assemblies declined in value by 46% and accounted for 49% (2001 - 60%) of Group sales and that power cords sales fell by 21% and as a percentage of Group sales represented 39% (2001 - 33%), with harness products increasing 15% and accounting for 12% (2001 - 7%) of Group sales.

A geographical review of sales by destination showed sales in the Americas fell by 39% over last year and represented 41% of Group sales (2001 - 45%), sales to customers in Asia decreased by 8% but as a percentage of Group sales increased by eight percentage points to 23% and sales in Europe as a whole declined by 40% to 36% of Group sales (2001 - 40%). Intra-Group sales, largely manufactured in Asia for ultimate sale into Europe and the Americas, decreased by 47% over last year.

A comparison of Group sales by origin or manufacturing location, based on total sales including intra-Group trading (i.e. output at selling prices), showed a decline in Europe of 40%, with Europe now producing 36% of the Group's output, a decline of three percentage points over last year. Asia's output (i.e. to the external customers and intra-Group) decline by 20% in value over the previous year: this region now produces 25% of Group output (last year - 20%), whilst output in the Americas declined by 40% and accounted for 39% of Group output (2001 - 41%).

The Group recorded an operating loss (pre goodwill amortisation and exceptional operating items) for the year of £0.5m (2001 - profit of £35.2m). The Group's gross profit margin fell by five percentage points to 12%, due to the large drop in volumes compared with last year and consequent under recovery of production overheads.

During the second half of the year the Group took two major steps to re-structure and thereby reduce its cost base. Firstly it closed a factory on the US East coast at a cost of £1.0m, this being separately identified in the Profit & Loss Account as an exceptional operating item in arriving at gross profit. Secondly the Group's European infocom cable assembly and powercords operations were fundamentally restructured, reducing considerably the number of employees both in the UK and Ireland. This restructuring cost £6.3m and is shown in the Profit & Loss Account as an exceptional charge after arriving at the operating result for the year.

The combined effect of these major restructurings and Group-wide cost reductions throughout the year has been a substantial reduction in production and other overheads: comparison of the results for the final quarter of this year with the same period a year ago reveals cost savings on an annual basis in excess of £15m.

As a result the Group has reduced its operating profit break-even point to an annual sales level of approximately £240m depending on product and/or geographic mix.

Interest charges (net) for the full year were £3.1m as compared with £4.4m last year. This fall in financing cost was due in part to a decrease in net borrowings (referred to later) and in part to lower average borrowing costs compared with the prior year.

The result for the year after tax was a loss of £10.1m (2001 - profit of £18.8m).

The translation of foreign currency turnover and operating profits into sterling compared with last year's average rates resulted in a turnover gain of £1.6m (or 0.4%) and a profits gain of £0.3m (or 0.8%).

Taxation

The tax credit for the year resulted in an effective composite rate of 27.8% (2001 tax charge - 29.0%). Different tax rates apply to the Group's world-wide operations, the highest rate relating to the North American operations, with lower than average tax rates currently applying in Asia and Ireland.

Funds Flow

During the year there was a net inflow of funds of £7.8m, comprising inflows of £30.2m from operations and £0.1m from the issue of share capital, in part offset by outgoings of £5.1m on capital expenditure, £4.2m on tax, £4.0m on final deferred payments for prior years' acquisitions, £2.9m on interest/financing costs and £6.9m on dividends (last year's final and the current year's interim). Currency translation of £0.3m impacted favourably on the funds flow during the year.

Capital Expenditure

Fixed asset additions in the Group totalled £4.6m (2001 - £14.2m) during the year, a multiple of depreciation of 0.5 times compared with 1.8 times last year. This reduction was part of the Group's action programme to reduce borrowings and was carried out without detriment to the longer term strategic plan, the downturn in business having resulted in under-utilised production capacity.

Borrowings

The Group's net borrowings at the end of the year were £50.4m (2001 - £58.4m). These borrowings resulted in a year-end gearing ratio of net borrowings to shareholders' funds of 85.0% (2001 - 81.6%). Excluding the exceptional item in respect of the fundamental restructuring in Europe the gearing ratio would have been 75%.

After the year-end, and in the light of the results for the year, the Company completed the re-negotiation of the terms of its borrowings with its three principal bankers shortly before the approval of the 2002 Annual Report & Accounts. The Group has successfully negotiated adequate bank facilities for its foreseeable requirements; the majority of facilities are multi-currency and extend for a period of two years from June 2002, with an option to extend for a further year subject to compliance with certain performance criteria. These new facilities, which will be on a secured basis, will increase the average cost of borrowing by the Group by approximately 250 basis points (2.5%) over the average cost of borrowings in the 2002 year, with pre-determined reductions in these margins being agreed against scheduled repayments. In addition, the Company has issued option warrants to the banks in respect of 5% of its issued ordinary share capital exercisable between June 2004 and June 2005 at a 10% premium to the average share price over the 30 day period starting 18 June 2002. The total cost of achieving the refinancing was £2.5m: of this £2.3m is charged against the results for the year with £0.2m being carried forward in respect of facility issue costs to be written off over the initial two year term of the facilities.

Employees

The number of Volex employees world-wide at the year end was 8,175 (2001 - 11,445) representing a reduction of 29% during the year. Based on the average number of employees and costs thereof as disclosed in Note 10, there has been an increase of 9% in the average cost per employee. This figure is distorted by a larger proportionate drop in the number of direct employees than in total numbers employed and the inclusion in the employee costs figures of approximately £3.5m relating to the restructuring programmes in the USA and Europe: excluding these latter costs, there would have been a 4% increase in the average cost per employee. At the year end 51% of our employees were in Asia, 29% in the Americas and 20% in Europe.

Treasury

The Group has a central treasury function, which monitors and updates treasury controls throughout the Group in line with Board policies. Subject to these controls, day to day foreign exchange transactions are dealt with at the operating unit level with the Group's foreign exchange policy being generally to hedge transaction exposures.

The Group regularly reviews its asset risk management strategy through internal financial controls and the use of appropriate risk limitation instruments, principally insurance policies and considers it has adequate financial protection against potentially significant operating risks.

The Group holds or issues financial instruments for three main purposes:-

- to finance its operations;

- to manage the interest rate and currency risks arising from its operations and from its sources of finance;

- for trading purposes.

In addition, various financial instruments - for example, trade debtors, trade creditors, accruals and prepayments - arise directly from the Group's operations.

The Group finances its operations by a mixture of retained profits, bank current borrowings and bank medium term loans. The Group borrows in the major global debt markets in a range of currencies at fixed and floating rates of interest, using derivatives where appropriate to generate the desired effective currency profile and interest rate basis. The derivatives used for this purpose are principally interest rate contracts and forward foreign currency contracts.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged during the year.

Interest rate risk

The Group borrows in currencies at both fixed and floating rates of interest so as to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations. The Group's policy is to keep its medium term borrowings at rates of interest fixed for up to 6 month periods.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings with a range of maturities. In addition, to preserve continuity of funding, the majority of borrowings mature in more than one year. As detailed in Note 22, 5% of the Group's total borrowings at the year-end will mature in the next twelve months.

Currency risk

Although the Group is based in the UK, it has a significant investment in overseas operations in the USA, Singapore, Canada, Ireland, Brazil, Sweden and China. As a result, the Group's sterling balance sheet can be significantly affected by movements in exchange rates between £ sterling and the US Dollar, Singapore Dollar, Canadian Dollar, Euro, Brazilian Real, Swedish Krona and Chinese Renminbi. The Group seeks to mitigate the effect of these structural currency exposures by borrowing in the same currencies as the operating (or "functional") currencies of its main operating units and by matching the currency of some of its other borrowings to its various functional currencies. With the exception of the Euro and Brazilian Real, exposures between 50 per cent and 100 per cent of the Group's principal investments in non-sterling operations at the year end were hedged back into sterling in this way, with the exact percentage varying depending on the Group's transactional currency exposures. In managing its structural currency exposures, the Group's objectives are to maintain a low cost of borrowings and to retain some potential for currency-related appreciation while partially hedging against currency depreciation.

The Group also has certain transactional currency exposures. Such exposures arise from sales or purchases by an operating unit in currencies other than the unit's functional currency. The Group's policy is that its operating units use forward currency contracts to eliminate the currency exposure on any significant balances on its debtor and creditor ledgers.

K.S. Hooper
Group Finance Director
17 June 2002

Board of Directors

As at 17 June 2002

Directors Non - Executive

R.W. Goodall Chairman

Bill Goodall, 70, joined the Board as a non-executive director in 1988 and became Chairman in 1992. He was formerly Chairman of Carbo PLC, Manweb plc and Inveresk PLC and Chief Executive and Chairman of Scapa Group plc. Mr. Goodall is Chairman of the Remuneration and Nominations Committees and a member of the Audit Committee.

R.H. Malthouse Senior Independent Director

Dick Malthouse, 70, joined the Board in August 1993. He was formerly senior partner of McKenna & Co (now CMS Cameron McKenna), Solicitors. He has also been a non-executive director of UK subsidiaries of the Proctor & Gamble Company and CBS Inc. Mr. Malthouse is Chairman of the Audit Committee and a member of the Remuneration and Nominations Committees.

D.C. Payzant

Formerly President of Volex Inc. Don Payzant, 52, was appointed a director in August 1993. He founded Cable Products Inc., in 1979 and sold his majority shareholding to the Company in 1991. Mr. Payzant is a member of the Audit, Remuneration and Nominations Committees.

J.E. Roberts

John Roberts, 56, joined the Board as a non-executive director in January 1999. He is Chief Executive of United Utilities, was previously Chief Executive of Hyder Utilities (comprising Welsh Water and South Wales Electricity) and before that was Finance Director and then Chief Executive of Manweb plc. Formerly Chairman of Young Enterprise, Wales, he is also a former member of the CBI Wales Council and President of the Electricity Association. Mr. Roberts is a member of the Audit, Remuneration and Nominations Committees.

Directors Executive

D.J. Molloy Group Chief Executive

Dom Molloy, 56, was appointed in May 1996 having previously been President of Volex Inc., responsible for the Group's operations in North America and Ireland. He joined the Company in 1991 on the acquisition of Cable Products Inc., where he was responsible for the subsidiary company in Ireland. Mr. Molloy is a member of the Nominations Committee. He will become non-executive Chairman at the conclusion of the Company's Annual General Meeting in July 2002.

J. Corcoran Group Chief Executive (Designate)

John Corcoran, 40, joined Volex two years ago as Managing Director of its subsidiary, Volex Europe Limited. He previously held a number of management positions within the European operations of Cabletron Systems and Nortel, most recently as the General Manager of Nortel in Galway, Ireland. He joined the board on 7 May 2002.

K.S. Hooper Group Finance Director

Ken Hooper, 60, joined Volex in 1981 as Company Secretary and was appointed a director in 1983. He became Finance Director in 1986. Formerly he was Company Secretary with Bernard Wardle (now Wardle Storeys), prior to which he was with Perkins Engines.

M. Ashcroft Director & Company Secretary

Mark Ashcroft, 45, joined Volex in 1984 and was appointed Company Secretary in 1992. Mr. Ashcroft joined the Board as a director in March 2001. He was admitted as a Solicitor in 1981.

The Board and its Committees

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The Board of Directors currently consists of the non-executive Chairman, four executive and three other non-executive members. There has been a strong non-executive presence on the Board for many years and the roles of the Chairman and Chief Executive are separate. The Board considers each of the non-executive directors to be independent within the meaning of the Combined Code, notwithstanding the fact that Mr. Goodall has served on the Board since 1988 and that Mr. Payzant was an executive within the Group until March 1995. Mr. Malthouse has been appointed as the senior independent non-executive director.

Recent and prospective changes to the constitution of the Board are detailed in the Chairman's Statement on page 7.

The Group Chief Executive and the Group Finance Director are responsible to the Board for the timeliness of all financial information submitted to the Board. The Company Secretary is responsible for the timeliness of all other information submitted to the Board. The normal procedure is to distribute Board papers one week in advance of meetings. The Chairman is primarily responsible for ensuring the Board has adequate information provided to it before making decisions.

The Board has appointed an Audit Committee, a Remuneration Committee and a Nominations Committee, each with written terms of reference dealing clearly with the Committee's authority and duties.

The members of the Audit Committee are all independent non-executive directors. The Committee reviews the half year and annual financial statements and reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the auditors. It also reviews reports from the internal audit function, although the Group's internal control risk management processes are considered by the Board as a whole.

Board appointments are discussed initially by the Nominations Committee which makes recommendations to the full Board for further consideration and approval. The Board seeks to maintain an appropriate balance between executive and non-executive directors. A majority of the members of the Nominations Committee are independent non-executive directors. There is an induction process for newly appointed directors involving the Chairman, the Secretary and the executive directors, together with visits to the Company's operations.

The Board also has a rolling programme of visits to the Group's operations world-wide in order to meet local management teams and further enhance the Board's understanding of key regional developments.

The structure and business of the Remuneration Committee is summarised in the Remuneration report on page 18.

In addition, the Board has established a number of other committees, such as the Finance Committee and the Sealing Committee and also establishes ad hoc committees from time to time to deal with specific issues. All committees have clear terms of reference specified by the Board, and minutes are recorded by the Secretary. The agenda for each Board meeting includes the recent business of the various committees.

Directors are subject to re-election at the annual general meeting next following the initial date of appointment and then every 3 years. In addition, a director is required to vacate his office at the conclusion of the annual general meeting commencing next after he attains the age of 70. As disclosed in the directors' report, Mr. Goodall, (aged 70), Mr. Corcoran (appointed since the last annual general meeting) and Mr. Hooper, Mr. Molloy and Mr. Roberts (3 years since last re-appointment in each case) are offering themselves for re-election at the 2002 Annual General Meeting.

The directors seek to build on a mutual understanding of objectives between the Company and its institutional shareholders by making annual and half year presentations to institutional investors and stockbroking analysts, meeting existing and potential institutional shareholders and making occasional factory tours. Individual shareholders have the opportunity to discuss issues with the directors on an informal basis at the time of the annual general meeting and are welcome to communicate with any director at any time during the year.

Remuneration Report

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As well as complying with the provisions of the code as disclosed in the Company's Corporate Governance Statements, the Board has applied the principles of good governance relating to directors' remuneration as described below. It also sets out all details regarding directors' remuneration during the year together with their interests in the shares of the Company and all other material interests.

The Remuneration Committee

The Remuneration Committee of directors agrees with the Board the broad policy for the remuneration of the directors and those other senior executives of the Group reporting directly to the Group Chief Executive (the "Senior Executive Team"). In the context of that broad policy the Remuneration Committee then determines, and reviews at least annually, the specific remuneration packages of each of the Senior Executive Team. In addition the Remuneration Committee approves the terms of all service agreements with members of the Senior Executive Team and determines the grant of all discretionary share options within the Group.

During the year the Remuneration Committee comprised -

Mr. R.W. Goodall (Chairman)
Mr. R.H. Malthouse
Mr. D.C. Payzant
Mr. J.E. Roberts

There have been no changes to the membership of the Committee since the year-end.

The Group Chief Executive also attends meetings of the Committee to discuss the performance of other executives and proposals affecting their remuneration. The Company Secretary acts as Secretary to the Committee.

The balance of this Remuneration report deals solely with the remuneration and terms of service of the directors.

Policy and objective

The Company's policy is to maintain remuneration packages sufficient to attract, retain and motivate executives of the calibre and experience necessary to provide a successful future for the Group.

The objective is to provide a balanced remuneration package which includes an appropriate level of basic salary and benefits in kind (including pension provision where appropriate), together with both short term and long term incentives. Short term incentives are linked to challenging targets which support and reinforce the long term objectives of the Company. The long term incentives, being options granted under the Company's share option schemes, focus the executives on the sustained development of the Company and align their interests with those of the shareholders.

In implementing their policy and objective the Remuneration Committee considers the overall level of remuneration packages in the context of:

- the positioning of the Group relative to other companies;
- the positioning of individual directors relative to positions in other companies;
- remuneration expectations in the geographical area of operation;
- surveys published by leading remuneration consultants supplemented by specific advice and benchmarking exercises of external consultants and the knowledge and experience of the members of the Committee;
- remuneration relativities within the Group;
- the competition, risks, challenges, complexity, diversity and international spread of the Group's business; and
- the particular expertise and understanding required of the director concerned.

Remuneration Report

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Salary and bonus

Basic salaries are set at competitive rates for businesses of comparative size, complexity and international nature. Annual cash bonuses represent the short term incentive element of the overall remuneration package for executive directors. Payments are based wholly or predominantly on targets linked to financial objectives with the balance based on individual performance. Maximum bonus payment levels are set annually, currently at 60% of salary. The financial objectives for the year-ended 31 March 2002 ("FY2002") were based on year on year profit growth for the Group and aimed to provide upper quartile benefits for upper quartile performance. No bonuses were awarded in respect of FY2002.

Directors' remuneration

	Fees and salaries	Benefits in kind	Performance related bonus	Pension contributions Defined contributions	Defined^ benefits	**2002 Total**	2001 Total
	£	£	£	£	£	**£**	£
Executive:							
Mr. D.J. Molloy	275,000	12,443	-	79,750	-	**367,193**	480,404
Mr. K.S. Hooper	169,400	26,269	-	-	50,820	**246,489**	311,948
Mr. M. Ashcroft	99,000	14,151	-	-	29,700	**142,851**	7,936
Mr. P.B. Ford (Resigned 28.7.2000)	-	-	-	-	-	**-**	87,126
Non-executive:							
Mr. R.W. Goodall	75,000	-	-	-	-	**75,000**	75,000
Mr. R.H. Malthouse	26,000	-	-	-	-	**26,000**	25,000
Mr. D.C. Payzant	26,000	-	-	-	-	**26,000**	25,000
Mr. J.E. Roberts	26,000	-	-	-	-	**26,000**	25,000
Aggregate remuneration*	696,400	52,863	-	79,750	80,520	**909,533**	1,037,414

* Total aggregate emoluments for directors during the year excluding pension contributions were £749,263 (2001 - £914,243).

^ Figure represents contributions paid by the Company based on the pension scheme's standard contribution rate - see below for further details.

Mr. Goodall received £14,000 (2001 - £10,000) in respect of his own office costs.

The above figures for emoluments do not include any amounts for the value of share options granted or to be held by directors, details of which are given below.

Pensions

The provision of pension benefits for executive directors is considered in the context of the overall remuneration package and in the light of the executives' particular circumstances. Defined contribution pension benefits are provided for Mr. Molloy via an Irish pension arrangement. Details of the contributions are set out in the table of directors' remuneration above. Mr. Hooper and Mr. Ashcroft are members of the Volex No.1 Pension Scheme which is a contributory scheme which, subject to continued service, will provide Inland Revenue approved benefits of 2/3 of final salary at age 62. Mr. Ashcroft also has deferred pension benefits from the Volex Executive Pension Scheme, a contributory final salary scheme, with a 60ths accrual rate. None of the directors pension benefits are affected by the Inland Revenue pensions cap. Only basic salary is pensionable in all cases.

Remuneration Report

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Directors' defined benefit pension entitlements

	Increase in accrued pension excl. inflation	Transfer Value of increase	Accrued pension at 31 March	
			2002	2001
	£	£	£	£
K.S. Hooper	13,575	194,005	102,044	87,553
M. Ashcroft	4,374	29,124	25,950	21,297

The pension entitlements shown are those which would be paid annually on retirement based on service and final pensionable salary at the end of the year. The transfer values quoted have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11, and are net of directors' contributions. It should be noted that the transfer values represent liabilities of the Company but not sums paid or due to the directors, and that the value cannot meaningfully be added to annual remuneration.

Save as reported above no other director accrued pension entitlement during the year.

Members of the pension schemes referred to above have the option to pay additional voluntary contributions. However, neither the contributions nor the resulting benefits are included in the above details.

Share options

The executive directors hold options to purchase ordinary shares granted pursuant to the Volex Group 1984 Share Option Scheme and the Volex 1994 Share Option Scheme (the "Option Schemes"). These Option Schemes are the Company's long term incentive plans for directors. They are discretionary share option schemes and are intended to align executives' financial interests directly with those of the shareholders. Following the restrictions on Inland Revenue approved options introduced by the Finance Act 1996 the majority of options under the 1994 Scheme have been issued under the unapproved section.

The exercise of options granted under the Option Schemes since June 1995 is subject to the satisfaction of a financial performance condition set by the Remuneration Committee at the time of each grant. The performance condition attached to grants of options from 1998 onwards was that earnings per share increase from the date of grant by no less than the movement in the Retail Prices Index plus 3% per annum over a minimum of 3 years. Earlier grants required 2% per annum out-performance of the R.P.I.

Subject to the aggregate and individual limits built into the rules of the Option Schemes, the Committee's policy is to grant options to executive directors on an annual basis, thereby building option holdings progressively over a period of time. In addition, executive directors are encouraged to retain shares following the exercise of options, after allowing for sales to fund the exercise and related tax liabilities.

In addition, the executive directors are eligible to apply for options pursuant to the Volex 1994 Share Savings Scheme (the "Employee Share Savings Scheme") which is open to all UK employees upon general invitation by the Company.

Remuneration Report

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The following table shows the movements in directors' options during the financial year:

Name of Director	As at 1 April 2001 or later date of appointment	Granted during year	Lapsed during year	**As at 31 March 2002**	Option price	Exercise period
Discretionary Share Option Schemes						
D.J. Molloy	158,725	30,000	-	**188,725**	410-1475p	1999-2011
K.S. Hooper	110,817	20,000	-	**130,817**	394-1475p	1998-2011
M. Ashcroft	23,500	20,000	-	**43,500**	610-1475p	2001-2011
Employee Share Savings Scheme						
D.J. Molloy	5,211	-	-	**5,211**	331p	2002-2003
K.S. Hooper	368	921	-	**1,289**	631-1051p	2003-2005
M. Ashcroft	2,612	962	853	**2,721**	331-1051p	2002-2007

There were no exercises of share options during the year and therefore no gains made by directors and ex-directors.
No options were held during the year by Mr. Goodall, Mr. Malthouse, Mr. Payzant or Mr. Roberts.
The market price of the ordinary shares at 31 March 2002 was 210p and the range during the year was 830p to 155p.

Total remuneration and other benefits

The total amount of directors' remuneration and other benefits during the year and the previous year are set out below:-

	2002 £	2001 £
Emoluments	**749,263**	914,243
Gains on exercise of share options	-	509,845
Money purchase contributions	**79,750**	75,841
Total	**829,013**	1,499,929

Service Agreements

Mr. Molloy, Mr. Corcoran and Mr. Ashcroft each have service agreements with periods of notice of 12 months.
Mr. Hooper's service contract provides for a notice period of 18 months. This is a term of a long standing service agreement with Mr. Hooper and the Remuneration Committee believes it is appropriate to retain this notice period being the established practice at the date of the contract. It is considered that this is not excessive, given Mr. Hooper's length of service and current market practice. The intention is that future appointments of executive directors will normally be on the basis of a 12 month rolling notice period.

Remuneration Report

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Directors' interests

The interests in the share capital of the Company of those directors who were in office at 31 March 2002, together with their shareholding at 1 April 2001 are detailed below; these relate solely to 25p ordinary shares. In addition, options to purchase ordinary shares have been issued to directors under the Discretionary Share Option Schemes and under the Employee Share Savings Scheme. The number of ordinary shares held under option by the directors as at 31 March 2002 and 1 April 2001 are also detailed below.

		Shares		Options
	2002	2001	**2002**	2001
R.W. Goodall	**47,000**	32,000	**-**	-
D.J. Molloy	**35,793**	27,793	**193,936**	163,936
K.S. Hooper	**50,000**	45,144	**132,106**	111,185
M. Ashcroft	**10,872**	8,634	**46,221**	26,112
R.H. Malthouse	**5,000**	3,000	**-**	-
D.C. Payzant	**119,075**	208,147	**-**	-
J.E. Roberts	**10,000**	7,000	**-**	-

Of the 47,000 shares shown above as held by Mr. Goodall, 5,000 represents a non-beneficial interest. There are no other non-beneficial interests.

Since the end of the year Mr. Corcoran has joined the board. At the date of his appointment he held options in respect of 32,000 ordinary shares at exercise prices ranging between £7.88 and £14.75. There have been no other changes to the interests of the directors shown above since the end of the year.

No director had at any time during the year an interest in the share capital of any of the Company's subsidiary undertakings.

Save as disclosed none of the directors had a material interest in any contract of significance with the Company or with any other related party.

Social, Ethical and Environmental Report

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The Board has adopted a Statement of Social, Ethical and Environmental Policy (the Policy Statement) which applies to the entire Volex group of companies. It is circulated through the unit Managing Directors to all employees via the normal regional communication channels and is available on our web site www.volex.com and in hard copy from the Secretary.

We are committed to:

- *respecting the rule of law, conducting our business with integrity and showing respect for the rights of the individual*
- *creating mutual advantage in all our relationships so that people both inside and outside the Group trust us and want to work with us*
- *demonstrating respect for the environment and working continuously to improve business processes and practices to reduce the impact of our operations*
- *managing our financial performance to maximise long-term value for our shareholders*

This policy statement is the foundation on which we build and conduct our business and we expect all Volex employees to support all elements of the policy.

The Policy Statement is based on the commitments set out above and outlines specific minimum standards in respect of five particular areas. These deal with corporate conduct regarding our employees, health & safety, the environment and relationships with various stakeholder groups, and with the personal conduct of everyone employed by the Group. The Policy Statement concludes with the outline of a compliance process which reflects our normal management structures.

In all aspects of our business we seek to operate in compliance with the law, rules and regulations of the country of operation, and this applies to all areas of our Policy Statement. However, in a number of areas we look to establish specific minimum standards which will override any lower legal requirements. For example in our employment practices we will not use indentured or forced labour, we will not employ anyone below 16 years old and we do not discriminate on the basis of sex, colour, race or belief. Again in matters of Health & Safety we will provide a safe and clean working environment with systems and procedures of a standard at least equivalent to those of comparable manufacturing companies of good reputation in the geographical area of operation.

We are committed to meeting the needs of our customers in an environmentally sound and sustainable manner through continuous improvement in all activities. Our plan is to achieve the international environmental standard ISO14001 in all our manufacturing locations over a period of years. At the date of this report certification has been achieved at each of our 3 facilities in China, in our 2 facilities in Indonesia, in Kota Bharu, Malaysia and Castlebar, Ireland, and at Volex Powercords, Volex Wiring Systems and Head Office in the UK. These sites are now maintaining and improving their environmental management systems to retain their ISO14001 certification status. A number of other locations are developing their systems with a view to applying for certification in the future.

The Board receives an annual report on Health & Safety performance around the Group. Our regional operations have adopted formal health & safety policy statements and are implementing specific health & safety programmes to improve identified risks. We collect and review various performance data ranging from monthly key performance indicators to annual insurance claims records and use these to identify areas for further improvement.

The standards we set ourselves in our relationships with our various groups of stakeholders are typified by the values of honesty, respect, integrity, diligence and professionalism. These values are the common thread linking our communications with shareholders, our business relationships with customers, suppliers, sub-contractors and agents, our interaction with local communities around the world, and all our dealings with employees.

The internal audit function has carried out a range of compliance checks on the implementation of some aspects of the Policy Statement as part of their operations audit visits during the last 12 months. Systems of compliance monitoring will be developed in connection with the Policy Statement as part of our programme of continuous improvement.

Corporate Governance Statements

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The following statements address the issues raised in the Combined Code on corporate governance and the Internal Control Guidance for Directors on the Combined Code published by the Internal Control Working Party of the ICAEW.

Statement of Compliance with the Code of Best Practice

In the opinion of the directors the Company has complied with the Code throughout the year except for the following matters. One of the four members of the Remuneration Committee, Mr. Payzant, is not regarded as independent strictly in the terms of the Combined Code but the Board considers that he acts independently and professionally. Mr. Hooper, an executive director, has a service agreement with an 18 month notice period (see the Remuneration Report on page 21).

Application of the Principles of Good Governance

The Company has applied the Principles of Good Governance set out in section 1 of the Combined Code by complying with the Code of Best Practice as reported above. Further explanation of how the Principles have been applied is set out in these Corporate Governance Statements and in the Remuneration report on page 18, and in the section regarding the Board and its Committees on page 17.

Internal controls

The Board acknowledges its responsibility for the Company's system of internal control and for reviewing its effectiveness. It must be understood however, that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

In response to the publication of the Internal Control Guidance, the Board has developed an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. This process was in operation throughout the financial year. The process is built around the established management systems of the Company. In the third quarter of each financial year the Group Executive Committee (comprising the executive directors and senior operational and corporate managers) carries out an exercise to identify the significant risks currently faced by the business. This list is subsequently reviewed and approved by the Board. The Company's business plan for the following three financial years is then developed and addresses each of these risks by identifying in each case the existing control processes in place to manage those risks and by setting improvement plans as part of the Company's continuous improvement programme.

The Board receives with the monthly management accounts a monthly management report covering each of the Group's operations and the consolidated picture. The Board also receives at the end of each quarter, commentary on the identified risks and the internal control processes dealing with those risks. This is discussed by the Board each quarter. The Board considers this process satisfies the requirements set out in the Internal Control Guidance.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

In preparing the accounts the directors are required to select suitable accounting policies and then apply them consistently, make judgements and estimates that are reasonable and prudent, and state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

Directors' Report

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The directors present their annual report on the affairs of the Group together with the accounts and auditors' report for the year ended 31 March 2002.

Principal activities and summary business review

(a) Activities

Volex designs, manufactures and supplies electrical and electronic interconnect products and systems including data/telecom cable assemblies; power cords for consumer electronics and electrical appliances; and wiring harnesses for vehicle, aerospace, defence and industrial applications.

The Company operates through a divisional structure in the United Kingdom and through overseas subsidiary companies in Europe, North and South America and Asia. The subsidiary and associated undertakings principally affecting the profits or net assets of the group in the year are listed in Note 16 to the accounts.

(b) Summary review of operations

With sales down 34% on last year to £275.7m, the operating result for the year, before goodwill amortisation and restructuring/exceptional costs, was a loss of £0.5m (2001 - profit of £35.2m). After all charges, the loss for the year before tax was £14.1m (2001 - profit of £26.5m).

Summary results from operations were as follows:

	2002 £'000	2001 £'000
Operating (loss)/profit before restructuring costs	**(548)**	35,219
Restructuring costs	**(1,033)**	-
Goodwill amortisation	**(871)**	(899)
Exceptional items (net)	**(6,278)**	(3,344)
Interest payable (net)	**(3,060)**	(4,448)
Refinancing costs	**(2,260)**	-
(Loss)/profit on ordinary activities before taxation	**(14,050)**	26,528

The reviews on pages 8 to 15 provide greater details on the Group's operations for the year to 31 March 2002.

(c) Results and dividends

Group results and dividends are as follows:

	£'000	£'000
Group loss for the financial year before tax		(14,050)
Taxation		3,907
Cumulative preference dividends		
- interim, paid 30 September 2001	(3)	
- final, paid 2 April 2002	(3)	(6)
Group loss for the year before ordinary dividend		(10,149)

Directors' Report

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(c) Results and dividends (continued)

	£'000	£'000
Group loss for the year before ordinary dividend		(10,149)
Ordinary dividends		
- prior year final dividend on shares issued after 31 March 2001	(6)	
- interim of 5.5p per share, paid 22 January 2002	(1,573)	(1,579)
Loss for the year transferred to reserves		(11,728)
Transfer from revaluation reserve		55
Group retained profit at 1 April 2001		43,599
Group retained profit at 31 March 2002		31,926

Note: The directors do not propose to declare a final dividend.

(d) Research and development

The Group continues to place great emphasis on product and process research and development (R&D) to satisfy its customer demands and to ensure world class manufacturing standards are achieved. Each operating unit allocates considerable time and financial resources for these purposes. Further details are set out in Note 9 to the Accounts on page 38.

(e) Continuous Improvement

The Group continues to use the model of the European Foundation For Quality Management as a framework to achieve a culture of continuous improvement throughout its operations. Continuous improvement processes are in place throughout the Group and are reported upon to senior management and the Board on a quarterly basis.

Directors and their interests

(a) Directors

The directors who served during the year were as follows:-

Mr. R.W. Goodall
Mr. D.J. Molloy
Mr. K.S. Hooper
Mr. M. Ashcroft
Mr. R.H. Malthouse
Mr. D.C. Payzant
Mr. J.E. Roberts

Mr. J. Corcoran was appointed to the Board on 7th May 2002. Further details of the directors are shown on page 16.

Directors' Report

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(b) Election of directors

Mr. Goodall, having reached the age of 70 since the date of the last Annual General Meeting, offers himself for re-election in accordance with Section 293 of the Companies Act 1985. Mr. Goodall intends to retire from the Board later in the year and in the meantime will provide continuity during the period immediately following the appointments of Mr. Molloy as Chairman and Mr. Corcoran as Group Chief Executive. Special notice of the resolution re-appointing Mr. Goodall is being given - please see the Notice of Meeting on page 57. Mr. Goodall does not have a service agreement with the Company as he is a non-executive director.

Mr. Corcoran having been appointed by the Board since the previous Annual General Meeting, and being eligible, offers himself for re-election. Mr. Corcoran has a service agreement with the Company which is terminable by 12 months' notice.

Each of Mr. Hooper, Mr. Molloy and Mr. Roberts having been last elected by the Company in general meeting more than 30 months prior to the date of the notice convening the 2002 Annual General Meeting, retires at that meeting and, being eligible, offers himself for re-election. Mr. Hooper has a service agreement with an 18 month notice period and Mr. Molloy has a service agreement with a 12 month notice period. Mr. Roberts does not have a service agreement with the Company as he is a non-executive director.

Further details of the recent and prospective changes to the constitution of the Board are set out in the Chairman's Statement on page 7.

(c) Directors' interests and remuneration

Details of the directors' interests and their remuneration are disclosed in the Remuneration Report on pages 18 to 22.

Substantial shareholdings

As at 10 June 2002 the Company had been notified, in accordance with sections 198 to 208 of the Companies Act 1985, of the following interests in the ordinary share capital of the Company.

Name of holder	Number of ordinary shares	Percentage held
Britannic Assurance PLC	2,090,642	7.31%
Fidelity International Limited*	1,457,145	5.09%
Prudential Corporation plc	1,119,000	3.91%
Co-operative Insurance Society Ltd	1,016,142	3.55%
Australian Mutual Provident Group	973,220	3.40%
Halifax Group plc	911,025	3.19%
Legal & General Investment Management	860,365	3.01%
Eaglet Investment Trust plc	860,000	3.01%

* Both FMR Corp (as the parent of Fidelity) and Mr. Edward C. Johnson 3rd (as a significant shareholder in Fidelity) have notified interests in the same shares.

No other interest amounting to 3% or more of the ordinary share capital of the Company had been notified to the directors as at 10 June 2002.

Charitable and political contributions

During the year the Group made charitable donations of £11,886. No political donations were made.

Directors' Report

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Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of an employee becoming disabled, every effort is made to ensure that their employment with the Company continues and that, where necessary, appropriate re-training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible in the circumstances of each particular case, be the same as that of other employees.

Employee consultation

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. The Company has continued its policy and practice of informing and consulting its employees through a system of regular joint meetings between members of the operational management teams and the employees themselves and where appropriate their employee representatives.

Supplier payment policy

The Company's policy is to pay suppliers on settlement terms agreed with each supplier. The average number of days outstanding during the year ended 31 March 2002 in respect of trade creditors was approximately 55 days.

Auditors

In the United Kingdom and in a number of other countries in which the Group operates, agreements for the partners and personnel of Arthur Andersen to join Deloitte & Touche have recently been concluded, subject to regulatory consent. As a consequence, the Board has concluded that it is now appropriate to propose a resolution at the Annual General Meeting to appoint Deloitte & Touche as auditors to the Group for the ensuing year.

Special Business at Annual General Meeting

The 2002 Annual General Meeting of the Company will be held on 22 July 2002 at 11.30 a.m. at The Copthorne, Salford Quays, Manchester. The Notice of Meeting and form of proxy are set out on pages 55 to 57.

Resolution to enable directors to allot relevant securities

At the Annual General Meeting held in 2001, shareholders authorised the directors, pursuant to section 80 of the Companies Act 1985, to allot relevant securities without the prior consent of shareholders for a period of five years. Bearing in mind the directors' intention to seek annual renewal, it is now proposed to limit this authority for the directors to allot relevant securities to the period ending at the conclusion of the 2003 Annual General Meeting. The £1,769,340 nominal amount of relevant securities to which this authority relates represents approximately 25% of the nominal amount of issued share capital of the Company as at 17 June, 2002. The directors have no present intention of exercising this authority.

Resolution to enable directors to allot ordinary shares for cash

Also at last year's meeting a special resolution was passed, pursuant to section 95 of the Companies Act 1985, empowering the directors to allot equity securities for cash without first being required to offer such shares to existing shareholders. Again, bearing in mind the directors' intention to seek annual renewal, it is proposed to limit this authority to the period ending at the conclusion of the 2003 Annual General Meeting. The £357,500 nominal amount of equity securities to which this authority relates represents approximately 5% of the issued share capital of the Company as at 17 June 2002.

By order of the Board

Dornoch House
Kelvin Close
Birchwood Science Park
Warrington WA3 7JX

17 June 2002

Mark Ashcroft

M. Ashcroft
Director & Secretary

Independent Auditors' Report

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To the shareholders of Volex Group plc

We have audited the financial statements of Volex Group plc for the year ended 31 March 2002 which comprise the Profit and Loss account, Balance sheets, Cash flow statement, Statement of total recognised gains and losses, Consolidated note of historical cost profits and losses, Reconciliation of movements in Consolidated shareholders' funds, Statement of accounting policies and the related Notes numbered 1 to 32. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We review whether the Corporate governance statements reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if they do not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's statement, Chief Executive's report, Financial review, Statement of directors' responsibilities, Remuneration report, Social, Ethical and Environmental report, Corporate Governance statements, and Five-year summary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company and of the group, 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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group at 31 March 2002 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Bank House
9 Charlotte Street
Manchester
M1 4EU

17 June 2002

Arthur Andersen
Chartered Accountants and Registered Auditors

Statement of Accounting Policies

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The principal Group accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year except for the adoption of FRS19 Deferred Tax, which has had no impact on the net assets or reserves of the Group.

(a) Basis of accounting

The accounts are prepared under the historical cost convention, modified to include the revaluation of certain fixed assets and in accordance with applicable accounting standards.

(b) Basis of consolidation

The Group accounts consolidate the accounts of Volex Group p.l.c. and its subsidiary undertakings drawn up to 31 March each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

(c) Intangible assets - goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is a maximum of twenty years. Provision is made for any impairment.

Goodwill arising on acquisitions in the year ended 31 March 1998 and earlier periods was written off to reserves in accordance with the accounting standard then in force. As permitted by the current accounting standard the goodwill previously written off to reserves has not been reinstated in the balance sheet. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

(d) Intangible assets - research and development

Research and development expenditure is written off as incurred.

(e) Intangible assets - patents and trade marks

Patents and trade marks are written off on purchase or registration.

(f) Tangible fixed assets

The Company and Group has chosen to adopt the transitional rules of FRS15: Tangible Fixed Assets. The current book value of assets has therefore been retained and the valuation on 31 March 1997 not updated.

Tangible fixed assets are stated at cost or in the case of property owned in 1997 at valuation where appropriate, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over the expected useful life, as follows:-

Freehold and long leasehold buildings	-	up to 50 years
Plant and machinery	-	up to 10 years

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

Statement of Accounting Policies

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(g) Investments

Except as stated below, fixed asset investments are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

In the Company balance sheet, for investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value only of the shares issued. Any premium is ignored.

(h) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

(i) Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

(j) Turnover

Turnover represents amounts receivable from third parties for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales-related taxes.

(k) Pension costs and other post-retirement benefits

For defined benefit schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future payroll. Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members. Defined benefit schemes are funded,

Statement of Accounting Policies

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(k) Pension costs and other post-retirement benefits - continued

with the assets of the scheme held separately from those of the Group in separate trustee administered funds. Differences between amounts charged to the profit and loss account and amounts funded are shown as either provisions or prepayments in the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

(l) Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations and on foreign currency borrowings, to the extent that they hedge the Group's investment in such operations, are dealt with through reserves. All other exchange differences are included in the profit and loss account.

(m) Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

(n) Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

(o) Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

For a forward foreign exchange contract to be treated as a hedge, the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements on the Group's operations. Gains and losses arising on these contracts are deferred and recognised in the profit and loss account, or as adjustments to the carrying amount of fixed assets, only when the hedged transaction has itself been reflected in the Group's accounts.

For an interest rate swap to be treated as a hedge the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts.

If an instrument ceases to be accounted for as a hedge, for example, because the underlying hedged position is eliminated, the instrument is marked to market and any resulting profit or loss recognised at that time.

Consolidated Profit and Loss Account

For the year ended 31 March 2002

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	Notes	Pre goodwill & exceptional operating item 2002 £'000	Goodwill & exceptional operating item 2002 £'000	Total 2002 £'000	Total 2001 £'000
Turnover					
Continuing operations	2	**275,696**	**-**	**275,696**	418,299
Cost of sales	4	**(243,598)**	**(1,033)**	**(244,631)**	(346,273)
Gross profit		**32,098**	**(1,033)**	**31,065**	72,026
Other operating expenses pre-goodwill (net)	3	**(32,646)**	**-**	**(32,646)**	(36,807)
Goodwill amortisation	3	**-**	**(871)**	**(871)**	(899)
Other operating expenses (net)	3	**(32,646)**	**(871)**	**(33,517)**	(37,706)
Operating (loss)/profit - continuing operations		**(548)**	**(1,904)**	**(2,452)**	34,320
Costs of fundamental restructuring of continuing operations	5			**(6,278)**	(3,344)
(Loss)/profit on ordinary activities before finance costs				**(8,730)**	30,976
Finance costs - interest (net)	7			**(3,060)**	(4,448)
- refinancing costs	8			**(2,260)**	-
(Loss)/profit on ordinary activities before taxation	9			**(14,050)**	26,528
Tax on (loss)/profit on ordinary activities	11			**3,907**	(7,690)
(Loss)/profit for the financial year				**(10,143)**	18,838
Dividends paid and proposed on equity and non-equity shares	12			**(1,585)**	(8,028)
(Loss)/profit for the year transferred (from)/to reserves	28			**(11,728)**	10,810
Headline (loss)/earnings per ordinary share	13			**(8.4)p**	79.9p
Basic (loss)/earnings per ordinary share	13			**(35.5)p**	66.1p
Diluted (loss)/earnings per ordinary share	13			**(35.5)p**	65.4p

The Notes on pages 37 to 54 are an integral part of and should be read in conjunction with this consolidated profit and loss account.

Consolidated Statement of Total Recognised Gains and Losses

For the year ended 31 March 2002

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	Notes	**2002 £'000**	2001 £'000
(Loss)/profit for the financial year		**(10,143)**	18,838
Currency variations	28	**(695)**	732
Total recognised (losses)/gains relating to the year		**(10,838)**	19,570

Consolidated Note of Historical Cost Profits and Losses

For the year ended 31 March 2002

		2002 £'000	2001 £'000
Reported (loss)/profit on ordinary activities before taxation		**(14,050)**	26,528
Actual depreciation charge for revalued assets		**902**	732
Historical cost depreciation charge for revalued assets		**(847)**	(677)
Historical cost (loss)/profit on ordinary activities before taxation		**(13,995)**	26,583
Taxation	11	**3,907**	(7,690)
Dividends	12	**(1,585)**	(8,028)
Historical cost (loss)/profit for the year transferred (from)/to reserves		**(11,673)**	10,865

Reconciliation of Movements in Consolidated Shareholders' Funds

For the year ended 31 March 2002

		2002 £'000	2001 £'000
(Loss)/profit for the financial year		**(10,143)**	18,838
Dividends paid and proposed	12	**(1,585)**	(8,028)
(Loss)/profit for the year transferred (from)/to reserves		**(11,728)**	10,810
Currency variations		**(695)**	732
New share capital subscribed		**121**	801
Net (decrease)/increase in shareholders' funds		**(12,302)**	12,343
Opening shareholders' funds		**71,617**	59,274
Closing shareholders' funds		**59,315**	71,617

The movement in the shareholders' funds of the Company from £31,725,000 to £28,397,000 comprises an after tax loss for the year of £1,822,000, new share capital subscribed of £121,000 less dividends of £1,585,000 and adverse currency variations movement of £42,000.

The Notes on pages 37 to 54 are an integral part of and should be read in conjunction with these statements.

Balance Sheets

At 31 March 2002

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	Notes	Group 2002 £'000	Group 2001 £'000	Company 2002 £'000	Company 2001 £'000
Fixed Assets					
Goodwill	14	**14,065**	14,844	**-**	-
Tangible assets	15	**41,232**	49,335	**4,981**	7,915
Investments	16	**-**	-	**73,245**	69,788
		55,297	64,179	**78,226**	77,703
Current assets					
Stocks	17	**35,735**	58,982	**9,097**	13,562
Debtors	18	**52,344**	70,704	**38,520**	38,317
Investments	19	**1,482**	-	**-**	-
Cash at bank and in hand		**13,090**	18,632	**17**	17
		102,651	148,318	**47,634**	51,896
Creditors: amounts falling due within one year	20	**(37,892)**	(79,268)	**(19,082)**	(29,018)
Net current assets		**64,759**	69,050	**28,552**	22,878
Total assets less current liabilities		**120,056**	133,229	**106,778**	100,581
Creditors: amounts falling due after more than one year	21	**(60,602)**	(61,612)	**(78,381)**	(68,856)
Provisions for liabilities and charges	24	**(139)**	-	**-**	-
Net assets		**59,315**	71,617	**28,397**	31,725
Capital and reserves					
Called-up share capital	26	**7,231**	7,223	**7,231**	7,223
Share premium account	28	**20,281**	20,168	**20,281**	20,168
Revaluation reserve	28	**1,551**	1,663	**99**	99
Other reserves	28	**(1,674)**	(1,036)	**511**	553
Profit and loss account	28	**31,926**	43,599	**275**	3,682
Total capital employed		**59,315**	71,617	**28,397**	31,725

The accounts on pages 30 to 54 were approved by the board of directors on 17 June 2002 and signed on its behalf by:

R.W. Goodall
Chairman

R.W. Goodall

K.S. Hooper
Group Finance Director

The Notes on pages 37 to 54 are an integral part of and should be read in conjunction with these balance sheets.

Consolidated Cash Flow Statement

For the year ended 31 March 2002

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	£'000	**2002 £'000**	£'000	2001 £'000
Net cash inflow from operating activities (see Note 30a)		**30,222**		24,506
Return on investments and servicing of finance				
Interest received	**305**		898	
Interest paid	**(2,862)**		(4,847)	
Refinancing costs	**(347)**		-	
Interest element of finance lease rentals	**(12)**		-	
Preference dividends paid	**(6)**		(3)	
Net cash outflow from returns on investments and servicing of finance		**(2,922)**		(3,952)
Taxation				
UK corporation tax paid	**(700)**		(626)	
Overseas tax paid	**(3,469)**		(5,894)	
Tax paid		**(4,169)**		(6,520)
Capital expenditure				
Purchase of tangible fixed assets	**(5,084)**		(14,419)	
Sale of tangible fixed assets and current asset investments	**689**		870	
Net cash outflow from capital expenditure		**(4,395)**		(13,549)
Acquisitions and disposals				
Purchase of subsidiary undertakings	**(4,015)**		(2,155)	
Net cash outflow from acquisitions		**(4,015)**		(2,155)
Equity dividends paid		**(6,893)**		(7,529)
Cash inflow/(outflow) before financing		**7,828**		(9,199)
Financing				
Issue of ordinary share capital	**121**		801	
(Decrease)/increase in short term borrowings	**(590)**		15,381	
Capital element of finance lease rentals	**(138)**		-	
Net cash (outflow)/inflow from financing		**(607)**		16,182
Increase in cash in year		**7,221**		6,983

The Notes on pages 37 to 54 are an integral part of and should be read in conjunction with this statement.

Notes to the Accounts

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1 Holding company profit and loss account

As permitted by Section 230 of the Companies Act 1985 the Company has not presented a separate profit and loss account. The Company's loss after taxation for the financial year, determined in accordance with the Act, was £1,822,000.

2 Segment information

Turnover by geographical area	External sales by destination		Total sales by source	
	2002	2001	**2002**	2001
	£'000	£'000	**£'000**	£'000
United Kingdom	**49,529**	65,500	**64,883**	74,241
Republic of Ireland	**7,340**	5,140	**34,648**	83,977
Other Europe	**43,026**	95,193	**9,362**	22,090
Total Europe	**99,895**	165,833	**108,893**	180,308
The Americas	**112,391**	183,322	**117,807**	194,579
Asia	**63,410**	69,144	**76,257**	94,884
Less: Inter-divisional			**(27,261)**	(51,472)
	275,696	418,299	**275,696**	418,299

Operating profit, profit before tax and net assets by geographical area and by class of business and turnover by class of business are not given as such disclosure is considered seriously prejudicial to the interests of the Group.

3 Other operating expenses (net)

Other operating expenses comprise:	**2002** **£'000**	2001 £'000
Selling and distribution expenses	**15,518**	17,959
Administrative expenses - goodwill amortisation	**871**	899
- other	**17,898**	19,295
Other operating income	**(770)**	(447)
Other operating expenses (net)	**33,517**	37,706

4 Exceptional operating item

	2002 **£'000**	2001 £'000
Closure of US facility	**1,033**	-

This represents the costs of closure of the Group's US East Coast facility at Dartmouth, Massachussetts and all its associated costs.

5 Costs of a fundamental restructuring of continuing operations

	2002 **£'000**	2001 £'000
Restructuring costs of European/UK operations	**6,278**	3,344

This year's cost represents a fundamental restructuring of the Group's European power cord and infocom assembly operations. The fundamental restructuring has occured because of the changing nature of its customers which increasingly comprise strategically located intermediary EMS's rather than OEMs.

The resultant total cost included the impairment of £1,706,000 of fixed assets (see Note 15).

The tax effect of this exceptional item was £979,000 (2001: £319,000)

Notes to the Accounts

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6 Exchange rates

The principal exchange rates used in the preparation of the accounts are:

		Average	%		Year End	%
	2002	2001	Change	**2002**	2001	Change
US dollar	**1.44**	1.48	(2.7%)	**1.42**	1.42	-
Singapore dollar	**2.56**	2.58	(0.8%)	**2.62**	2.57	2.0%
Euro	**1.63**	1.63	-	**1.63**	1.61	1.2%
Canadian dollar	**2.23**	2.22	0.5%	**2.27**	2.24	1.3%
Brazilian real	**3.49**	2.81	24.2%	**3.31**	3.08	7.5%
Swedish krona	**15.00**	13.80	8.7%	**14.75**	14.70	0.3%

7 Finance Costs – interest (net)

Net finance costs represent:	**2002** **£'000**	2001 £'000
Income receivable on bank deposits	**(309)**	(834)
Interest payable on bank loans and overdraft	**3,369**	5,282
Finance costs – net	**3,060**	4,448

8 Finance costs – refinancing costs

Refinancing costs of £2,260,000 (2001 - £nil) represent the expenses incurred on re-negotiating the Group's bank facilities with its major lenders (see post balance sheet event Note 31 and Financial Review on page 13).

9 (Loss)/Profit on ordinary activities before taxation

(Loss)/Profit on ordinary activities before taxation is stated after charging/(crediting):		**2002** **£'000**	2001 £'000
Depreciation	- owned assets	**7,819**	7,365
	- leased assets	**698**	518
Impairment of fixed assets		**1,706**	1,788
Amortisation of goodwill		**871**	899
Hire of plant and machinery	- under operating leases	**1,124**	1,337
	- other	**148**	267
Other operating leases		**6,221**	5,042
Government grants		**(434)**	(565)
Auditors' remuneration	- audit services (world-wide)	**291**	267
	- non-audit services (world-wide)	**310**	323
Research and development		**3,328**	3,460
Rent receivable		**-**	(11)

Notes to the Accounts

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10 Employee costs a. The average monthly number of persons, including executive directors employed by the Group during the year was:	2002 Number employed	2001 Number employed
Production	**8,153**	11,524
Sales and distribution	**274**	321
Administration	**1,119**	828
	9,546	12,673

b. Aggregate remuneration comprised:	2002 £'000	2001 £'000
Wages and salaries	**71,084**	87,070
Social security	**5,481**	6,887
Pensions (see Note 32)	**2,517**	2,326
	79,082	96,283

Disclosures on Directors' remuneration, share options, long-term incentive schemes, pension contributions and pension entitlements required by the Companies Act 1985 and those specified for audit by the UK Listing Authority are on pages 19 to 21 within the Remuneration Report and form part of these audited accounts.

11 Tax on (loss)/profit on ordinary activities The tax (credit)/charge is based on the (loss)/profit for the year and comprises:	2002 £'000	2001 £'000
Current Tax		
UK corporation tax	**(231)**	1,640
Foreign tax	**(2,892)**	7,004
Adjustments in respect of prior years		
Foreign tax	**(1,346)**	-
Total current tax	**(4,469)**	8,644
Deferred taxation		
Origination and reversal of timing differences	**(141)**	(954)
Decrease in estimate of recoverable deferred tax asset	**703**	-
Total deferred tax (see Note 25)	**562**	(954)
Total tax on (loss)/profit and ordinary activities	**(3,907)**	7,690

UK and overseas taxation is based on losses for the year and the Group tax credit has been influenced by the differing tax rates in overseas countries.

	2002 £'000	2001 £'000
Tax on (loss)/profit of ordinary activities at standard UK corporation tax rate of 30% (2001 - 30%)	**(4,215)**	7,958
Effects of:		
Expenses not deductible for tax purposes	**2,125**	2,983
Capital allowances in excess of depreciation	**93**	516
Timing differences	**1,043**	669
Utilisation of tax losses	**(315)**	-
Higher tax rates on overseas earnings	**(1,854)**	(3,482)
Adjustments to tax charge in respect of previous periods	**(1,346)**	-
Group current tax (credit)/charge for the year	**(4,469)**	8,644

Notes to the Accounts

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12 Dividends paid and proposed on equity and non-equity shares

	2002 £'000	2001 £'000
Equity shares:		
Ordinary dividends		
- prior year final dividend on shares issued after 31 March 2001 under share option schemes	**6**	26
- interim paid of 5.5p per share (2001 – 9.4p per share)	**1,573**	2,682
- final proposed of nil p per share (2001 – 18.6p per share)	**-**	5,314
Non-equity shares:		
Cumulative preference dividends		
- interim paid	**3**	3
- final payable	**3**	3
	1,585	8,028

13 (Loss)/earnings per ordinary share

The calculations of (loss)/earnings per share are based on the following (losses)/profits and numbers of shares:

	2002 £'000	2001 £'000
(Loss)/profit for the financial year	**(10,143)**	18,838
Preference dividends	**(6)**	(6)
Basic (loss)/earnings	**(10,149)**	18,832
Goodwill amortisation	**871**	899
Cost of fundamental restructuring	**6,278**	3,344
Finance restructuring costs	**2,260**	-
Tax on exceptional items	**(1,657)**	(319)
Headline (loss)/earnings	**(2,397)**	22,756

Weighted average number of shares:

	No. of Shares	No. of Shares
For basic (loss)/earnings per share	**28,592,218**	28,487,198
Exercise of share options	**11,794**	303,928
For diluted (loss)/earnings per share	**28,604,012**	28,791,126
Headline (loss)/earnings per share (full)	**(8.4)p**	79.9p
Basic (loss)/earnings per share (full)	**(35.5)p**	66.1p
Diluted (loss)/earnings per share (full)	**(35.5)p**	65.4p

Headline (loss)/earnings per share has been calculated on the basis of continuing activities before goodwill amortisation, exceptional restructuring costs and exceptional refinancing costs in each case net of tax. The directors consider that this gives a better understanding of the Group's (loss)/earnings.

Notes to the Accounts

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14 Goodwill

	£'000
Cost	
Beginning of year	**16,294**
Exchange adjustment	**105**
End of year	**16,399**
Amortisation	
Beginning of year	**1,450**
Charge for the year	**871**
Exchange adjustment	**13**
End of year	**2,334**
Net book value – end of year	**14,065**
Net book value – beginning of year	**14,844**

15 Tangible fixed assets

a. Tangible fixed assets comprise:	**2002**	Group 2001	**2002**	Company 2001
	£'000	£'000	**£'000**	£'000
Land and buildings				
- freehold	**5,997**	8,175	**1,039**	1,469
- long leasehold	**8,072**	8,685	**322**	591
Plant and machinery	**27,163**	32,475	**3,620**	5,855
	41,232	49,335	**4,981**	7,915

b. The movement in the year was as follows:
(i) Group

	Land and buildings		Plant and machinery		Total
	Freehold	Long leasehold	Owned	Leased	
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
Beginning of year	8,807	9,967	76,317	96	95,187
Additions	74	438	3,942	145	4,599
Disposals	(368)	-	(1,428)	(66)	(1,862)
Reclassification	(96)	-	96	-	-
Transfer to current asset investments	(1,738)	-	-	-	(1,738)
Exchange adjustment	(81)	(171)	(472)	-	(724)
End of year	6,598	10,234	78,455	175	95,462
Depreciation					
Beginning of year	632	1,282	43,843	95	45,852
Charge for the year	237	665	7,582	33	8,517
Impairment adjustment (see note 5)	-	235	1,471	-	1,706
Disposals	(10)	-	(1,285)	(65)	(1,360)
Transfer to current asset investments	(256)	-	-	-	(256)
Exchange adjustment	(2)	(20)	(209)	2	(229)
End of year	601	2,162	51,402	65	54,230
Net book value – end of year	5,997	8,072	27,053	110	41,232

Notes to the Accounts

15 Tangible fixed assets - continued

(ii) Company	Land and buildings		Plant and machinery		Total
	Freehold	Long leasehold	Owned	Leased	
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
Beginning of year	1,738	688	28,785	96	31,307
Additions	-	-	1,029	-	1,029
Disposals	(368)	-	(241)	(66)	(675)
End of year	1,370	688	29,573	30	31,661
Depreciation					
Beginning of year	269	97	22,931	95	23,392
Charge for the year	72	34	1,776	-	1,882
Impairment adjustment	-	235	1,471	-	1,706
Disposals	(10)	-	(225)	(65)	(300)
End of year	331	366	25,953	30	26,680
Net book value – end of year	1,039	322	3,620	-	4,981

(iii) Freehold and leasehold land and buildings were professionally valued as at 31 March 1997 on an existing use basis or, where considered relevant, an open market value basis. These valuations have been adopted subject to certain instances where a lower value has been applied to reflect the directors' assessment of the subsequent recoverable amount.

Cost and valuation analysis:

The valuation at 31 March 1997 with subsequent additions at cost are as follows:

			Group			Company
	Freehold	Long leasehold	Total	Freehold	Long leasehold	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Valuation 1997	2,772	6,621	9,393	1,243	26	1,269
Cost	5,564	3,295	8,859	127	344	471
	8,336	9,916	18,252	1,370	370	1,740

c. Original cost, and aggregate depreciation based on cost of land and buildings:

			Group			Company
	Freehold	Long leasehold	Total	Freehold	Long leasehold	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Original cost	10,495	6,703	17,198	2,370	271	2,641
Depreciation based on cost	(1,910)	(2,341)	(4,251)	(779)	(48)	(827)
Net book value	8,585	4,362	12,947	1,591	223	1,814

16 Fixed asset investments

a. Fixed asset investments comprise investments in wholly owned subsidiary undertakings and capital loans.

The movement on these investments during the year was as follows:	£'000	Shares £'000	Loans £'000	Total
Cost				
Beginning of year		7,870	61,918	69,788
Additions		-	4,015	4,015
Exchange adjustments		-	(558)	(558)
Net book value - end of year		7,870	65,375	73,245

Notes to the Accounts

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16 Fixed asset investments - continued

b. Details of the Group's operating subsidiary undertakings are set out below.

United Kingdom:
Volex Group p.l.c. operates under a divisional structure in the UK, these divisions being Volex Powercords, Volex Wiring Systems and Volex Ionix.

Overseas:
The operating overseas subsidiary undertakings, the business of which is the manufacture and/or sale of interconnect and cable assembly products and all of which are wholly owned, are as follows:-

	Country of incorporation or registration and operation
Volex (Asia) Pte Ltd*	Singapore
Volex Mayor Cables (HK) Ltd†	Hong Kong
P.T. Volex Indonesia†	Indonesia
P.T. Volex Cable Assembly†	Indonesia
Volex Cables (Shenzhen) Co. †	China
Volex Cable Assemblies (Suzhou) Co. Ltd†	China
Volex Japan KK†	Japan
Volex (Taiwan) Co. Ltd†	Taiwan
Volex Thailand Co. Ltd†	Thailand
Volex Interconnect India Pvt Ltd†	India
Volex Cable Assemblies (Phils.), Inc. †	Phillippines
Volex Cable Assemblies (Zhongshan) Co. Ltd†	China
Volex do Brasil Ltda*	Brazil
Volex Cable Assemblies Sdn Bhd	Malaysia
Volex Canada Inc.	Canada
Volex Inc.*	USA
Volex Aguascalientes SA de CV#	Mexico
Volex Ltd#	Republic of Ireland
Volex de Mexico SA de CV#	Mexico
Volex Hermosillo SA de CV#	Mexico
Volex d.o.o.	Croatia
Volex Sweden AB*	Sweden
Volex Estonia OU	Estonia

* these interests are held through 100% owned local parent companies
# these interests are held by Volex Inc.
† these interests are held by Volex (Asia) Pte Ltd

17 Stocks

Stocks comprise:		Group		Company
	2002	2001	**2002**	2001
	£'000	£'000	**£'000**	£'000
Raw materials and consumables	**18,713**	30,264	**2,012**	2,745
Work-in-progress	**2,528**	3,895	**1,160**	1,420
Finished goods	**14,494**	24,823	**5,925**	9,397
	35,735	58,982	**9,097**	13,562

Notes to the Accounts

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18 Debtors

Debtors comprise:		Group		Company
	2002	2001	**2002**	2001
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year:				
Trade debtors	**43,242**	65,154	**12,574**	14,199
Due from subsidiary undertakings	**-**	-	**24,244**	22,624
Other debtors	**1,327**	1,254	**300**	48
Tax recoverable	**3,739**	-	**691**	-
Prepayments and accrued income	**4,036**	3,457	**711**	705
ACT recoverable	**-**	271	**-**	271
Deferred tax (Note 25)	**-**	568	**-**	470
	52,344	70,704	**38,520**	38,317

19 Current asset investments

		Group
	2002	2001
	£'000	£'000
Freehold properties	**1,482**	-

Current asset investments comprise freehold properties now held for sale.

20 Creditors: amounts falling due within one year

The following amounts are included in creditors falling due within one year:		Group		Company
	2002	2001	**2002**	2001
	£'000	£'000	**£'000**	£'000
Bank loans and overdrafts – unsecured (see Note 31)	**2,827**	15,454	**2,827**	8,098
Obligations under finance leases	**70**	-	**-**	-
Trade creditors	**21,637**	35,733	**6,254**	7,648
Due to subsidiary undertakings	**-**	-	**2,595**	2,430
Proposed dividends	**-**	5,317	**-**	5,317
Other creditors:				
- UK corporation tax and foreign taxes	**326**	5,488	**-**	638
- Social security and employee taxes	**808**	771	**358**	444
- VAT	**1,018**	673	**526**	435
Accruals and deferred income:				
- Government grants	**178**	228	**172**	181
- Deferred consideration	**-**	4,049	**-**	-
- Other	**11,028**	11,555	**6,350**	3,827
	37,892	79,268	**19,082**	29,018

Notes to the Accounts

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21 Creditors: amounts falling due after more than one year

The following amounts are included in creditors falling due after more than one year:	Group		Company	
	2002	2001	**2002**	2001
	£'000	£'000	**£'000**	£'000
Bank loan – unsecured (see Note 31)	**60,563**	61,591	**60,563**	61,591
Obligations under finance leases	**39**	-	**-**	-
Due to subsidiary undertakings	**-**	-	**17,818**	7,250
Accruals and deferred income:				
- Government grants	**-**	21	**-**	15
	60,602	61,612	**78,381**	68,856

22 Analysis of borrowings

Borrowings are repayable as follows:	Group		Company	
	2002	2001	**2002**	2001
	£'000	£'000	**£'000**	£'000
Within 1 year	**2,897**	15,454	**2,827**	8,098
Within 2-5 years	**60,602**	61,591	**60,563**	61,591
Total borrowings	**63,499**	77,045	**63,390**	69,689

23 Derivatives and other financial instruments

Pages 14 to 15 of the Financial Review provide an explanation of the role that financial instruments have had during the period in creating or changing the risks the Group faces in its activities. The explanation summarises the objectives and policies for holding or issuing financial instruments and similar contracts, and the strategies for achieving those objectives that have been followed during the period.

The numerical disclosures in this note deal with financial assets and financial liabilities as defined in Financial Reporting Standard 13: Derivatives and other financial instruments: Disclosures (FRS 13). For this purpose non-equity shares issued by the Company are dealt with in the disclosures in the same way as the Group's financial liabilities but separately disclosed. Certain financial assets such as investments in subsidiary and associated companies are also excluded from the scope of these disclosures.

As permitted by FRS 13, short-term debtors and creditors have been excluded from the disclosures, other than the currency disclosures.

Notes to the Accounts

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23 Derivatives and other financial instruments - continued

a. Interest rate profile

Financial assets:

The Group has no financial assets at 31 March 2002 other than cash deposits with a sterling value of £13,090,000 (2001 - £18,632,000) which are part of the financing arrangements of the Group. All financial assets were at floating rates, except for certain immaterial cash deposits which do not earn interest. The deposits set out below comprise monies placed on the money market at call and monthly rates as follows:

Currency	**Floating rate 2002 £'000**	Floating rate 2001 £'000
Sterling	**139**	282
US dollar	**6,513**	1,336
Euro	**1,890**	7,848
Singapore dollar	**724**	3,746
Canadian dollar	**67**	1,438
Croatian kuna	**123**	860
Brazilian real	**641**	673
Swedish krona	**322**	575
Estonian kroons	**-**	14
Chinese renminbi	**2,671**	1,860
Total	**13,090**	18,632

The interest rates on the floating rate financial assets are linked to money markets call and monthly rates in the local financial market.

Financial liabilities:

After taking into account forward foreign currency contracts entered into by the Group, the analysis between floating and fixed interest rates for the Group's financial liabilities at 31 March was as follows:

Currency	**Floating 2002 £'000**	**Fixed 2002 £'000**	**Total 2002 £'000**	Floating 2001 £'000	Fixed 2001 £'000	Total 2001 £'000
Sterling - non-equity shares	**-**	**80**	**80**	-	80	80
- other	**-**	**-**	**-**	860	-	860
US dollar	**48,989**	**-**	**48,989**	55,861	-	55,861
Singapore dollar	**9,559**	**-**	**9,559**	13,968	-	13,968
Canadian dollar	**4,842**	**-**	**4,842**	6,356	-	6,356
Brazilian real	**109**	**-**	**109**	-	-	-
Total	**63,499**	**80**	**63,579**	77,045	80	77,125

The interest rate on floating/fixed rate financial liabilities is linked to:

(i) Sterling – non-equity shares	7% (fixed) – see note 27
(ii) Sterling – other	UK sterling LIBOR on liabilities held in the UK
(iii) US dollars	Three, six and twelve months US dollar LIBOR on liabilities held in the UK and the US prime rate for liabilities held in the US.
(iv) Singapore dollars	Three, six and twelve months Singapore dollar LIBOR on liabilities in the UK
(v) Canadian dollars	Three, six and twelve months Canadian dollar LIBOR on liabilities held in the UK

Notes to the Accounts

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23 Derivatives and other financial instruments - continued

b. Currency exposures

As explained on page 15 of the Financial Review, the Group's objectives in managing its structural currency exposures arising from its net investment overseas are to maintain a low cost of borrowings whilst partially hedging against currency depreciation. Gains and losses arising from these structural currency exposures are recognised in the statement of total recognised gains and losses. The Group does not hedge directly the translation exposure of the profit and loss account whether by use of options or other derivatives.

The table below shows the Group's currency exposures; in other words, those transactional exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the operating currency of the operating unit involved, other than certain non-sterling borrowings treated as hedges of net investment in overseas operations. As at 31 March 2002 these exposures were as follows:

Functional currency of Group operation — Net foreign currency monetary assets/(liabilities)*

	Sterling £'000	US dollar £'000	Japanese Yen £'000	Euro £'000	Singapore dollar £'000	HK dollar £'000	CH Rmb £'000	Total £'000
Sterling	-	(1,029)	(600)	(944)	(556)	-	-	(3,129)
Euro	7	137	-	-	-	-	-	144
Singapore dollar	(320)	3,435	122	232	-	418	4,793	8,680
Total	(313)	2,543	(478)	(712)	(556)	418	4,793	5,695

The exposures at 31 March 2001 for comparison purposes were as follows:-

Functional currency of Group operation — Net foreign currency monetary assets/(liabilities)*

	Sterling £'000	US dollar £'000	Japanese Yen £'000	Irish Punt £'000	Euro £'000	Singapore dollar £'000	HK dollar £'000	CH Rmb £'000	Total £'000
Sterling	-	1,250	(13)	241	35	-	-	-	1,513
Irish punt	(11)	(251)	-	-	3,703	-	-	-	3,441
Singapore dollar	(226)	5,055	121	-	-	-	(314)	3,995	8,631
Total	(237)	6,054	108	241	3,738	-	(314)	3,995	13,585

The amounts shown in the tables above take into account the effect of any derivatives (including forward contracts) entered into to manage these currency exposures.

* comprising net trade debtors and creditors.

c. Maturity of financial liabilities

The maturity profile of the Group's financial liabilities at 31 March 2002 was as follows:

	Non-equity Shares 2002 £'000	**Borrowings (Note 22) 2002 £'000**	**Total 2002 £'000**	Total 2001 £'000
In one year or less	-	**2,897**	**2,897**	15,454
In more than two years but not more than five years	-	**60,602**	**60,602**	61,591
In more than five years	**80**	-	**80**	80
Total	**80**	**63,499**	**63,579**	77,125

Notes to the Accounts

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23 Derivatives and other financial instruments - continued

d. Borrowings facilities

The Group had undrawn committed borrowing facilities at 31 March 2002 and 2001 as follows:

	2002 £'000	2001 £'000
Expiry in one year or less	**14,460**	17,593

e. Fair values

Set out below is a comparison by category of book values and fair values of the Group's financial assets and liabilities at 31 March 2002 and 31 March 2001.

		2002		2001
	Book Value £'000	**Fair Value £'000**	Book Value £'000	Fair Value £'000
Derivative financial instruments held to manage the interest rate profile:				
Interest rate swaps	**-**	**60**	-	-

The fair values of the interest rate swaps have been determined by reference to prices available from the external market.

f. Gains and losses on hedges

The Group enters into forward foreign currency contracts to reduce the currency exposures that arise on sales denominated in foreign currencies.

The Group had material foreign currency forward contracts denominated in US dollars during both financial years ended 31 March 2002 and 31 March 2001, although there were no such contracts at the year ends.

24 Provisions for liabilities and charges

		Group		Company
	2002 £'000	2001 £'000	**2002 £'000**	2001 £'000
Deferred tax (See Note 25 below)	**139**	-	**-**	-

25 Deferred taxation

The movement during the year was as follows:		Group		Company
	2002 £'000	2001 £'000	**2002 £'000**	2001 £'000
Beginning of year	**(568)**	(330)	**(470)**	(189)
Exchange adjustment	**145**	(24)		-
Re-assessment of fair value	**-**	740		-
Charged/(credited) to the profit and loss account	**562**	(954)	**470**	(281)
End of year	**139**	(568)	**-**	(470)

Notes to the Accounts

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25 Deferred taxation - continued

(i) Deferred tax is provided as follows:

		Group		Company
	2002	2001	**2002**	2001
	£'000	£'000	**£'000**	£'000
Excess of tax allowance over book depreciation of fixed assets	**-**	453	**-**	(270)
Short term timing differences	**139**	(1,021)	**-**	(200)
	139	(568)	**-**	(470)

(ii) The unprovided amount of deferred taxation on all timing differences is as follows:

		Group		Company
	2002	2001	**2002**	2001
	£'000	£'000	**£'000**	£'000
Shortfall of tax allowances over book depreciation on tangible fixed assets	**(1,472)**	(1,257)	**(1,472)**	(1,257)
Short term timing differences	**(3,713)**	(2,390)	**(1,016)**	(967)
	(5,185)	(3,647)	**(2,488)**	(2,224)
Rollover relief on capital gains	**218**	218	**-**	-
Unrecognised asset	**(4,967)**	(3,429)	**(2,488)**	(2,224)

26 Called-up share capital		Authorised		Allotted, called-up and fully paid
	2002	2001	**2002**	2001
	£'000	£'000	**£'000**	£'000
Equity:				
Ordinary shares of 25p each (35,680,000 authorised – 28,602,637 allotted)	**8,920**	8,920	**7,151**	7,143
Non-Equity:				
Cumulative preference shares of £1 each (80,000 authorised and allotted)	**80**	80	**80**	80
	9,000	9,000	**7,231**	7,223

During the year the Company issued 30,585 ordinary shares of 25p each, having an aggregate nominal value of £7,646, on the exercise of share options under the Volex Group Employee Share Savings Scheme and the Volex 1994 Share Savings Scheme (the "Employee Share Savings Schemes") and under the Volex Group 1984 Share Option Scheme and the Volex 1994 Share Option Scheme (the "Discretionary Share Option Schemes"). The Company received £120,060 in consideration for the allotments.

Notes to the Accounts

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26 Called-up share capital - continued

The following options to subscribe for ordinary shares of 25p each, granted under the terms of the Employee Share Savings Schemes and the Discretionary Share Option Schemes were outstanding at 31 March 2002:

	No of Options	No of shares	Option price	Normal exercise period
Employee Share Savings Schemes (329 members)				
	68	57,847	331p	2000-2003
	48	27,491	517p	2001-2004
	77	39,525	482p	2002-2005
	91	16,567	1051p	2003-2006
	276	119,236	631p	2004-2007
Discretionary Share Option Schemes (36 members)				
	1	12,000	425p	1997-2004
	2	16,200	394p	1998-2005
	6	83,725	455p	1999-2006
	2	18,000	410p	2000-2007
	2	12,000	485.5p	2000-2007
	7	98,000	610p	2001-2008
	6	99,500	622.5p	2002-2009
	1	20,000	922.5p	2002-2009
	36	171,431	1475p	2003-2010
	36	166,000	788p	2004-2011

All of the shareholders' funds represent equity interests except for £80,000 in respect of the preference shares (see note 27).

27 Non-equity content of shareholders' funds

The Company has in issue 80,000 cumulative preference shares of £1 each with the rights to a fixed cumulative preference dividend payable on the amount paid up or credited as paid up thereon on 31 March and 30 September in each year but not to any further participation in the profits of the Company.

As a result of the provisions contained in the Finance Act 1998 the cash dividend payable on the cumulative preference shares of £1 each has reverted to its pre 1973 rate of 7% (previously 4.9%).

The preference shares also confer the right on a winding up to have the capital paid up or credited as paid up on such preference shares and all arrears of dividend, whether declared or not up to the commencement of the winding up, paid off in priority to any payment off of capital on the ordinary shares but without any further right to participate in profits or assets.

The preference shares do not confer on the holders the right to attend and vote, either in person or by proxy at any General Meeting, or to have notice of such Meeting unless the Meeting is convened for reducing the capital or winding up, or sanctioning a sale of undertaking, or where the proposition to be submitted to the Meeting directly affects the rights and privileges of the holders, or the dividend thereon is in arrears for more than three months.

Notes to the Accounts

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28 Reserves

a. Reserves comprise

	Group 2002 £'000	Group 2001 £'000	Company 2002 £'000	Company 2001 £'000
Profit and loss account	**31,926**	43,599	**275**	3,682
Share premium account	**20,281**	20,168	**20,281**	20,168
Revaluation reserve	**1,551**	1,663	**99**	99
Other reserves	**(1,674)**	(1,036)	**511**	553
Total reserves	**52,084**	64,394	**21,166**	24,502

The balance on the Company profit and loss account is distributable

b. The movement in the year was as follows:

	Profit and loss account £'000	Share premium account £'000	Revaluation reserve £'000	Other reserves £'000	Total £'000
Group					
Beginning of year	43,599	20,168	1,663	(1,036)	64,394
Loss for the year transferred to reserves	(11,728)	-	-	-	(11,728)
Premium on allotments	-	113	-	-	113
Transfer from revaluation reserve	55	-	(55)	-	-
Exchange adjustment	-	-	(57)	(638)	(695)
End of year	31,926	20,281	1,551	(1,674)	52,084
Company					
Beginning of year	3,682	20,168	99	553	24,502
Loss for the year transferred to reserves	(3,407)	-	-	-	(3,407)
Premium on allotments	-	113	-	-	113
Exchange adjustment	-	-	-	(42)	(42)
End of year	275	20,281	99	511	21,166

The balance on the Company profit and loss account is distributable.

The cumulative amount of goodwill resulting from acquisitions prior to 31 March 1998 which has been written off was £33.4m. Goodwill arising on acquisitions post this date has been capitalised and amortised over twenty years.

29 Financial commitments

a. Capital commitments at the end of the year were:

	Group 2002 £'000	Group 2001 £'000	Company 2002 £'000	Company 2001 £'000
Contracted for but not provided for	**579**	2,029	**68**	141

b. Operating leases

The Group has entered into non-cancellable operating lease arrangements in respect of certain items of plant and machinery and motor vehicles. The total annual rental due under these arrangements in the year ended 31 March 2002 was £1,859,000 (2001 - £1,337,000).

In addition the Group leases properties on short-term leases. The rentals paid under these leases during the year were £5,486,000 (2001 - £5,042,000). The rents payable are subject to re-negotiation at various intervals specified in the leases. The Group pays for all insurance, maintenance and repairs.

Notes to the Accounts

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29 Financial commitments - continued

The annual rentals under the foregoing leases are as follows:

	Property		Machinery, plant & motor vehicles	
	2002 **£'000**	2001 £'000	**2002** **£'000**	2001 £'000
Group				
Payable within 1 year on leases expiring:				
- within 1 year	**341**	731	**1,046**	1,335
- within 1-2 years	**944**	515	**121**	109
- within 2-5 years	**1,513**	1,805	**522**	482
- after 5 years	**2,189**	1,795	**-**	-
	4,987	4,846	**1,689**	1,926
Company				
Payable within 1 year on leases expiring:				
- within 1 year	**-**	-	**16**	63
- within 1-2 years	**-**	-	**94**	81
- within 2-5 years	**90**	80	**267**	221
- after 5 years	**776**	807	**-**	-
	866	887	**377**	365

30 Consolidated cash flow statement

a. Reconciliation of operating (loss)/profit to net cash inflow from operating activities	**2002** **£'000**	2001 £'000
Operating (loss)/profit	**(2,452)**	34,320
Depreciation charges	**8,517**	7,883
Goodwill amortised	**871**	899
Government grants	**(434)**	(565)
Profit on sale of tangible fixed assets	**(258)**	(186)
Decrease/(increase) in stocks	**23,698**	(9,664)
Decrease/(increase) in debtors	**19,735**	(1,903)
Decrease in creditors	**(17,480)**	(6,278)
Cash impact of fundamental restructuring	**(1,975)**	-
Net cash inflow from operating activities	**30,222**	24,506

Notes to the Accounts

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30 Consolidated cash flow statement - continued

b. Analysis of net debt:

	1 April 2001 £'000	Cash Flow £'000	Other non-cash changes £'000	Exchange Movement £'000	**31 March 2002 £'000**
Cash at bank and in hand	18,632	(5,365)	-	(177)	**13,090**
Overdraft	(15,454)	12,586	-	41	**(2,827)**
		7,221			
Loans	(61,591)	590	-	438	**(60,563)**
Finance Leases	-	138	(242)	(5)	**(109)**
		728			
Net debt	(58,413)	7,949	(242)	297	**(50,409)**

c. Reconciliation of net cash flow to movement in net debt:	**2002 £'000**	2001 £'000
Increase in cash in the year	**7,221**	6,983
Cash outflow/(inflow) from decrease/(increase) in debt & lease financing	**728**	(15,381)
Change in net debt resulting from cash flows	**7,949**	(8,398)
New finance leases	**(242)**	-
Translation difference	**297**	(6,211)
Movement in net debt in the year	**8,004**	(14,609)
Net debt at 1 April 2001	**(58,413)**	(43,804)
Net debt at 31 March 2002	**(50,409)**	(58,413)

31 Post balance sheet event

Since the year end the Company has completed the renegotiation of the terms of its borrowing facilities with its principal bankers (Barclays Bank PLC, Royal Bank of Scotland PLC and Fleet National Bank). Of these facilities, 80% are medium term multi-currency loans with the balance being short term facilities (i.e. less than 1 year). The medium term loans are for an initial period of two years with the Company having an option for a further one year extension subject to its meeting certain specified conditions. These new facilities, which will be on a secured basis, will increase the average cost of borrowing by the Group by approximately 250 basis points (2.5%) over the average cost of borrowings in the 2002 year, with pre-determined reductions in these margins being agreed against scheduled repayments.

In addition, the Company has issued option warrants to the banks in respect of 5% of its issued ordinary share capital exercisable between June 2004 and June 2005 at a 10% premium to the average share price over the 30 day period starting 18 June 2002.

The Company considers that the new facilities are adequate for its working capital purposes in the foreseeable future.

The costs of this refinancing are set out below, together with the accounting treatment thereof:-

	£'000
- Expensed direct to profit and loss account (see note 8)	**2,260**
- to be amortised over loan term	**210**
Total cost of bank refinancing	**2,470**

32 Pension arrangements

a. United Kingdom

The Company maintains two Inland Revenue approved defined benefit schemes which are funded by payments held in independent trusts. During the year both of these schemes were closed to new members. Contributions to these schemes are charged to the profit and loss account so as to spread the costs of pensions over the members' working lives with the Company. Costs are assessed with the advice of a qualified actuary using the attained age funding method. The principal actuarial assumptions used are based on a long-term investment yield of 2.0% p.a. in excess of salary increases and 2.8% pa in excess of statutory pension increases in respect of post 5 April 1997 service. There is no funding for any non-statutory increases to pensions accruing prior to 6 April 1997. As at the date of the last actuarial valuation in August 1998, the Schemes were fully funded after allowing for the expected salary growth.

The funds were valued at £9.2m as at 31 March 2002. As at the date of the last actuarial valuation in August 1998 the Schemes were fully funded after allowing for expected salary growth.

Additional disclosures regarding the Group's defined benefit pension schemes are required under the transitional provisions of FRS 17 "Retirement benefits" and these are set out below. The disclosures relate to the first year of the transitional provisions. They provide information, which will be necessary for full implementation of FRS 17 in the year ending 31 March 2004.

The actuarial valuation described above has been updated at 31 March 2002 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS17. Investments have been valued, for this purpose, at fair value.

The major assumptions used for the actuarial valuation were:

Rate of increase in salaries	4.6%
Rate of increase in pensions in payment	2.8%
Discount rate	6.0%
Inflation assumption	2.8%

The fair value of the assets in the schemes, the present value of the liabilities in the schemes and the expected rate of return at the balance sheet date were:

	%	£'000
Equities and property	7.25%	7,800
Bonds	5.25%	1,713
Total fair value of assets		9,513
Present value of scheme liabilities		(11,060)
Deficit in the scheme		(1,547)
Related deferred tax asset		-
Net pension liability		(1,547)

The contribution rates for the two schemes for 2001/2002 ranged between 8.3% - 30% of pensionable earnings.

The Company also has two Inland Revenue approved defined contribution schemes and makes contributions to a group personal pension plan.

b. Overseas

The Group operates two overseas defined contribution schemes, one in the USA and one in Ireland.

c. Pension costs

The regular pension costs charged in the year for the above UK and overseas schemes were £2,517,000 (2001 - £2,326,000).

Notice of Annual General Meeting

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NOTICE IS HEREBY GIVEN that the eighty-third Annual General Meeting of the Company will be held at The Copthorne Manchester, Clippers Quay, Salford Quays, Manchester M5 3DL on Monday 22 July 2002 at 11.30 a.m. for the following purposes:

1. To receive and consider the reports of the directors and of the auditors and the accounts for the year ended 31 March 2002.

2. To appoint Mr. J. Corcoran as a director (appointed during the year).

3. To re-appoint Mr. K.S. Hooper as a director (retiring).

4. To re-appoint Mr. D.J. Molloy as a director (retiring).

5. To re-appoint Mr. J.E. Roberts as a director (retiring).

6. To consider and, if thought fit, to pass the following resolution as a special resolution:

   That in accordance with Section 293 of the Companies Act 1985, Mr. R.W. Goodall having attained the age of 70 since the previous Annual General Meeting of the Company be re-appointed as a director of the Company.

7. To appoint Deloitte & Touche as auditors of the Company and to authorise the directors to determine their remuneration.

8. As special business to consider and, if thought fit, to pass the following resolution which will be proposed as an ordinary resolution:

   That, subject to and in accordance with article 6 of the Company's articles of association, the directors be authorised to allot relevant securities up to a maximum nominal amount of £1,769,340; that this authority shall expire on the date of the next Annual General Meeting of the Company and that all previous authorities under section 80 of the Companies Act 1985 shall cease to have effect.

9. As special business to consider and, if thought fit, to pass the following resolution which will be proposed as a special resolution:

   That, subject to and in accordance with article 7 of the Company's articles of association, the directors be empowered to allot equity securities for cash provided that this power shall expire on the date of the next Annual General Meeting of the Company and shall be limited for the purposes of paragraph (1)(b) of article 7 to the allotment of equity securities having a maximum nominal amount of £357,500 and that all previous authorities under section 95 of the Companies Act 1985 shall cease to have effect.

Dornoch House
Kelvin Close
Birchwood Science Park
Warrington WA3 7JX

21 June 2002

By order of the Board

Mark Ashcroft

M. Ashcroft
Director and Secretary

Notice of Annual General Meeting

▼

Notes

1. Only the holders of ordinary shares whose names appear on the register of members of the Company at the close of business on Saturday 20 July 2002 shall be entitled to attend the meeting, either in person or by proxy, and the number of ordinary shares then registered in their respective names shall determine the number of votes such persons are entitled to cast at the meeting. Changes to entries on the register of members after the close of business on Saturday 20 July 2002 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

2. A member entitled to attend and vote at the above meeting may appoint one or more proxies (who need not be members) to attend and vote on his behalf, save that a proxy appointed by a member who is an individual may vote only on a poll.

3. To be valid, the instrument appointing a proxy, together with the power of attorney or other authority (if any) under which it is signed (or an office copy thereof or a copy thereof certified in accordance with Section 3 of the Powers of Attorney Act 1971), must reach Capita IRG p.l.c., Proxy Department, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours before the time appointed for holding the meeting.

4. Copies of the Directors' service contracts (or memoranda of the terms thereof) will be available for inspection at the registered office and the offices of Allen & Overy, One New Change, London, EC4M 9QQ during usual business hours until the date of the meeting and at the place of the meeting from 10.30 am until its conclusion:

Form of Proxy
Volex Group p.l.c.

I/We (name(s) in full)____
(BLOCK CAPITALS, PLEASE)

of ____

being a holder/holders of ordinary shares in Volex Group p.l.c. HEREBY APPOINT the Chairman of the meeting, or failing him,

____

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 22 July 2002 and at any adjournment thereof.

If you wish to appoint a proxy other than the Chairman you should delete the words "the Chairman of the meeting," and insert the name of your proxy in the box and initial the alteration.

	FOR	AGAINST
1 Adoption of Report and Accounts		
2 Appointment of Mr. J. Corcoran as a director		
3 Re-appointment of Mr. K.S. Hooper as a director		
4 Re-appointment of Mr. D.J. Molloy as a director		
5 Re-appointment of Mr. J.E. Roberts as a director		
6 Re-appointment of Mr. R.W. Goodall as a director		
7 Appointment of Deloitte & Touche as auditors and authorisation of directors to determine their remuneration		
8 Authority to allot relevant securities		
9 Director's authority to allot shares for cash		

Please indicate with an "X" in the appropriate boxes how you wish your votes to be cast. Unless otherwise directed the proxy will vote or abstain as he thinks fit. On any other business arising at the meeting (including any motion to amend a resolution or adjourn the meeting) the proxy will act at his discretion.

Dated this ____________________ day of ____________________ 2002

Signature(s)____

Notes:

1 To be valid, the instrument appointing a proxy, together with the power of attorney or other authority (if any) under which it is signed (or an office copy thereof or a copy thereof certified in accordance with Section 3 of the Powers of Attorney act 1971), must reach the Company's Registrars, Capita IRG p.l.c. Proxy Department, Special Projects Department, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours before the time appointed for holding the meeting.

2 In the case of joint holders the vote of the first-named holder on the Register of Members (whether voting in person or by proxy) will be accepted to the exclusion of the votes of the other joint holders. Please use block letters and insert names of all joint holders.

3 In the case of a corporation, this proxy must be executed under its common seal or under the hand of some agent or officer duly authorised. Copies of officers' authorities need not be deposited.

4 Any alterations made to this Form of Proxy must be initialled.

5 A proxy need not be a member of the Company.

Third fold and tuck in

BUSINESS REPLY SERVICE
Licence No. MB 122

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First fold

Capita IRG plc
Registrars for Volex Group p.l.c.
Proxy Department
Bourne House
34 Beckenham Road
Beckenham
Kent
BR3 4BR

Second fold

Five Year Summary

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	2002 £'000	2001 £'000	2000 £'000	1999 £'000	1998 £'000
Turnover					
Continuing operations	**275,696**	418,299	319,807	215,913	192,387
Operating (loss)/profit					
Continuing operations	**(2,452)**	34,320	25,976	19,208	17,272
(Loss)/profit on ordinary activities before taxation	**(7,772)**	29,872	23,104	18,203	17,032
Exceptional (charges)/income(net)	**(6,278)**	(3,344)	20	59	-
	(14,050)	26,528	23,124	18,262	17,032
(Loss)/profit after taxation and minority interests	**(10,143)**	18,838	15,295	12,195	11,343
Assets employed:					
Fixed assets	**55,297**	64,179	57,548	42,329	34,474
Net current assets	**64,759**	69,050	45,149	38,679	34,851
Creditors: amounts falling due after more than one year	**(60,602)**	(61,612)	(43,423)	(27,971)	(20,713)
Provisions	**(139)**	-	-	(44)	(946)
Net assets	**59,315**	71,617	59,274	52,993	47,666
Financed by:					
Shareholders' funds	**59,315**	71,617	59,274	52,352	47,666
Minority interests	-	-	-	641	-
Total capital employed	**59,315**	71,617	59,274	52,993	47,666
Capital expenditure (Excl. Acquisitions)	**4,599**	14,190	10,643	8,667	9,880
Key statistics					
(Loss)/earnings per share – headline	**(8.4)p**	79.9p	54.4p	42.4p	40.4p
(Loss)/earnings per share – basic	**(35.5)p**	66.1p	54.0p	43.2p	40.4p
Average number of ordinary shares	**28,592,218**	28,487,198	28,307,204	28,215,536	28,040,260
Dividend per share	**5.5p**	28.0p	25.7p	24.0p	22.5p
Dividend cover	**n/a**	2.3 times	2.1 times	1.8 times	1.8 times
Dividend cover – normalised*	**n/a**	2.7 times	2.1 times	1.8 times	1.8 times
Gearing (net cash)	**85%**	82%	74%	31%	12%
Return on average shareholders' funds**	**(15)%**	29%	27%	24%	25%
Return on average net assets***	**(13)%**	47%	47%	39%	39%
Share price - high	**830p**	2,155p	1,262.5p	660p	553p
- low	**155p**	660p	379p	382p	400p

* Excluding discontinued operations and exceptional items

** (Loss)/profit for the financial year/average shareholders' funds

*** Operating (loss)/profit/average of fixed and current assets excluding investments

Where relevant comparative figures have been restated in respect of continuing and discontinued activities.

Shareholder Information

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Financial Calendar

2001/2002

Final results announced	17 June 2002
Annual General Meeting	22 July 2002

2002/2003

Interim results published	November 2002
Interim dividend record date	December 2002
Interim dividend paid	January 2003
Year end	March 2003
Final results announced	June 2003

Useful web sites:

www.volex.com Includes Company news, press releases, Company information and latest financial reports.

www.capita-irg.com The registrar's site enables you to view details of your shareholding, address and dividend mandates. You can also get guidance on the site, for example on how to change a dividend mandate or address, or request replacement documents. You will need your investor code to access your personal details. This is on your share certificate or dividend tax voucher.

Registered Office and Advisers

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Registered office
Dornoch House, Kelvin Close, Birchwood Science Park,
Warrington WA3 7JX

Registered number
158956 (Registered in England and Wales)

Registrars
Capita IRG plc, Bourne House, 34 Beckenham Road,
Beckenham, Kent BR3 4TU

Auditors	Arthur Andersen
Merchant bankers	UBS Warburg
Bankers	Barclays Bank PLC Royal Bank of Scotland plc Fleet Bank
Stockbrokers	UBS Warburg
Solicitors	Allen & Overy

Typeset and Printed by Taylor Bloxham Ltd, Corporate and Financial, Leicester and London

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Manufacturing Locations

Ottawa, Ontario, Canada
Chula Vista, CA, USA
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Conover, NC, USA
Fremont, CA, USA
Indianapolis, IN, USA
Wilmington, MA, USA
Aguascalientes, Mexico
Hermosillo, Mexico
Tijuana, Mexico
Jacarei, Sao Paulo, Brazil

Europe

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Stoke-on-Trent,
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Manufacturing Locations

Castlebar, Ireland
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Stoke-on-Trent, England
Kuressaare, Estonia
Östersund, Sweden
Tczew, Poland
Zagreb, Croatia

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Chennai, India
Batam, Indonesia
Jakarta, Indonesia
Kota Bharu, Malaysia
Laguna, Philippines
Taipei, Taiwan
Bangkok, Thailand
Hanoi, Vietnam

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