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volex group plc

annual report & accounts 2003

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total solutions

Volex is the world's leading independent producer of electronic and fibre optic cable assemblies and electrical power cords with over thirty facilities located strategically in the major geographic markets of the Americas, Asia and Europe.

Leveraging our core competency of cable assemblies and power cords, Volex provides a Total Solution to its customers, including design and development services, product introduction and transfer, order management, manufacturing, logistical and installation services.

Our **design and development** capabilities enable us to design a product from concept, improve product performance, provide alternative material sourcing and/or improve the manufacturing efficiency of the product. Our global development centres take leadership in this area and co-ordinate a smooth transfer from design into production.

Through our global footprint we can rapidly **introduce new products to market**. Our standard product transfer processes provide short leadtimes from proto-type to volume production and enable localisation of the product to provide the most cost-efficient and flexible solution for our customers.

Our **order management** and **manufacturing processes** have a high level of standardisation to ensure that we supply the same quality product and offer the same flexibility and responsiveness wherever our customers require our service. Standardisation of our processes, our performance indicators and our global ERP system enable us to offer our customers a local experience in a global production landscape.

With the continuing globalisation of our market place and the importance of manufacturing in low-cost areas, **logistical services** are a vital part of our Total Solutions offering. Through our years of experience as an independent global supplier we can provide a range of logistical services that increase the flexibility for our customers, enabling shipment directly to local hubs, third parties or even to the point of installation.

Total Solutions at Volex means a complete range of products, produced cost-effectively to industry standard quality and delivered at the requested destination on time.

global synergy

Warrington, England (Group Head Office)

01 The Americas

Quincy, MA, USA
Ottawa, Ontario, Canada
Clinton, AR, USA
Conover, NC, USA
Fremont, CA, USA
Indianapolis, IN, USA
Aguascalientes, Mexico
Hermosillo, Mexico
Tijuana, Mexico
Jacareí, Sao Paulo, Brazil

> **6 manufacturing/ sales/distribution units**
> **3 satellite manufacturing units**
> **2 regional centres**

02 Europe

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

> **5 manufacturing/ sales/distribution units**
> **4 satellite manufacturing units**
> **1 regional centre**
> **Group Head Office**

03 Asia

Singapore
Melbourne, Australia
Beijing, China
Shenzhen, China
Suzhou, China
Zhongshan, China
Hong Kong
Chennai, India
Batam, Indonesia
Jakarta, Indonesia
Osaka, Japan
Tokyo, Japan
Seoul, Korea
Kota Bharu, Malaysia
Laguna, Philippines
Taipei, Taiwan
Bangkok, Thailand
Istanbul, Turkey
Hanoi, Vietnam

> **12 manufacturing/ sales/distribution units**
> **7 sales offices**
> **1 regional centre**

Volex operates 37 manufacturing/sales/distribution units in 23 countries. Our global footprint enables us to provide a complete range of services, ranging from volume low-cost manufacturing to proto-typing, testing and quick-turn programmes. 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.

In Europe, Volex has manufacturing operations in the United Kingdom, Ireland, Sweden, Estonia, Croatia and Poland. Our increased presence in Eastern Europe enables us to offer a competitive and flexible service to our customers based in this region.

In the Americas, Volex operates plants in Canada, the United States, Mexico and Brazil. In this region our Mexican operations provide low-cost manufacturing capabilities for our customers whilst the design, test and custom product programmes are managed out of our US and Canadian facilities.

The majority of our manufacturing operations are based in Asia indicating the importance of this region for our industry. Volex has been operating in this region for over 10 years and has steadily increased its presence here. Today, our manufacturing plants are based in China, India, Indonesia, Malaysia, Philippines, Thailand and Vietnam, serving both a local market and offering a low-cost solution for our global customer base.

Volex applies the ISO9000 method of control, audit and feedback to ensure that all we endeavour is focused on our customers. All our manufacturing plants have ISO9000 certification with the majority being ISO9001:2000 certified. Volex has long believed in the measurement of critical plant performance parameters and is rapidly developing new and improved metrics to ensure it stays ahead in the practice of delivering on time, while meeting ever more demanding performance standards.

market diversity

Volex provides global manufacturing and supply chain management support to the world's leading OEMs and EMS providers in a wide variety of markets, including data/telecommunications, consumer electronics and appliances, and vehicle and aerospace.

Data/Telecommunications

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. Increasing demand for bandwidth in the transportation of data, voice and video is providing growth potential for the Company.

Consumer Electronics

Volex continues to support market leaders in the PC, Printer and Server market with cable assemblies and power cords for notebooks, desktop computers, servers, display devices, printers and industrial appliances. Volex also supports the full range of cable assemblies required by the digital and analogue home entertainment sector.

Consumer Appliances

As the world's leading 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.

Vehicle & Aerospace

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.

product portfolio

Power Cords

Data/Telco

Harnesses

High Speed

RF

Fibre Optics

Volex operates in rapidly changing and highly competitive markets, characterised by increased consolidation and outsourcing from OEMs (Original Equipment Manufacturers) to EMS (Electronic Manufacturing Service) providers, dramatic reduction of the supply base, increased price erosion and a shift from regional to global supply sourcing.

In this dynamic environment, it is our strategy to continue to broaden our customer base and to increase our market share in the markets that we operate in.

With our global presence, our vast range of products and services and a proven flexibility and responsiveness, Volex is well positioned to service these markets and to become a strategic supplier to our customers, offering a Total Solution for their cable assembly demand.

environmental awareness

We are committed to meeting the needs of customers in an environmentally sound and sustainable manner, through continuous improvement in all activities.

green products

The production of environmentally friendly products has become increasingly important in our industry. Volex has taken a number of initiatives to support this development including the production of lead-free and cadmium-free power cords.

At Volex we are committed to ongoing compliance with relevant environmental legislation and we work towards the requirements stated in the ISO14001 Environmental Management System. As part of this system we review our environmental objectives and targets on a regular basis and drive continuous improvement.

Our Statement of Social, Ethical and Environmental Policy (see page 23) provides a framework for our business conduct and includes our commitment to meeting the needs of customers in an environmentally sound and sustainable manner.

Volex places great emphasis on ISO14001 accreditation for its facilities. Today, each of our 3 facilities in China, our 2 facilities in Indonesia, our facilities in Malaysia, the Philippines, Thailand, Vietnam, Ireland and 3 of our UK locations have achieved ISO14001 certification. A number of other locations are developing their systems with a view to applying for certification in the future.

The production of green products has become increasingly important in our industry with the introduction of the Waste Electrical and Electronic Equipment (WEEE) directive and the Restriction on Hazardous Substances (RoHS) directive issued by the European Union in 2002. These directives are aimed at reducing the hazardous materials content in electronic products as well as increasing the recycling efforts of these products and will take effect in July 2006.

To support our customers' compliance to the directives Volex has introduced the production of lead-free products using lead-free moulding compound and tin solder. In addition, we aim to design our products in such a way that reduces their environmental impact in production, use and disposal.

chairman's statement

"...We aim to continue to reduce our cost structure, make prudent investments to ensure our future, generate cash to lower our debt position and continue to focus on market share gains."

D.J. Molloy
Chairman
4 June 2003

The 2003 financial year saw a continuation of difficult trading conditions for the Group. The widely anticipated second half upturn in our customers' fortunes failed to materialise and we therefore continued to rationalise our operations and lower our break-even point. The rescheduling and deferral of programs by our customers during the last quarter of the year made it necessary for us to revise our full year operating profit and revenue forecast resulting in the trading statement on 6th March.

We had a number of successes during the year. We established our Cable Assembly operations in Poland initially through an outsourcing programme with Flextronics, creating a low-cost manufacturing centre for our consolidated European operations. We transitioned most of our UK power cord manufacturing to our facilities in China. We added many new customers and maintained excellent relationships with our existing customers resulting in increased market share.

Despite adverse market conditions the Group returned to profitability at the operating level pre-goodwill, was cash generative, reduced its overall debt position and successfully renegotiated its banking facilities to provide the necessary financing for the foreseeable future.

We continue to find it difficult to forecast the timing of the upturn in market conditions. Given this, we aim to continue to reduce our cost structure, make prudent investments to ensure our future, generate cash to lower our debt position and continue to focus on market share gains.

Results

The full year ended 31 March 2003 closed at a revenue level of £230m, a reduction of 17% over 2002. An operating profit pre goodwill impairment and amortisation of £0.6m(1) compares favourably on reduced revenues to an equivalent operating loss (pre exceptional item) of £0.5m(1) for the prior year. The Group's gross profit margin improved by 4% to 15% reflecting the reductions in the cost base of £5m, achieved in part by a re-balancing of capacity levels and the migration of production activities to lower cost manufacturing locations. Net borrowings at year-end were £38.8m, a reduction of £11.6m over 2002. Capital expenditure at £2.4m was restricted to 35% of depreciation without impairing the requirements of customer and technology development programmes. We have reduced the carrying value of goodwill in respect of our business in Brazil to £2m.

Bank Facilities

The Group recently completed its discussions on amendments to the financing agreements with its lenders, confirming the availability of financing through to June 2004 with an option for a further 12 months subject to certain conditions. Further details of the changes to the facilities can be found in the Financial Review on page 18.

Employees

The strength of Volex lies in our relationships with our customers, relationships created, fostered and enhanced by all employees. While our employees have been affected by the cost reductions, I would like to recognise their efforts and their continued passion for this business and support for the Group. This level of dedication will ultimately be rewarded when we translate the opportunities being created for the business at the present time.

Directors

My appointment as non-executive Chairman in July of last year coincided with several other Board changes as part of our succession planning. John Corcoran had joined the Board in May 2002 and took over from me as Group Chief Executive. Dick Malthouse, our then Senior Independent Director, also retired from the Board at that time after almost a decade of service with us. In August we returned to a full complement of non-executive directors with the appointment of David Beever, who is currently Chairman of KPMG Corporate Finance.

In December, Bill Goodall retired from the Board after fourteen years, ten of them as Chairman. During that time he guided the company through the transition from being a regional UK manufacturer of electrical and automotive wiring harnesses to the leading independent manufacturer of cable assemblies and associated products internationally. We now operate in 23 countries around the world. I am sure the shareholders will join myself, and the Board in thanking Bill for his significant contributions and to wish him a long and happy retirement.

On the 1st April 2003, David Hudson was promoted to succeed Ken Hooper as Finance Director. Ken retired after 19 years on the Board and I would like to take this opportunity to thank him for the huge contribution he made. We also wish Ken a long and happy retirement.

All in all, this amounts to a considerable change in make-up of the Board. We have an experienced and committed group of non-executives supporting a dynamic executive team and together I am convinced that we will lead the Group into a further period of success.

Dividends

In view of the out-turn for the full year the Board is not recommending the payment of a dividend for the year.

The Future

Volex has positioned itself in the global marketplace as the leading independent supplier of cable assemblies and associated solutions. From design, new product introduction and into volume manufacturing Volex provides customers with a range of services that create value. We are responsive to our customers and provide quality solutions by manufacturing and logistics excellence. These attributes will enable us to continue to gain market share.

The Group is determined to return to more acceptable levels of operating profit and reduce its gearing. I am confident that with the dedicated team we have in place these objectives will be met.

(1) Operating loss after goodwill impairment £8.7m (2002 - £nil), goodwill amortisation £0.9m (2002 - £0.9m) and exceptional items £nil (2002 - £1.0m) - £9.0m (2002 – loss of £2.4m).

chief executive's review

"The dynamics of the global cable assembly business have not changed ...Volex continues to use its global presence, its product breadth and its account management strength to improve its market share."

J. Corcoran
Group Chief Executive
4 June 2003

The year to 31 March 2003 was characterised by continuing difficult trading conditions within the Group's most significant markets, most of which had been forecast to recover in the second half. Business success was therefore predicated on outpacing inherent market declines by increased market penetration. The realisation of those gains, however, was not in the timeframe predicted by the business for the second half.

The Group has taken action: by focusing on stemming the potential losses, driving cash generation and reducing the debt burden. The operating profit break-even point continued to be reduced half-year on half-year ending at an annualised revenue level of £220m from a £240m starting point based on the current sales mix, exchange rates and pricing structure. The business remains cash generative with consistent attention to the utilisation of working capital, the management of expenses and prudent expenditure on capital equipment. Our net borrowings fell by £11.6m to £38.8m representing a significant over achievement against targets.

The dynamics of the global cable assembly business have not changed: consolidation and outsourcing from OEMs (Original Equipment Manufacturers) to EMS (Electronic Manufacturing Service) providers, dramatic reduction by our customers of their supply base and the shift from regional to global supply sourcing.

Volex continues to use its global presence, its product breadth and its account management strength to improve its market share. Our focus on cost, migrating product to lower cost locations and meeting customer requirements wherever they need to be supported, continues to position the Group well within the industry.

The financial health of the Group was, and remains, the top priority. The debt reduction and the successful conclusion of our recent discussions with the Company's bankers have ensured that finance is in place for the foreseeable future.

Global Markets

The Group continued to service its core market segments of infocom and consumer products while more aggressively targeting areas such as the industrial, transportation and medical sectors where it had less of a presence.

The telecoms market followed on from its dramatic decline in the prior financial year with further reductions in revenue opportunities as demand for wireline and wireless infrastructure remained depressed. Whilst the financial difficulties recently experienced by operators and carriers were alleviated, the investment in networks by both carriers and enterprises were limited throughout the year. Demand from the fixed line business was particularly low as excess inventories and improved utilisation of existing network equipment drained demand for system upgrades or new equipment investments. The wireless market difficulties were characterised by both a confusion of competing technologies and a more cautious approach to network infrastructure investment in advance of subscriber demand. Volex operates across all established technologies (UMTS, CDMA, WCDMA and EDGE) with a range of customers and will be well placed when the dominant technology emerges.

Demand for information technology server and networking products, while predicted to return to growth at the beginning of 2003, remained at low levels. Low-cost entrants and developments in the server segment on high-speed copper technologies compounded this situation. Improved corporate results and a healthier economic environment will ultimately fuel renewed investments in server and data network equipment.

The power cord market continued to offer the Group stability through the year as consumer-spending patterns were sustained. While the market for personal computers was flat, the Group preserved its revenue stream by tracking shifts in market share between the OEMs. The consumer appliance and electronics sectors were also positive throughout the year as interest rate reductions in most economic regions continued to sustain consumer spending. The high rate of technology churn in the electronics segment also enabled the Group to use its expertise in product development and industrialisation to secure a foothold on significant new programs across the customer base.

Mexico

Poland

China

The specialist harness segment also remained stable throughout the year. Concentrating on the niche market for off-highway equipment, specialist vehicles and aerospace customers, we continued to develop new accounts and new sub-markets. The end-customer demand remained strong in the vehicle segment, offsetting continued weakness for aerospace harnesses as that market continued to experience difficulties.

Sales, Marketing and Operations

Sales declined year-on-year by 17% reflecting relatively strong first half sales in the previous year, the impact of order book rescheduling in 2003 and continued weakness in the infocom segment throughout the year. Sales for the second half of 2003 were down 5% compared to the second half of the previous year.

In the **Americas**, the decline in economic conditions, particularly through the second half, exceeded the regions ability to increase its market share and sales reduced by 22% year on year. The region benefited to a small degree from the West Coast dock strike as customers who were solely dependent on supply lines from Asia, revisited this strategy to the benefit of our facilities in Mexico. In response to reduced demand, the Group closed one of its facilities on the West Coast in Chula Vista and migrated the manufacturing activity to Mexico. In addition, the region concentrated its volume manufacturing in its three low-cost Mexican facilities and re-profiled its US and Canadian sites to provide customer-facing engineering and technical support. In view of the economic and market conditions in Brazil we have written down the value of our goodwill investment in the region by £8.7m.

Sales in **Asia** declined by 9%, impacted heavily by a stalled telecoms market, particularly in China. The region increased power cord sales but this was not sufficient to offset a difficult regional telecommunications market. This region also benefited from the migration of equipment manufacturers to China, where the Group has three established manufacturing facilities and an eleven-year presence in the country. Recent success on the environmentally friendly product program and its penetration of the Japanese end-customer base is also providing the other regions with improved product and customer offerings. The Group's growing presence in India was also noteworthy this year and should provide a platform for new revenue streams in this rapidly developing marketplace.

While sales in **Europe** declined by 15%, this region delivered growth in the second half over the first. The rapid deployment of ADSL technology in Europe combined with secured wins on new telecom customers and increased penetration of existing customers provided incremental revenue in the final two quarters above that delivered in the early part of the year. Our presence in Europe was enhanced by the addition of a second facility in Poland. It provides the region with a new revenue source with little capital investment and ensures that the Group delivers on its commitment to service its customer base close to the customer's point of assembly.

The specialised harness business, developed significantly through the year with the provision of low-cost manufacturing from our facilities in Estonia and China. Both additions enabled the business to compete with lower cost solutions and the unit should realise the full benefit of this in the forthcoming year. While the aerospace end-market continues to suffer, recent business awards on military-related programs, spanning a number of years, will provide this business with stability in a difficult environment.

Net borrowings reduced by £11.6m

The Future

Our strategy is clear: we must increase our profitability and generate sufficient cash to reduce our debt and fuel our growth. We will execute this strategy recognising that market conditions remain weak and we must continue to aggressively outperform market uncertainty and decline by increasing our share of the addressable market. In parallel, the focus on cost continues and by consistently improving the utilisation of working capital, generating cash and controlling expenditure we expect to dramatically improve the financial footing of the Group. Our global team is aligned to these key tasks that will be achieved by:

- Continually addressing the cost base and relentlessly driving our supply base for cost reductions.

- Driving a total solution sell, where Volex can provide total portfolio management and provision capability utilising our Global footprint and our operational and technical strength.

- Continuing to develop a leading supply chain capable of supporting global customers globally.

- Leveraging our independence of connector and cable solutions to offer the customer opportunities for design and component substitution cost reductions.

- Expanding our customer and market segment penetration, reducing the impact of segment and/or customer demand fluctuations.

The reputation of Volex for quality, service, responsiveness and flexibility is well founded: we continue to offer total cable assembly solutions from design through delivery to portfolio management. The challenge for the Group is to weather the storm of economic uncertainty and depressed spending patterns while continuing to improve profitability and reduce debt. I believe that actions taken and those in process will ensure that these key objectives are achieved in the forthcoming financial year driving the business to levels of returns more acceptable to our shareholders.

financial review

D.B. Hudson

"During the year the Group realised the annualised benefit of overhead reductions implemented during the second half of the previous financial year and took further steps to reduce the cost base. This contributed to a reduction in debt of over £11m in the year."

D. B. Hudson
Group Finance Director
4 June 2003

financial highlights

	to 31 March 2003
Global Sales down 17% to	**£230m**
Operating Profit (1)	**£0.6m**
Goodwill impairment	**£8.7m**
Goodwill amortisation	**£0.9m**
Pre-tax Loss*	**£4.0m**
Borrowings reduced by	**£11.6m**

*pre goodwill amortisation & impairment

Throughout the first half of the year there were signs that the business had stabilised, however, despite anticipating an improvement in turnover during the second half there was a further decline. Delivery deferments and project rescheduling occurred and despite the Group's order book continuing to strengthen, the Group's full year result for the year to 31 March 2003 was below original expectations, but in line with the indications given to the market on 6th March 2003.

Results

A geographical review of sales by destination showed sales in the Americas fell by 22% over last year and represented 38% of Group sales (2002 – 41%). Sales to customers in Asia decreased by 9% but as a percentage of Group sales increased by two percentage points to 25%. Sales in Europe as a whole declined by 15% but as a percentage of Group sales increased by one percentage point to 37%. Intra-Group sales, largely manufactured in Asia and Eastern Europe increased by 14% over last year, with significant new activity in Eastern Europe in particular.

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 year-on-year decline in Europe of 13%, with Europe accounting for 36% of the Group's output, similar to last year. Asia's output declined by 5% in value over the previous year: this region now produces 28% of Group output (2002 – 25%), whilst output in the Americas declined by 21% and accounted for 36% of Group output (2002 – 39%). An analysis of sales by product category and market sector is given in Note 2 to the results.

The Group recorded an operating profit (pre goodwill impairment and amortisation) for the year of £0.6m[1] (2002 – loss of £0.5m[1]). The Group's gross profit margin improved by four percentage points to 15% due to the continuing efforts to reduce the Group's overheads and resulting break-even sales level.

During the year the Group realised the annualised benefit of overhead reductions implemented during the second half of the previous financial year and took further steps to reduce the cost base in the current year by migrating production activity to lower cost labour manufacturing sites within the Group. The combined effect of these Group-wide cost reductions through the year was a reduction in production and other overheads of some £5m annually, over and above the £15m savings of last year. As a result, the Group has reduced its operating profit break-even point to an annual sales level of approximately £220m depending on product and/or geographic mix.

There was an exceptional goodwill impairment charge of £8.7m associated with the anticipated activity level of our business in Brazil. The goodwill amortisation charge before this exceptional impairment charge was £0.9m for the year.

Finance charges (net)[2], excluding exceptional finance costs and amortisation of debt issue costs for the full year of £3.1m, were similar to last year reflecting an increase in the underlying borrowing costs despite the decrease in net borrowings.

The result for the year after tax was a loss of £12.7m (2002 – loss of £10.1m).

The translation of foreign currency turnover and operating profits into sterling compared with last year's average rates resulted in a reduction in turnover of £8.2m (or 3%) and a negligible profit effect.

Loss per share this year of (44.3)p compared with (35.5)p last year. However, headline loss per share (i.e. before goodwill amortisation, goodwill impairment and exceptional items net of tax) of (7.3)p shows a 13% improvement over last year (2002 – (8.4)p).

Taxation

The tax credit for the year resulted in an effective composite rate of 7.0% (2002 tax credit - 27.8%). However, before the goodwill impairment and amortisation, the effective rate would have been 23.6% (2002 – 29.6%).

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 before financing of £7.3m, comprising inflows of £13.1m from operations and £2.4m from tax, in part offset by outgoings of £2.3m on capital expenditure, and £5.9m on interest/financing costs. Currency translation of £4.3m impacted favourably on the debt position during the year.

Capital Expenditure

Fixed asset additions in the Group totalled £2.4m (2002 - £4.6m) during the year, a multiple of depreciation of 0.35 times compared with 0.54 times last year. This reduction, part of the Group's action programme to reduce borrowings, was carried out without detriment to the longer-term strategic plan, as the Group continues to have sufficient production capacity.

Borrowings

The Group's net borrowings at the end of the year were £38.8m (2002 - £50.4m). These borrowings resulted in a year-end gearing ratio of net borrowings to shareholders' funds of 86.0% (2002 – 85.0%), which would have been 72.1% prior to the exceptional goodwill impairment charge.

The Company completed the negotiation of amendments to the terms of its borrowings with its principal bankers, shortly before the approval of the 2003 Annual Report and Accounts. These bank facilities continue to give the Group adequate funding for its foreseeable requirements.

The majority of facilities are multi-currency and remain available to the Company until June 2004, with the Company having the option to extend for a further year subject to compliance with certain performance criteria. The Company's facilities continue to be provided on a secured basis with a margin increase of 100 basis points (1%). In addition, the exercise price of the previously issued option warrants for 5% of its issued ordinary share capital, is to be adjusted to be set at a 25% premium to the average share price over the 30 day period starting 5 June 2003. The banks will have the opportunity to exercise these warrants between July 2003 and 30 June 2005, with an automatic extension of this exercise period until 30 June 2007 to the extent that each bank remains a committed lender to the Group during this extension period.

The total costs incurred in the re-negotiation and amendment of the Group's finance was £1.0m which is charged as a finance cost against this year's result, together with £0.5m of costs relating to the previous refinancing exercise, which are being amortised over the initial two years of the facilities.

Employees

The average number of employees fell, year-on-year, by 12% to 8,353 (2002 – 9,546). The average cost per employee reduced by 9%. This percentage reduction reflects the Group's strategy to transfer production to lower cost environments. At the year-end 51% of our employees were in Asia, 28% in the Americas and 21% 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 and through internal financial controls and the use of appropriate risk limitation instruments, principally insurance policies, 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 and 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 23, 7% 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, Croatia, Poland and China. As a result, the Group's sterling balance sheet can be significantly affected by movements in exchange rates between £ sterling and the currencies of these countries. 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 all its operating units use forward currency contracts to eliminate the currency exposure on any significant balances on its debtor and creditor ledgers.

(1) Operating loss after goodwill impairment £8.7m (2002 - £nil), goodwill amortisation £0.9m (2002 - £0.9m) and exceptional items £nil (2002 - £1.0m) - £9.0m (2002 – loss of £2.4m).

(2) Finance charges (net) including refinancing costs £1.0m (2002 - £2.3m) and amortisation of debt issue costs £0.5m (2002 - £nil) - £4.6m (2002 - £5.3m).

directors & officers

As at [illegible] June 2003

D.J. Molloy
Chairman
Non-Executive Director

Dom Molloy, 57, formerly Chief Executive, was appointed Chairman in July 2002. He joined the Board as Chief Executive in May 1996, having previously served as 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 Remuneration and Nominations Committees.

D.M.M. Beever
Non-Executive Director

David Beever, 62, joined the Board in August 2002. He is currently Chairman of KPMG Corporate Finance and a previous Vice Chairman of SG Warburg. Mr. Beever is Chairman of the Audit Committee and a member of the Remuneration and Nominations Committees.

D.C. Payzant
Non-Executive Director

Formerly President of Volex Inc, Don Payzant, 53, 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
Senior Independent Director
Non-Executive Director

John Roberts, 57, 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 Chairman of the Remuneration and Nominations Committees and a member of the Audit Committee. He is also the Senior Independent Director.

J. Corcoran
Group Chief Executive
Executive Director

John Corcoran, 41, joined the Board in May 2002 having previously served as Managing Director of Volex Europe Ltd. Before joining the Company in 1999 Mr. Corcoran 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.

D.B. Hudson
Group Finance Director
Executive Director

David Hudson, 41, joined the Company in 1990 as Group Financial Controller, subsequently moving on to Group Tax and Treasury Manager. In October 2002 he took up the position of Deputy Director of Group Finance. He joined the Board as Group Finance Director in April 2003.

M. Ashcroft
Group Director, Corporate Affairs
Executive Director

Mark Ashcroft, 46, was admitted as a Solicitor in 1981. He joined Volex in 1984 as the Company's first in-house legal adviser and was appointed Company Secretary in 1992. Mr. Ashcroft joined the Board as a director in March 2001 and in April this year took up his current role. He also continues in his role as Company Secretary.

the board and its committees

The Board of Directors currently consists of the non-executive Chairman, three 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 other than the Chairman, Mr. Molloy, to be independent within the meaning of the Combined Code. The Chairman was an executive with the Group until July 2002 but the Board considers that he acts independently and professionally at all times. Mr. Roberts has been appointed as the Senior Independent Director.

Recent changes to the constitution of the Board are detailed in the Chairman's Statement on page 11.

The Board is scheduled to meet at least seven times a year and has a formal list of matters specifically reserved to it. It also meets, by telephone conference call, to discuss ad hoc issues from time to time. 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 Audit Committee consists wholly of independent non-executive directors and is chaired by Mr. Beever. 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. The recommendations of the Smith Report on audit committees, dated January 2003, will be considered over the coming year.

The Nominations Committee is chaired by Mr. Roberts and the majority of its members are independent non-executive directors. 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. 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 meetings with senior operational management throughout the Group in order to 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 pages 28 to 36.

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 next annual general meeting following the initial date of appointment and then at least 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. Hudson and Mr. Beever (both having been appointed since the last annual general meeting) and Mr. Payzant (being 3 years since last re-appointment) are offering themselves for re-election at the 2003 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.

corporate governance statements

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. Mr. Molloy is a member of the Remuneration Committee although he is not regarded as independent strictly in the terms of the Combined Code (section A.3.2.). However, the Board considers that Mr. Molloy acts independently and professionally at all times. Mr. Hooper, who was an executive director until 31 March 2003, had a service agreement with an 18 month notice period contrary to section B.1.7. of the Combined Code (see the Remuneration Report on page 31). The Board will consider the recommendations of the Higgs Review of the role and effectiveness of non-executive directors, dated January 2003, over the coming year.

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 pages 28 to 36, and in the section regarding the Board and its Committees on page 21.

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 and up until the approval of the annual report and accounts. The process is built around the established management systems of the Company and is reviewed on a regular basis. 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 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 for Directors on the Combined Code.

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.

social, ethical and environmental report

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. For instance in the current year we have introduced a range of "green" products to support our customers future regulatory compliance requirements. Our plan is to achieve the international environmental standard ISO14001 in all our manufacturing locations over a period of years. During the year an additional 3 locations have achieved ISO14001 certification. At the date of this report certification has been achieved at each of our 3 facilities in China, at our 2 facilities in Indonesia, at facilities in Malaysia, Thailand, the Philippines, Vietnam, Ireland, and at 3 facilities 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 reports on health & safety performance throughout 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.

directors' report

The directors present their annual report on the affairs of the Group together with the accounts and independent auditors' report for the year ended 31 March 2003.

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 17(b) to the accounts.

(b) Summary review of operations

With sales down 17% on last year to £230.1m, the operating result for the year, before goodwill amortisation and restructuring/exceptional costs, was a profit of £0.6m[1] (2002 - loss of £0.5m[1]). After all charges, the loss for the year before tax was £13.6m (2002 - loss of £14.1m).

Summary results from operations were as follows:

	2003	2002
	£'000	£'000
Operating profit/(loss) before restructuring costs, goodwill amortisation and impairment and exceptional items	**573**	(548)
Exceptional operating item	-	(1,033)
Amortisation of goodwill	**(933)**	(871)
Impairment of goodwill	**(8,652)**	-
Cost of fundamental restructuring	-	(6,278)
Finance charges: - Interest payable (net)	**(3,084)**	(3,060)
- Refinancing costs	**(1,000)**	(2,260)
- Amortisation of debt issue costs	**(509)**	-
Loss on ordinary activities before taxation	**(13,605)**	(14,050)

(1) Operating loss after goodwill impairment £8.7m (2002 - £nil), goodwill amortisation £0.9m (2002 - £0.9m) and exceptional items £nil (2002 - £1.0m) - £9.0m (2002 – loss of £2.4m).

The reviews on pages 10 to 19 provide greater details on the Group's operations for the year to 31 March 2003.

(c) Results and dividends

Group results and dividends are as follows:

	£'000
Group loss for the financial year before tax	**(13,605)**
Taxation	**948**
Cumulative preference dividends	
- interim, paid 30 September 2002	**(3)**
- final, paid 31 March 2003	**(3)**
Group loss for the year before ordinary dividend	**(12,663)**

(c) Results and dividends - continued

	£'000
Group loss for the year before ordinary dividend	**(12,663)**
Ordinary dividends	-
Loss for the year transferred from reserves	**(12,663)**
Transfer from revaluation reserve	**55**
Group retained profit at 1 April 2002	**31,926**
Group retained profit at 31 March 2003	**19,318**

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 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 10 to the Accounts on page 47.

(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 (retired 3 December 2002)
Mr. D.J. Molloy
Mr. J. Corcoran (appointed 7 May 2002)
Mr. K.S. Hooper (retired 31 March 2003)
Mr. M. Ashcroft
Mr. D.M.M. Beever (appointed 1 August 2002)
Mr. R.H. Malthouse (retired 22 July 2002)
Mr. D.C. Payzant
Mr. J.E. Roberts

Mr. D.B. Hudson was appointed to the Board on 1 April 2003. Further details of the directors are shown on page 20.

(b) Election of directors

Each of Mr. Beever and Mr. Hudson having been appointed by the Board since the previous Annual General Meeting, and being eligible, offers himself for re-election. Mr. Beever does not have a service agreement with the Company as he is a non-executive director. Mr. Hudson has a service agreement with the Company, which is terminable by 12 months' notice.

Mr. Payzant having been last elected by the Company in general meeting more than 30 months prior to the date of the notice convening the 2003 Annual General Meeting, retires at that meeting and, being eligible, offers himself for re-election. As Mr. Payzant is a non-executive director he does not have a service agreement with the Company.

Further details of the recent changes to the constitution of the Board are set out in the Chairman's Statement on page 11.

(c) Directors' interests and remuneration

Details of the directors' interests and their remuneration are disclosed in the Remuneration Report on pages 28 to 36.

Substantial shareholdings

As at 3 June 2003 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
Unicorn Asset Management Ltd*	4,600,876 *	16.09% *
Eaglet Investment Trust plc*	4,061,570 *	14.20% *
The Trustees of the BT Pension Scheme #	2,903,315 #	10.15% #
Hermes Investment Management Ltd #	2,903,315 #	10.15% #
Hermes Pensions Management Ltd #	2,903,315 #	10.15% #
UBS Global Asset Management Life Ltd	1,551,962	5.43%
Britannic Assurance PLC	1,525,000	5.33%
BriTel Fund Trustees Limited #	1,728,767 #	6.04% #
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%
Possfund Custodian Trustee Ltd #	1,174,548 #	4.11% #

*Unicorn Asset Management Ltd is the fund manager for Eaglet Investment Trust plc. Consequently the interest of Eaglet Investment Trust Ltd is also included in the interest notified by Unicorn Asset Management Ltd.

#The interests of BriTel Fund Trustees Ltd and Possfund Custodian Trustee Ltd are also included in the interests of the Trustees of the BT Pension Scheme, Hermes Investment Management Ltd and Hermes Pensions Management Ltd

No other interest amounting to 3% or more of the ordinary share capital of the Company had been notified to the directors as at 3 June 2003.

Charitable and political contributions

During the year the Group made charitable donations of £11,942 (2002 - £11,886). No political donations were made.

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 Group continues and that, where necessary, appropriate re-training is arranged. It is the policy of the Group 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.

directors' report

Employee consultation

The Group 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 Group. The Group 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 employee representatives.

Supplier payment policy

The Group'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 2003 in respect of trade creditors was approximately 49 days (2002 – 55 days).

Auditors

The directors will place a resolution before the Annual General Meeting to re-appoint Deloitte & Touche as auditors for the coming year and to permit the directors to fix their remuneration. The Company has been informed that it is the intention of Deloitte & Touche to transfer their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000, on 1 August 2003. The Company will be asked to extend the audit appointment of Deloitte & Touche to Deloitte & Touche LLP after the Annual General Meeting and the directors will consider the appropriate formalities in due course.

Annual General Meeting

The 2003 Annual General Meeting of the Company will be held on 29 July 2003 at 11.30 a.m. at The Copthorne, Salford Quays, Manchester. The Notice of Meeting and form of proxy are set out on pages 66 and 67.

Special Business

Approval of Remuneration Report 2003 (Resolution 6)

In accordance with the Companies Act 1985, directors of listed companies are now required to prepare a detailed Remuneration Report which must be presented to the shareholders for approval at the AGM. The Remuneration Report for the financial year ended 31 March 2003 is set out on pages 28 to 36. Resolution 6 will be proposed as an ordinary resolution to approve the Remuneration Report.

Resolution to enable directors to allot relevant securities (Resolution 7)

The Annual General Meeting will include an ordinary resolution to renew the authority of the directors to allot relevant securities without the prior consent of shareholders, pursuant to section 80 of the Companies Act 1985. 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 4 June 2003. The authority will expire at the conclusion of the 2004 Annual General Meeting. The directors have no present intention of exercising this authority.

Resolution to enable directors to allot ordinary shares for cash (Resolution 8)

The Annual General Meeting will also include a special resolution 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, it is proposed to limit this authority to the period ending at the conclusion of the 2004 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 4 June 2003. The directors have no present intention of exercising this authority.

On behalf of the Board

Mark Ashcroft

M. Ashcroft
Director & Secretary

Dornoch House
Kelvin Close
Birchwood Science Park
Warrington WA3 7JX

4 June 2003

remuneration report

Introduction

This report has been prepared in accordance with Schedule 7A to the Companies Act 1985 (the "Schedule") introduced by the Directors' Remuneration Report Regulations 2002 in respect of periods ending on or after 31 December 2002. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to directors' remuneration. As required by the Schedule, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved.

The Schedule requires the auditors to report to the Company's members on the "auditable part" of the Directors' Remuneration Report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Schedule). The report has therefore been divided into separate sections for audited and unaudited information.

Unaudited information

Remuneration Committee

The Remuneration Committee is a well-established part of the Company's governance structures. It is constituted in accordance with the recommendations of the Combined Code, except that Mr. Molloy, who was appointed a member of the Committee upon his appointment as Chairman of the Company in July 2002, may not be regarded as an independent non-executive director in view of his recent employment as Chief Executive. The members of the committee during the financial year were Mr. Roberts, Mr. Beever and Mr. Payzant who are all independent non-executive directors, and Mr. Molloy. The committee is chaired by Mr. Roberts. Mr. Goodall was Chairman of the Committee until July 2002 (when his membership of the Committee ended), covering the period during which the committee was considering directors' remuneration for 2002/03. The Company Secretary acts as Secretary to the Committee.

None of the Committee members has any personal financial interest (other than as shareholders), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business and no director plays a part in any discussion about his own remuneration.

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 for the Senior Executive Team and determines the grant of all discretionary share options within the Group.

In determining the directors' remuneration for the year, the Committee consulted Mr. Molloy (then Chief Executive) and Mr. Ashcroft (Director and Company Secretary) about its proposals. The committee also appointed Mercer HR Consultants to provide advice regarding the restructuring of the executive directors' pensions benefits. Mercer HR Consultants provide pension consultancy, pension administration services and actuarial advice to the Company.

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

Remuneration Policy

The future policy of the Committee 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. The remuneration of the non-executive directors is determined by the Board within limits set out in the Articles of Association.

remuneration report

There are four main elements of the remuneration package for executive directors:

- Basic annual salary (including directors' fees) and benefits;
- Annual bonus payments;
- Share option incentives; and
- Pension arrangements

The Company's policy is that a substantial proportion of the remuneration of the executive directors should be performance related. In particular annual bonus payments of up to 60% of basic salary and grants of share options equivalent to up to 100% of basic salary are related to performance.

Basic Salary

In deciding and reviewing appropriate remuneration packages, the Remuneration Committee considers:-

- 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 occasional specific advice and benchmarking exercises by 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.

Executive directors' basic salaries are determined by the Committee prior to the beginning of each financial year, with adjustments taking effect on 1 April, and when an individual changes position or responsibility. The review in March 2002 resulted in a freeze of directors basic salaries. This decision took into account the financial position of the Company at that time. The March 2003 review continued the freeze on basic salaries, save for small adjustments to compensate for changes in other benefits.

In addition to basic salary, the executive directors receive certain benefits-in-kind, principally the use of a car, private medical insurance and permanent health insurance.

Annual Bonus Payments

A discretionary annual cash bonus scheme represents the short term incentive element of the overall remuneration package for executive directors. The Committee establishes the objectives that must be met in each financial year if a cash bonus is to be paid, reflecting the strategic objectives set by the Board for the year in question. Maximum bonus levels are set annually, currently at 60% of basic salary.

Share Options

The executive directors hold options to purchase ordinary shares granted pursuant to the Volex Group 1984 Share Option Scheme, the Volex 1994 Share Option Scheme and the Volex 2001 Share Option Plan (the "Option Schemes"). These Option Schemes are the Company's long term incentive plans for directors and other senior executives. 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 and 2001 Plan have been issued under the unapproved section.

Options granted to Mr. Hooper in August 1994 were not subject to a performance condition, this being the normal practice at that time. 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 options granted in July 2002 was that earnings per share ("eps") increase over the performance period to not less than 30p per share increased by the percentage movement in the Retail Prices Index plus 3% per annum from April 2003 to the end of the performance period. The performance condition attached to grants of options from 1998 to 2001 was that eps increase from the date of grant by no less than the movement in the R.P.I. plus 3% per annum over a minimum of 3 years. Earlier grants required 2% per annum out-performance of the R.P.I. At the time of the grant of options the Remuneration Committee considered that the performance condition selected was the accepted norm for such schemes generally, and appropriate given the Company's size and character. In the case of the 2002 grant of options the committee adapted its previous practice in view of the negative earnings per share for the financial year 2002/03. Eps here means the headline earnings per share published in each Annual Report and Accounts, subject to the discretion of the Remuneration Committee to make such adjustments to "normalise" the figures as they see fit. This approach to the calculation of eps has been chosen since the base figure is independently audited, consistent and transparent, whilst reserving to the Committee the appropriate level of discretion. Options granted up to and including 2001 allow for annual re-testing of the performance condition from the fixed base of the date of grant. Options granted in 2002 allow for such testing only in the third, fourth and fifth years after grant. Once the performance condition attaching to any of the options has been satisfied it may be exercised for the rest of its ten year life without further test. The exercise price of each of the options granted under the Option Schemes is equal to the market value of the Company's shares at the time when the options are granted.

Mr. Hooper participates in the Volex Group 1984 Share Option Scheme. Mr. Ashcroft, Mr. Hooper and Mr. Molloy participate in the Volex 1994 Share Option Scheme. Mr. Ashcroft and Mr. Corcoran participate in the Volex 2001 Share Option Plan. Mr. Ashcroft, Mr. Molloy and Mr. Hooper participate in the Volex 1994 Share Savings Scheme.

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. Executive directors are not normally granted in any one year options over shares with a market value greater than 100% of basic salary. However, in exceptional circumstances grants of up to 3 times basic salary may be made. 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. This is an all employee plan to which performance conditions do not apply.

The Company does not operate any long-term incentive schemes for directors, other than the share option schemes described above. No significant amendments are proposed to be made to the terms and conditions of any entitlement of a director to share options.

Pension arrangements

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. During his period as Group Chief Executive Mr. Molloy accrued defined contribution benefits via an Irish pension arrangement. Similar benefits are accruing for Mr. Corcoran, with a Company contribution of 20% of basic salary. During the year Mr. Hooper and Mr. Ashcroft accrued defined benefit pension benefits under the Volex No.1 Pension Scheme which is a contributory scheme which, subject to continued service, would provide Inland Revenue approved benefits of 2/3 of final salary at age 62. Mr. Ashcroft also has deferred pension benefits within the Volex Executive Pension Scheme, a contributory final salary scheme, with a 60ths accrual rate. Mr. Corcoran's pension benefits are affected by the pensions cap applied by the Irish Revenue Authorities. None of the other directors pension benefits are affected by the Inland Revenue pensions cap. Only basic salary is pensionable in all cases.

At the year-end the Volex No.1 Pension Scheme was closed to future accrual of retirement benefits. In its place defined contribution benefits have been established for Mr. Ashcroft and Mr. Hudson (who was also a member of the Volex No.1 Pension Scheme prior to his appointment as a director on 1 April 2003) with Company contributions of 20% of basic salary.

Performance Graph

The following graph shows the Company's performance, measured by total shareholder return, compared with the performance of the FTSE All Share Index and the FTSE Electronic and Electrical Equipment sector, both also measured by total shareholder return. These indices have been selected for this comparison because they represent the general and specific markets/sectors in which the Company is listed on the London Stock Exchange.

5 Year Return Index against the FTSE All Share Index and FTSE Electronic and Electrical Equipment Sector as at 31 March 2003

Directors' Contracts

It is the Company's policy that service contracts for executive directors continue until the directors contractual retirement date (or such date as agreed between the director and the Company) unless terminated earlier by either party, subject to the contractual notice period of one year. However, it may be necessary occasionally to offer longer notice periods or initial terms to new directors. The service contract of Mr. Hooper provided for a notice period of 18 months. This was a term of a long standing service agreement with Mr. Hooper and the Remuneration Committee believed it was appropriate to retain this notice period, it being the established practice at the date of the contract. It considered that this was not excessive, given Mr. Hooper's length of service and current market practice. Mr. Hooper retired on 31 March 2003. All other executive directors have service contracts which are subject to one year's notice by either party.

Mr. Hudson who is proposed for re-election at the next annual general meeting has a service contract which provides for a notice period of one year. Mr. Beever and Mr. Payzant who are also proposed for re-election, being non-executive directors, do not have service contracts.

The Company's policy for non-executive directors is to have contracts for services with an initial period of appointment of 3 years, renewable by agreement for successive periods. Under the Articles of Association of the Company at each annual general meeting ("AGM") any director then in office who has been appointed by the Board since the previous AGM, and any director then in office who at the date of the notice convening the AGM had held office for more than 30 months since he was appointed or last re-appointed by the Company in general meeting, is required to retire from office but is eligible for re-appointment.

The details of the directors' contracts are summarised in the table below:

Name of Director	Date of Contract or Letter of Appointment	Unexpired Term*	Notice Period
Executive directors			
Mr. M. Ashcroft	06.06.01	N/A	12 months
Mr. J. Corcoran	10.07.02	N/A	12 months
Mr. K.S. Hooper	03.09.87	N/A	18 months **
Mr. D.B. Hudson	19.03.03	N/A	12 months
Non-executive directors			
Mr. D.M.M. Beever	19.06.02	2 years 2 months	N/A
Mr. D.J. Molloy	16.07.02	2 years 2 months	N/A
Mr. D.C. Payzant	29.01.02	1 year 10 months	N/A
Mr. J.E. Roberts	29.01.02	1 year 7 months	N/A

* Measured from the date of this report. Term is subject to re-election by the shareholders from time to time in accordance with the Articles of Association of the Company

** Contract expired upon Mr. Hooper's retirement on 31 March 2003

The directors' contracts do not include any specific provisions relating to compensation in the event of early termination. In the event of early termination of an executive directors' service agreement the Company would pay in lieu of notice, albeit in breach of contract with due allowance in appropriate circumstances for the director's duty to mitigate his loss.

Executive directors' contracts of service which include details of remuneration will be available for inspection at the Annual General Meeting.

Outside Appointments

None of the executive directors hold outside director appointments. Given the demands of the business at the current time such appointments are not expected in the near future.

Non-executive Directors

All non-executive directors have specific terms of engagement and their remuneration is determined by the Board within the limits set by the Articles of Association and based on independent surveys of fees paid to non-executive directors of similar companies. The fee paid to each non-executive director in the year is set out in the table on page 33. Non-executive directors cannot participate in any of the Company's share option schemes and are not eligible to join the Company's pension scheme. However, options granted to Mr. Molloy during his period of executive employment remain in place through the balance of their 10 year life and may be exercised subject to the terms and conditions of grant. Mr. Molloy also has the benefit of pension entitlements accrued during the period of his executive employment.

remuneration report

Audited Information

Aggregate directors' remuneration

The total amounts for directors' remuneration were as follows:

	2003	2002
	£	£
Emoluments	**859,659**	749,263
Compensation for loss of office	-	-
Gains on exercise of share options	-	-
Amounts receivable under long-term incentive schemes	-	-
Money purchase pension contributions	**63,250**	79,750
	922,909	829,013

It should be noted that the financial year 2002/03 was a year of transition for the Board and that this has inflated the aggregate emoluments of the directors for the year. By way of comparison, the aggregate fees/basic salaries of the directors holding office on 1 April 2003 was £626,950 p.a. compared to the total for the year of £750,566.

Directors' emoluments

Name of director	Fees/Basic salary £	Benefits in kind £	Annual bonuses £	**2003 Total £**	2002 Total £
Executive					
Mr. M. Ashcroft	99,000	16,101	-	**115,101**	113,151
Mr. J. Corcoran (appointed 07.05.02)	183,333	3,372	-	**186,705**	-
Mr. K.S. Hooper	169,400	27,540	60,000	**256,940**	195,669
Mr. D.J. Molloy*	91,667	2,080	-	**93,747**	287,443
Non-Executive					
Mr. D.M.M. Beever (appointed 01.08.02)	17,333	-	-	**17,333**	-
Mr. R.W. Goodall (retired 03.12.02)	35,833	-	-	**35,833**	75,000
Mr. R.H. Malthouse (retired 22.07.02)	8,667	-	-	**8,667**	26,000
Mr. D.J. Molloy*	93,333	-	-	**93,333**	-
Mr. D.C. Payzant	26,000	-	-	**26,000**	26,000
Mr. J.E. Roberts	26,000	-	-	**26,000**	26,000
Aggregate emoluments	750,566	49,093	60,000	**859,659**	749,263
Fees to third parties				-	-
				859,659	749,263

The directors do not receive general expense allowances, but are reimbursed specific reasonable expenses incurred in connection with the Company's business.

Mr. Goodall received £10,500 (2002 - £14,000) in respect of his own office costs.

* Mr. D.J. Molloy held executive employment until 22 July 2002 at which point he became non-executive chairman.

remuneration report

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the directors. Details of options for directors who served during the year and granted since the date of their appointment, are set out below:

Name of director	Option Scheme #	1 Apr 2002	Granted	Lapsed	**31 Mar 2003**	Exercise Price (£)	Date from which exercisable	Expiry date
Mr. M. Ashcroft	Scheme 2	20,000	-	-	**20,000**	7.88	18.06.04	18.06.11
	Scheme 3	-	10,000	-	**10,000**	1.38	23.07.05	23.07.12
	Scheme 4	962	-	-	**962**	6.31	01.09.06	28.02.07
		20,962	10,000	-	**30,962**			
Mr. J. Corcoran	Scheme 3	-	20,000	-	**20,000**	1.38	23.07.05	23.07.12
Mr. K.S. Hooper	Scheme 1	12,000	-	-	**12,000**	4.25	12.08.97	30.09.03 *
	Scheme 2	11,067	-	-	**11,067**	3.94	15.06.98	31.03.04 *
	Scheme 2	15,000	-	-	**15,000**	4.55	23.07.99	31.03.04 *
	Scheme 2	6,000	-	-	**6,000**	4.10	14.07.00	31.03.04 *
	Scheme 2	4,000	-	-	**4,000**	4.855	18.12.00	31.03.04 *
	Scheme 2	20,000	-	-	**20,000**	6.10	21.07.01	31.03.04 *
	Scheme 2	20,000	-	-	**20,000**	6.225	08.07.02	31.03.04 *
	Scheme 2	22,750	-	-	**22,750**	14.75	03.07.03	31.03.04 *
	Scheme 4	368	-	-	**368**	10.51	01.04.03	30.09.03 **
	Scheme 2	20,000	-	-	**20,000**	7.88	18.06.04	31.03.04 *
	Scheme 4	921	-	-	**921**	6.31	01.04.03	30.09.03 **
		132,106	-	-	**132,106**			

* The board has used its discretion under the Option Schemes to permit exercise of these options during these limited periods following Mr. Hooper's retirement.

** The Rules of the Scheme allow Mr. Hooper to exercise these options within the period of 6 months immediately following his retirement.

Name of director	Option Scheme #	1 Apr 2002	Granted	Lapsed	31 Mar 2003	Exercise Price (£)	Date from which exercisable	Expiry date
Mr. D.J. Molloy	Scheme 2	50,000	-	-	**50,000**	4.55	23.07.99	23.07.06
	Scheme 2	12,000	-	-	**12,000**	4.10	14.07.00	14.07.07
	Scheme 2	8,000	-	-	**8,000**	4.855	18.12.00	18.12.07
	Scheme 2	28,500	-	-	**28,500**	6.10	21.07.01	21.07.08
	Scheme 2	30,000	-	-	**30,000**	6.225	08.07.02	08.07.09
	Scheme 4	5,211	-	5,211	**-**	3.31	01.09.02	28.02.03
	Scheme 2	30,225	-	-	**30,225**	14.75	03.07.03	03.07.10
	Scheme 2	30,000	-	-	**30,000**	7.88	18.06.04	18.06.11
		193,936	-	5,211	**188,725**			

 # Option Schemes:

Scheme 1 = Volex Group 1984 Share Option Scheme
Scheme 2 = Volex 1994 Share Option Scheme
Scheme 3 = Volex 2001 Share Option Plan
Scheme 4 = Volex 1994 Share Savings Scheme

There were no exercises of options by directors during the year and therefore no gains were made by the directors. There have been no variations to the terms and conditions or performance criteria for share options during the financial year.

Details of performance conditions and periods of testing and exercise are set out on page 30.

No options were held during the year by Mr. Beever, Mr. Goodall, Mr. Malthouse, Mr. Payzant or Mr. Roberts.

The market price of the ordinary shares at 31 March 2003 was 51p and the range during the year was 262.5p to 51p.

Directors' pension entitlements

As at the end of the year two directors were members of the Volex No.1 Pension Scheme which is a defined benefit scheme, and had accrued entitlements under the schemes as follows:

	Accrued pension 31 March 2002	Increase in accrued pension in the year excluding inflation	Accrued pension 31 March 2003
	£	£	£
Mr. M. Ashcroft	25,950	2,468	29,239
Mr. K.S. Hooper	102,044	5,093	110,367

The pension entitlements shown above are those which would be paid annually on retirement based on service and final pensionable salary at the end of the year.

The following table sets out the transfer value of the directors' accrued benefits under the scheme calculated in a manner consistent with "Retirement Benefit Schemes – Transfer Values (GN 11)" published by the Institute of Actuaries and the Faculty of Actuaries:

	Transfer value 31 March 2002	Contributions made by the director	Increase in transfer value in the year net of contributions	Transfer value 31 March 2003
	£	£	£	£
Mr. M. Ashcroft	154,219	2,970	37,975	195,164
Mr. K.S. Hooper	1,208,470	5,082	366,427	1,579,979

The transfer values disclosed above do not represent a sum paid or payable to the individual director. They represent a potential liability of the pension scheme and they cannot meaningfully be added to annual remuneration.

The Volex No.1 Pension Scheme was closed to future accrual of benefits on 31 March 2003. It has been replaced by defined contribution pension arrangements with the individuals concerned, with a Company contribution of 20% of basic salary.

Members of the scheme have the option to pay Additional Voluntary Contributions; neither the contributions nor the resulting benefits are included in the above tables.

As at the year end two directors are members of money purchase schemes and the contributions paid or payable during the year by the Company in respect of those directors were as follows:-

	2003	2002
	£	£
Mr. J. Corcoran	**36,667**	-
Mr. D.J. Molloy	**26,583**	79,750
	63,250	79,750

Directors' Interests

The interests in the share capital of the Company of those directors who were in office at 31 March 2003, together with their shareholding at 1 April 2002 (or date of appointment, if later) are detailed below. The table details separately, beneficial interests and share options issued under the Company's discretionary and all employee share option schemes. All interests relate solely to 25p ordinary shares.

	Shares 2003	Shares 2002	**Options 2003**	Options 2002
Mr. D.J. Molloy	**45,793**	35,793	**188,725**	193,936
Mr. J. Corcoran	**10,000**	-	**52,000**	32,000
Mr. K.S. Hooper	**50,000**	50,000	**132,106**	132,106
Mr. M. Ashcroft	**10,872**	10,872	**56,221**	46,221
Mr. D.M.M. Beever	**-**	-	**-**	-
Mr. D.C. Payzant	**129,075**	119,075	**-**	-
Mr. J.E. Roberts	**10,000**	10,000	**-**	-

None of the directors held non-beneficial interests.

Since the end of the year Mr. Hudson has joined the board. At the date of his appointment he held 700 ordinary shares in the Company and held options in respect of 20,216 ordinary shares at exercise prices ranging between £1.38 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.

Approval

This report was approved by the Board of directors and signed on its behalf by:

Mark Ashcroft

Mr. M. Ashcroft
Director & Company Secretary
4 June 2003

independent auditors' report to the members of volex group plc

We have audited the financial statements of Volex Group plc for the year ended 31 March 2003 which comprise the profit and loss account, the consolidated statement of total recognised gains and losses, consolidated note of historical cost profits and losses, the balance sheets, the cash flow statement and the related Notes 1 to 33 together with the reconciliation of movements in consolidated shareholders' funds and the statement of accounting policies. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the directors' remuneration report. Our responsibility is to audit the financial statements and the part of the directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report described as having been audited have been 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 regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does 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 directors' report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the directors' remuneration report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 and the part of the directors' remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgements 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 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 and the part of the directors' remuneration report described as having been audited 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 and the part of the directors' remuneration report described as having been audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 March 2003 and of the loss of the group for the year then ended; and
- the financial statements and part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
Manchester
4 June 2003

statement of accounting policies

The principal Group accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

(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.

(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.

statement of accounting policies

(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, 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 2003

	Notes	2003 £'000	2002 £'000
Turnover			
Continuing operations	2	**230,066**	275,696
Cost of sales		**(195,995)**	(244,631)
Gross profit		**34,071**	31,065
Other operating expenses (net)	3	**(43,083)**	(33,517)
Operating profit/(loss) pre goodwill amortisation and impairment and exceptional item		**573**	(548)
Exceptional operating item	4	**-**	(1,033)
Amortisation of goodwill		**(933)**	(871)
Impairment of goodwill		**(8,652)**	-
Operating loss - continuing operations		**(9,012)**	(2,452)
Costs of fundamental restructuring of continuing operations	5	**-**	(6,278)
Loss on ordinary activities before finance costs		**(9,012)**	(8,730)
Finance charges - interest (net)	7	**(3,084)**	(3,060)
- refinancing costs	8	**(1,000)**	(2,260)
- amortisation of debt issue costs	9	**(509)**	-
		(4,593)	(5,320)
Loss on ordinary activities before taxation	10	**(13,605)**	(14,050)
Tax on loss on ordinary activities	12	**948**	3,907
Loss for the financial year		**(12,657)**	(10,143)
Dividends paid on equity and non-equity shares	13	**(6)**	(1,585)
Loss for the year transferred from reserves	29	**(12,663)**	(11,728)
Headline loss per ordinary share	14	**(7.3)p**	(8.4)p
Basic loss per ordinary share	14	**(44.3)p**	(35.5)p
Diluted loss per ordinary share	14	**(44.3)p**	(35.5)p

The notes on pages 45 to 64 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 2003

	Notes	2003 £'000	2002 £'000
Loss for the financial year		**(12,657)**	(10,143)
Unrealised deficit on revalued freehold and leasehold buildings	16	**(1,419)**	-
Currency variations	29	**(100)**	(695)
Total recognised losses relating to the year		**(14,176)**	(10,838)

consolidated note of historical cost profits and losses

For the year ended 31 March 2003

	Notes	2003 £'000	2002 £'000
Reported loss on ordinary activities before taxation		**(13,605)**	(14,050)
Actual depreciation charge for revalued assets		**981**	902
Historical cost depreciation charge for revalued assets		**(926)**	(847)
Historical cost loss on ordinary activities before taxation		**(13,550)**	(13,995)
Taxation	12	**948**	3,907
Dividends	13	**(6)**	(1,585)
Historical cost loss for the year transferred from reserves		**(12,608)**	(11,673)

reconciliation of movements in consolidated shareholders' funds

For the year ended 31 March 2003

	Notes	2003 £'000	2002 £'000
Loss for the financial year		**(12,657)**	(10,143)
Dividends paid	13	**(6)**	(1,585)
Loss for the year transferred from reserves		**(12,663)**	(11,728)
Unrealised deficit on revalued freehold and leasehold buildings		**(1,419)**	-
Currency variations		**(100)**	(695)
New share capital subscribed		**-**	121
Net decrease in shareholders' funds		**(14,182)**	(12,302)
Opening shareholders' funds		**59,315**	71,617
Closing shareholders' funds		**45,133**	59,315

The movement in the shareholders' funds of the Company from £28,397,000 to £11,693,000 comprises an after tax loss for the year of £10,930,000, less dividends of £6,000, an unrealised deficit on revalued freehold buildings of £99,000 and adverse currency variations movement of £5,669,000.

The notes on pages 45 to 64 are an integral part of and should be read in conjunction with these statements.

balance sheets

At 31 March 2003

		Group		Company	
		2003	2002	**2003**	2002
	Notes	**£'000**	£'000	**£'000**	£'000
Fixed assets					
Goodwill	15	**4,374**	14,065	**-**	-
Tangible assets	16	**33,844**	41,232	**4,141**	4,981
Investments	17	**-**	-	**54,716**	73,245
		38,218	55,297	**58,857**	78,226
Current assets					
Stocks	18	**29,219**	35,735	**3,429**	9,097
Debtors	19	**52,938**	52,344	**33,508**	38,520
Properties held for resale	20	**1,482**	1,482	**-**	-
Cash at bank and in hand		**13,728**	13,090	**3,590**	17
		97,367	102,651	**40,527**	47,634
Creditors: amounts falling due within one year	21	**(42,607)**	(37,892)	**(15,274)**	(19,082)
Net current assets		**54,760**	64,759	**25,253**	28,552
Total assets less current liabilities		**92,978**	120,056	**84,110**	106,778
Creditors: amounts falling due after more than one year	22	**(47,845)**	(60,602)	**(72,417)**	(78,381)
Provisions for liabilities and charges	25	**-**	(139)	**-**	-
Net assets		**45,133**	59,315	**11,693**	28,397
Capital and reserves					
Called-up share capital	27	**7,231**	7,231	**7,231**	7,231
Share premium account	29	**20,281**	20,281	**20,281**	20,281
Revaluation reserve	29	**-**	1,551	**-**	99
Other reserves	29	**(1,697)**	(1,674)	**(5,158)**	511
Profit and loss account	29	**19,318**	31,926	**(10,661)**	275
Shareholders' funds*		**45,133**	59,315	**11,693**	28,397

* Including non-equity interests (see Note 28)

The accounts on pages 38 to 64 were approved by the board of directors on 4 June 2003 and signed on its behalf by:

D.J. Molloy
Chairman

D.B. Hudson
Group Finance Director

The notes on pages 45 to 64 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 2003

	£'000	2003 £'000	£'000	2002 £'000
Net cash inflow from operating activities (see Note 31a)		**13,059**		30,222
Return on investments and servicing of finance				
Interest received	**221**		305	
Interest paid	**(2,770)**		(2,862)	
Refinancing costs	**(3,294)**		(347)	
Interest element of finance lease rentals	**(15)**		(12)	
Preference dividends paid	**(6)**		(6)	
Net cash outflow from returns on investments and servicing of finance		**(5,864)**		(2,922)
Taxation				
UK corporation tax received/(paid)	**600**		(700)	
Overseas tax received/(paid)	**1,779**		(3,469)	
Tax received/(paid)		**2,379**		(4,169)
Capital expenditure				
Purchase of tangible fixed assets	**(2,255)**		(5,084)	
Sale of tangible fixed assets and current asset investments	**301**		689	
Net cash outflow from capital expenditure		**(1,954)**		(4,395)
Acquisitions and disposals				
Purchase of subsidiary undertakings	**(279)**		(4,015)	
Net cash outflow from acquisitions		**(279)**		(4,015)
Equity dividends paid		**-**		(6,893)
Cash inflow before financing		**7,341**		7,828
Financing				
Issue of ordinary share capital	**-**		121	
Repayment of loans	**(6,039)**		(590)	
Capital element of finance lease rentals	**(43)**		(138)	
Net cash outflow from financing		**(6,082)**		(607)
Increase in cash in the year		**1,259**		7,221

The notes on pages 45 to 64 are an integral part of and should be read in conjunction with this statement.

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 £10,930,000 (2002 - loss of £1,822,000).

2 Segment information

Turnover by geographical area	External sales by destination		Total sales by source	
	2003	2002	**2003**	2002
	£'000	£'000	**£'000**	£'000
United Kingdom	**42,230**	49,529	**34,411**	64,883
Republic of Ireland	**4,078**	7,340	**46,123**	34,648
Other Europe	**38,611**	43,026	**14,632**	9,362
Total Europe	**84,919**	99,895	**95,166**	108,893
The Americas	**87,182**	112,391	**93,475**	117,807
Asia	**57,965**	63,410	**72,368**	76,257
Less: Inter-divisional			**(30,943)**	(27,261)
	230,066	275,696	**230,066**	275,696

Turnover by product category	**2003**	2002
	£'000	£'000
Data/telecommunications	**96,142**	134,897
Powercords	**101,860**	106,437
Harnesses	**32,064**	34,362
	230,066	275,696

Turnover by market sector	**2003**	2002
	£'000	£'000
Data/telecommunications	**111,661**	152,463
Consumer appliances	**48,914**	47,280
Consumer electronics	**38,094**	41,875
Vehicle and aerospace	**31,397**	34,078
	230,066	275,696

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

3 Other operating expenses (net)

Other operating expenses comprise:		**2003** **£'000**	2002 £'000
Selling and distribution expenses		**15,435**	15,518
Administrative expenses	- goodwill amortisation	**933**	871
	- impairment of goodwill	**8,652**	-
	- other	**18,657**	17,898
Other operating income		**(594)**	(770)
Other operating expenses (net)		**43,083**	33,517

4 Exceptional operating item

	2003 £'000	2002 £'000
Closure of US facility	-	1,033

The prior year's cost represents the closure of the Group's US East Coast facility at Dartmouth, Massachusetts and all its associated costs, which were charged to cost of sales.

5 Costs of a fundamental restructuring of continuing operations

	2003 £'000	2002 £'000
Restructuring costs of European/UK operations	-	6,278

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

The resultant total cost included the impairment of £1,706,000 of fixed assets.

The tax effect of this exceptional item was £979,000.

6 Exchange rates

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

	2003	Change 2002	% Change	2003	Year End 2002	% Change
United States dollar	**1.54**	1.44	6.94	**1.57**	1.42	10.56
Singapore dollar	**2.72**	2.56	6.25	**2.78**	2.62	6.11
Euro	**1.54**	1.63	(5.52)	**1.46**	1.63	(10.43)
Canadian dollar	**2.39**	2.23	7.17	**2.30**	2.27	1.32
Brazilian real	**4.48**	3.49	28.37	**5.28**	3.31	59.52
Swedish krona	**14.33**	15.00	(4.47)	**13.43**	14.75	(8.95)

7 Finance charges – interest (net)

Net finance costs represent:	2003 £'000	2002 £'000
Income receivable on bank deposits	**(221)**	(309)
Interest payable on bank loans and overdraft	**3,305**	3,369
Finance charges – interest (net)	**3,084**	3,060

8 Finance charges – refinancing costs

Financing costs of £1,000,000 represents the expenses incurred in the current year on re-negotiating the Group's bank facilities with its major lenders (see post balance sheet event Note 32 and Financial Review on page 18).

The prior year's cost of £2,260,000 relate to the expenses incurred on re-negotiating the Group's bank facilities in the prior year.

9 Finance charges - amortisation of debt issue costs

Amortisation costs of £509,000 (2002 - £nil) represents the amortisation of the debt issue costs capitalised in the year on re-negotiating the Group's bank facilities.

10 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging/(crediting):		**2003 £'000**	2002 £'000
Depreciation	- owned assets	**6,136**	7,819
	- leased assets	**622**	698
Impairment of fixed assets		**1,419**	1,706
Amortisation of goodwill		**933**	871
Impairment of goodwill		**8,652**	-
Hire of plant and machinery	- under operating leases	**891**	1,124
	- other	**118**	148
Other operating leases		**5,503**	6,221
Government grants		**(128)**	(434)
Auditors' remuneration	- audit services (Company)	**103**	90
	- audit services other Group companies	**182**	201
	- non-audit services	**129**	310
Research and development		**2,480**	3,328

11 Employee costs

a. The average monthly number of persons, including executive directors employed by the Group during the year was:	**2003 Number employed**	2002 Number employed
Production	**6,981**	8,153
Sales and distribution	**244**	274
Administration	**1,128**	1,119
	8,353	9,546

b. Aggregate remuneration comprised:	**2003 £'000**	2002 £'000
Wages and salaries	**56,329**	71,084
Social security	**4,517**	5,481
Pensions (see Note 33)	**1,891**	2,517
	62,737	79,082

Details of directors remuneration, share options, long term incentive schemes, pension contributions, pension entitlements and interests for the year are provided in the audited part of the remuneration report on pages 28 to 36.

12 Tax on loss on ordinary activities

The tax credit is based on the loss for the year and comprises:	**2003 £'000**	2002 £'000
Current tax		
UK corporation tax	**434**	(231)
Foreign tax	**516**	(2,892)
Adjustments in respect of prior years		
Foreign tax	**(759)**	(1,346)
Total current tax	**191**	(4,469)
Deferred taxation		
Origination and reversal of timing differences	**(1,139)**	(141)
Decrease in estimate of recoverable deferred tax asset	**-**	703
Total deferred tax (see Note 26)	**(1,139)**	562
Total tax on loss on ordinary activities	**(948)**	(3,907)

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2003 £'000	2002 £'000
Group loss on ordinary activities before tax	**(13,605)**	(14,050)
Tax on loss on ordinary activities at standard UK corporation tax rate of 30% (2002 - 30%)	**(4,082)**	(4,215)
Effects of:		
Expenses not deductible for tax purposes	**3,487**	2,125
Capital allowances in excess of depreciation	**277**	93
Timing differences	**(90)**	1,043
Utilisation of tax losses	**(206)**	(315)
Higher tax rates on overseas earnings	**(287)**	(1,854)
Non-utilisation of losses	**1,851**	-
Adjustments to tax charge in respect of previous periods	**(759)**	(1,346)
Group current tax charge/(credit) for the year	**191**	(4,469)

13 Dividends paid on equity and non-equity shares

	2003 £'000	2002 £'000
Equity shares:		
Ordinary dividends		
- prior year final dividend on shares issued after 31 March 2002 under share option schemes	**-**	6
- interim paid of nil p per share (2002 – 5.5p per share)	**-**	1,573
Non-equity shares:		
Cumulative preference dividends		
- interim paid 3.75p per share (2002 – 3.75p per share)	**3**	3
- final paid 3.75p per share (2002 – 3.75p per share)	**3**	3
	6	1,585

14 Loss per ordinary share

The calculations of loss per share are based on the following losses and numbers of shares:

	2003	2002
	£'000	£'000
Loss for the financial year	**(12,657)**	(10,143)
Preference dividends	**(6)**	(6)
Basic loss	**(12,663)**	(10,149)
Goodwill amortisation and impairment	**9,585**	871
Cost of fundamental restructuring	**-**	6,278
Refinancing costs	**1,000**	2,260
Tax on exceptional item	**-**	(1,657)
Headline loss	**(2,078)**	(2,397)

Weighted average number of shares:

	No. of Shares	No. of Shares
For basic loss per share	**28,602,637**	28,592,218
Exercise of share options	**-**	11,794
For diluted loss per share	**28,602,637**	28,604,012
Headline loss per share (full)	**(7.3)p**	(8.4)p
Basic loss per share (full)	**(44.3)p**	(35.5)p
Diluted loss per share (full)	**(44.3)p**	(35.5)p

Headline loss per share has been calculated on the basis of continuing activities before goodwill amortisation, goodwill impairment, 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 in the year and the prior year. As the Group recorded a loss per share, the share options are anti dilutive.

15 Goodwill

	£'000
Cost	
Beginning of year	**16,399**
Additions	**97**
Exchange adjustment	**(259)**
End of year	**16,237**
Amortisation	
Beginning of year	**2,334**
Charge for the year	**933**
Impairment losses	**8,652**
Exchange adjustment	**(56)**
End of year	**11,863**
Net book value – end of year	**4,374**
Net book value – beginning of year	**14,065**

The impairment charge of £8,652,000 is in relation to goodwill recognised on the Group's Brazilian subsidiary Volex do Brasil Ltda, which has been written down to its recoverable amount.

16 Tangible fixed assets

a. Tangible fixed assets comprise:	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Land and buildings				
- freehold	**5,990**	5,997	**805**	1,039
- long leasehold	**5,691**	8,072	**298**	322
Plant and machinery	**22,163**	27,163	**3,038**	3,620
	33,844	41,232	**4,141**	4,981

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

	Land and buildings Freehold £'000	Land and buildings Long leasehold £'000	Plant and machinery Owned £'000	Plant and machinery Leased £'000	Total £'000
Cost or valuation					
Beginning of year	6,598	10,234	78,455	175	95,462
On acquisition	-	-	105	-	105
Additions	98	38	2,238	-	2,374
Adjustment on revaluation	(99)	(1,320)	-	-	(1,419)
Disposals	(76)	(382)	(9,747)	(16)	(10,221)
Exchange adjustment	447	(569)	(2,705)	(54)	(2,881)
End of year	6,968	8,001	68,346	105	83,420
Depreciation					
Beginning of year	601	2,162	51,402	65	54,230
Charge for the year	391	590	5,745	32	6,758
Disposals	(12)	(318)	(9,570)	(15)	(9,915)
Exchange adjustment	(2)	(124)	(1,352)	(19)	(1,497)
End of year	978	2,310	46,225	63	49,576
Net book value – end of year	5,990	5,691	22,121	42	33,844
Net book value – beginning of year	5,997	8,072	27,053	110	41,232

The adjustment on revaluation on a long leasehold property reflects the directors' assessment of the property's value on an existing use basis.

(ii) Company

	Land and buildings Freehold £'000	Land and buildings Long leasehold £'000	Plant and machinery Owned £'000	Plant and machinery Leased £'000	Total £'000
Cost or valuation					
Beginning of year	1,370	688	29,573	30	31,661
Additions	9	-	350	-	359
Adjustment on revaluation	(99)	-	-	-	(99)
Disposals	(76)	(318)	(9,129)	(16)	(9,539)
End of year	1,204	370	20,794	14	22,382
Depreciation					
Beginning of year	331	366	25,953	30	26,680
Charge for the year	80	24	937	-	1,041
Disposals	(12)	(318)	(9,134)	(16)	(9,480)
End of year	399	72	17,756	14	18,241
Net book value – end of year	805	298	3,038	-	4,141
Net book value – beginning of year	1,039	322	3,620	-	4,981

16 Tangible fixed assets - continued

(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.

(iv) Freehold land amounting to £962,000 (2002 - £953,000) has not been depreciated.

c. Cost and valuation analysis:

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

	Group			Company		
	Freehold £'000	Long leasehold £'000	Total £'000	Freehold £'000	Long leasehold £'000	Total £'000
Valuation 1997	2,821	4,903	7,724	1,144	26	1,170
Cost	4,147	3,098	7,245	60	344	404
	6,968	8,001	14,969	1,204	370	1,574

The comparative figures as at 31 March 2002 are as follows:

	Group			Company		
	Freehold £'000	Long leasehold £'000	Total £'000	Freehold £'000	Long leasehold £'000	Total £'000
Valuation 1997	2,772	6,621	9,393	1,243	26	1,269
Cost	3,826	3,613	7,439	127	662	789
	6,598	10,234	16,832	1,370	688	2,058

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

	Group			Company		
	Freehold £'000	Long leasehold £'000	Total £'000	Freehold £'000	Long leasehold £'000	Total £'000
Original cost	10,964	5,790	16,754	2,303	271	2,574
Depreciation based on cost	(6,283)	(2,489)	(8,772)	(847)	(72)	(919)
Net book value	4,681	3,301	7,982	1,456	199	1,655

The comparative figures as at 31 March 2002 are as follows:

	Group			Company		
	Freehold £'000	Long leasehold £'000	Total £'000	Freehold £'000	Long leasehold £'000	Total £'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

17 Fixed asset investments

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

The movement on these investments during the year was as follows:	Shares £'000	Loans £'000	Total £'000
Cost			
Beginning of year	7,870	65,375	73,245
Additions	68	211	279
Disposals	-	(405)	(405)
Exchange adjustment	(502)	(6,337)	(6,839)
End of year	7,436	58,844	66,280
Provision for impairment			
Beginning of year	-	-	-
Written off	-	11,564	11,564
End of year	-	11,564	11,564
Net book value – end of year	7,436	47,280	54,716
Net book value – beginning of year	7,870	65,375	73,245

On 1 October 2002, the Company completed the acquisition of the trade and assets of the existing cable assembly business of Flextronics Cable located in Tczew in Poland for a cash consideration of £211,000. Further costs of £68,000 were incurred in relation to the forming of the new subsidiary Volex Poland Sp z.o.o. Total goodwill arising on the acquisition was £97,000. The acquisition had an immaterial impact on the Group's result and cash flows for the year.

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:-

17 Fixed asset investments - continued

	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 Assembly (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 Assembly (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 Europe 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
Volex Poland Sp z.o.o	Poland

* 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

18 Stocks

	Group		Company	
	2003	2002	**2003**	2002
Stocks comprise:	**£'000**	£'000	**£'000**	£'000
Raw materials and consumables	**18,590**	18,713	**1,763**	2,012
Work-in-progress	**1,995**	2,528	**685**	1,160
Finished goods	**8,634**	14,494	**981**	5,925
	29,219	35,735	**3,429**	9,097

There is no material difference between the balance sheet value of stocks and their replacement cost.

19 Debtors

	Group		Company	
	2003	2002	**2003**	2002
Debtors comprise:	**£'000**	£'000	**£'000**	£'000
Amounts falling due within one year:				
Trade debtors	**44,769**	43,242	**6,611**	12,574
Due from subsidiary undertakings	**-**	-	**24,685**	24,244
Other debtors	**2,397**	1,327	**426**	300
Tax recoverable	**1,893**	3,739	**591**	691
Prepayments and accrued income	**3,000**	4,036	**495**	711
Deferred tax (Note 26)	**879**	-	**700**	-
	52,938	52,344	**33,508**	38,520

20 Properties held for resale

	Group	
	2003	2002
	£'000	£'000
Freehold properties	**1,482**	1,482

This represents a property which was formerly operational but is now held for sale.

21 Creditors: amounts falling due within one year

The following amounts are included in creditors falling due within one year:

	Group		Company	
	2003	2002	**2003**	2002
	£'000	£'000	**£'000**	£'000
Bank loans and overdrafts – secured	**3,791**	2,827	**2,756**	2,827
Obligations under finance leases	**24**	70	**-**	-
Trade creditors	**27,329**	21,637	**2,870**	6,254
Due to subsidiary undertakings	**-**	-	**4,403**	2,595
Other creditors:				
- UK corporation tax and foreign taxes	**1,013**	326	**-**	-
- Social security and employee taxes	**832**	808	**225**	358
- VAT	**311**	1,018	**148**	526
Accruals and deferred income:				
- Government grants	**169**	178	**-**	172
- Other	**9,138**	11,028	**4,872**	6,350
	42,607	37,892	**15,274**	19,082

22 Creditors: amounts falling due after more than one year

The following amounts are included in creditors fallling due after more than one year:

	Group		Company	
	2003	2002	**2003**	2002
	£'000	£'000	**£'000**	£'000
Issue costs	**(872)**	-	**(872)**	-
Bank loan – secured	**48,716**	60,563	**48,716**	60,563
Obligations under finance leases	**1**	39	**-**	-
Due to subsidiary undertakings	**-**	-	**24,573**	17,818
	47,845	60,602	**72,417**	78,381

23 Analysis of borrowings

Borrowings are repayable as follows:

	Group		Company	
	2003	2002	**2003**	2002
	£'000	£'000	**£'000**	£'000
Issue costs	**(872)**	-	**(872)**	-
Within 1 year	**3,815**	2,897	**2,756**	2,827
Within 2-5 years	**48,717**	60,602	**48,716**	60,563
Total borrowings	**51,660**	63,499	**50,600**	63,390

24 Derivatives and other financial instruments

Pages 18 to 19 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.

a. Interest rate profile

Financial assets:
The Group has no financial assets at 31 March 2003 other than cash deposits with a sterling value of £13,728,000 (2002 - £13,090,000) 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 2003 £'000**	Floating rate 2002 £'000
Sterling	**8**	139
US dollar	**7,301**	6,513
Euro	**1,526**	1,890
Singapore dollar	**1,140**	724
Canadian dollar	**321**	67
Croatian kuna	**135**	123
Brazilian real	**510**	641
Swedish krona	**326**	322
Estonian kroons	**1**	-
Chinese renminbi	**1,138**	2,671
Polish zloty	**106**	-
Hong Kong dollar	**401**	-
Malaysian ringitt	**487**	-
Others	**328**	-
Total	**13,728**	13,090

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

24 Derivatives and other financial instruments - continued

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 2003 £'000**	**Fixed 2003 £'000**	**Total 2003 £'000**	Floating 2002 £'000	Fixed 2002 £'000	Total 2002 £'000
Sterling - non-equity shares	**-**	**80**	**80**	-	80	80
US dollar	**38,726**	**-**	**38,726**	48,989	-	48,989
Singapore dollar	**8,997**	**-**	**8,997**	9,559	-	9,559
Canadian dollar	**4,784**	**-**	**4,784**	4,842	-	4,842
Brazilian real	**25**	**-**	**25**	109	-	109
Total	**52,532**	**80**	**52,612**	63,499	80	63,579

The interest rate on sterling non-equity shares is fixed at 7% - see Note 28.

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

(i)	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.
(ii)	Singapore dollars	Three, six and twelve months Singapore dollar LIBOR on liabilities in the UK.
(iii)	Canadian dollars	Three, six and twelve months Canadian dollar LIBOR on liabilities held in the UK.

b. Currency exposures

As explained on page 19 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 2003 these exposures were as follows:

Functional currency of Group operation	Net foreign currency monetary assets/(liabilities)*									
	Sterling £'000	US dollar £'000	Jap Yen £'000	Euro £'000	HK dollar £'000	CH Rmb £'000	Ind Rupee £'000	Mal Ring £'000	Thai Baht £'000	Total £'000
Sterling	-	(66)	(6)	(367)	-	-	-	-	-	(439)
Euro	2,105	877	-	-	-	-	-	-	-	2,982
Singapore dollar	-	3,980	257	131	(261)	2,924	556	1,577	554	9,718
Canadian dollar	-	1,289	-	-	-	-	-	-	-	1,289
Total	2,105	6,080	251	(236)	(261)	2,924	556	1,577	554	13,550

24 Derivatives and other financial instruments - continued

The exposures at 31 March 2002 for comparison purposes were as follows:

Functional currency of Group operation	Net foreign currency monetary assets/(liabilities)*							
	Sterling	US dollar	Jap Yen	Euro	Singapore dollar	HK dollar	CH Rmb	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'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 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 2003 and 2002 were as follows:	**Non-equity Shares 2003 £'000**	**Borrowings (Note 23) 2003 £'000**	**Total 2003 £'000**	Total 2002 £'000
In one year or less	**-**	**3,815**	**3,815**	2,897
In more than one year but not more than two years	**-**	**48,717**	**48,717**	-
In more than two years but not more than five years	**-**	**-**	**-**	60,602
In more than five years	**80**	**-**	**80**	80
Total	**80**	**52,532**	**52,612**	63,579

d. Borrowing facilities

The Group had undrawn committed borrowing facilities at 31 March 2003 and 2002 as follows:	**2003 £'000**	2002 £'000
Expiry in one year or less	**13,193**	14,460
Expiring in more than one year but not more than two years	**718**	-
Total	**13,911**	14,460

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 2003 and 2002.

	2003		2002	
	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	**-**	**(210)**	-	60

The fair values of the interest rate swaps have been determined by reference to prices available from the external market. There are no differences between the fair values and book values of the other financial assets and liabilities of the Group.

24 Derivatives and other financial instruments - continued

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. Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedged position matures. For the one forward foreign currency contract in place at the year-end the unrecognised gain at 31 March 2003 was £20,745 (2002 - £ Nil).

25 Provisions for liabilities and charges

	Group		Company	
	2003	2002	**2003**	2002
	£'000	£'000	**£'000**	£'000
Deferred tax (See Note 26 below)	**-**	139	**-**	-

26 Deferred taxation

	Group		Company	
	2003	2002	**2003**	2002
The movement during the year was as follows:	**£'000**	£'000	**£'000**	£'000
Beginning of year	**139**	(568)	**-**	(470)
Exchange adjustment	**121**	145	**-**	-
(Credited)/charged to the profit and loss account	**(1,139)**	562	**(700)**	470
End of year	**(879)**	139	**(700)**	-

Deferred tax assets have been recognised to the extent that they are expected to reverse in the foreseeable future.

(i) Deferred tax is provided as follows:

	Group		Company	
	2003	2002	**2003**	2002
	£'000	£'000	**£'000**	£'000
Excess of tax allowance over book depreciation of fixed assets	**852**	-	**(700)**	-
Short term timing differences	**(1,731)**	139	**-**	-
	(879)	139	**(700)**	-

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

	Group		Company	
	2003	2002	**2003**	2002
	£'000	£'000	**£'000**	£'000
Shortfall of tax allowances over book depreciation on tangible fixed assets	**(1,163)**	(1,472)	**(1,163)**	(1,472)
Short term timing differences	**(5,197)**	(3,713)	**(1,017)**	(1,016)
	(6,360)	(5,185)	**(2,180)**	(2,488)
Rollover relief on capital gains	**218**	218	**-**	-
Unrecognised asset	**(6,142)**	(4,967)	**(2,180)**	(2,488)

notes to the accounts

27 Called-up share capital

	Authorised		Allotted, called-up and fully paid	
	2003 £'000	2002 £'000	**2003 £'000**	2002 £'000
Equity:				
Ordinary shares of 25p each				
(35,680,000 authorised – 28,602,637 allotted)	**8,920**	8,920	**7,151**	7,151
Non-Equity:				
Cumulative preference shares of £1 each				
(80,000 authorised and allotted)	**80**	80	**80**	80
	9,000	9,000	**7,231**	7,231

All of the shareholders' funds represent equity interests except for £80,000 in respect of the preference shares (see Note 28). The following options to subscribe for ordinary shares of 25p each, granted under the terms of the Employee Share Savings Scheme and the Discretionary Share Option Schemes were outstanding at 31 March 2003:

	No of options	No of shares	Option price	Normal exercise period
Employee Share Savings Scheme (273 members)				
	27	17,936	517p	2001-2004
	15	11,270	482p	2002-2005
	58	10,310	1051p	2003-2006
	161	70,514	631p	2004-2007
Discretionary Share Option Schemes (43 members)				
	1	12,000	425p	1997-2004
	2	16,200	394p	1998-2005
	5	83,725	455p	1999-2006
	2	18,000	410p	2000-2007
	2	12,000	485.5p	2000-2007
	6	88,000	610p	2001-2008
	5	87,000	622.5p	2002-2009
	1	20,000	922.5p	2002-2009
	33	158,931	1475p	2003-2010
	33	159,000	788p	2004-2011
	34	137,500	138p	2005-2012

28 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.

29 Reserves

a. Reserves comprise

	Group		Company	
	2003	2002	**2003**	2002
	£'000	£'000	**£'000**	£'000
Profit and loss account	**19,318**	31,926	**(10,661)**	275
Share premium account	**20,281**	20,281	**20,281**	20,281
Revaluation reserve	**-**	1,551	**-**	99
Other reserves	**(1,697)**	(1,674)	**(5,158)**	511
Total reserves	**37,902**	52,084	**4,462**	21,166

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	31,926	20,281	1,551	(1,674)	52,084
Loss for the year transferred from reserves	(12,663)	-	-	-	(12,663)
Adjustment on revaluation	-	-	(1,419)	-	(1,419)
Transfer from revaluation reserve	55	-	(55)	-	-
Exchange adjustment	-	-	(77)	(23)	(100)
End of year	19,318	20,281	-	(1,697)	37,902
Company					
Beginning of year	275	20,281	99	511	21,166
Profit for the year transferred to reserves	(10,936)	-	-	-	(10,936)
Adjustment on revaluation	-	-	(99)	-	(99)
Exchange adjustment	-	-	-	(5,669)	(5,669)
End of year	(10,661)	20,281	-	(5,158)	4,462

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 (2002 - £33.4m). Goodwill arising on acquisitions post this date has been capitalised and amortised over twenty years.

30 Financial commitments

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

	Group		Company	
	2003	2002	**2003**	2002
	£'000	£'000	**£'000**	£'000
Contracted for but not provided for	**492**	579	**294**	68

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 2003 was £1,545,000 (2002 - £1,859,000).

In addition the Group leases properties on short-term leases. The rentals paid under these leases during the year were £4,848,884 (2002 - £5,486,000). The rents payable are subject to re-negotiation at various intervals specified in the leases. The Group pays for all insurance, maintenance and repairs.

30 Financial commitments - continued

The annual rentals under the foregoing leases are as follows:

	Property		Machinery, plant & motor vehicles	
	2003 £'000	2002 £'000	**2003 £'000**	2002 £'000
Group				
Payable within 1 year on leases expiring:				
- within 1 year	**1,173**	341	**1,053**	1,046
- within 1-2 years	**552**	944	**182**	121
- within 2-5 years	**1,804**	1,513	**301**	522
- after 5 years	**1,271**	2,189	**4**	-
	4,800	4,987	**1,540**	1,689
Company				
Payable within 1 year on leases expiring:				
- within 1 year	**-**	-	**58**	16
- within 1-2 years	**-**	-	**122**	94
- within 2-5 years	**90**	90	**132**	267
- after 5 years	**780**	776	**4**	-
	870	866	**316**	377

31 Consolidated cash flow statement

a. Reconciliation of operating loss to net cash inflow from operating activities	**2003 £'000**	2002 £'000
Operating loss	**(9,012)**	(2,452)
Depreciation charges	**6,758**	8,517
Goodwill amortised and impaired	**9,585**	871
Government grants	**(128)**	(434)
Loss/(profit) on sale of tangible fixed assets	**5**	(258)
Decrease in stocks	**5,793**	23,698
(Increase)/decrease in debtors	**(2,664)**	19,735
Increase/(decrease) in creditors	**5,058**	(17,480)
Cash impact of fundamental restructuring	**(2,336)**	(1,975)
Net cash inflow from operating activities	**13,059**	30,222

b. Analysis of net debt:	1 April 2002 £'000	Cash Flow £'000	Other Non-cash Changes £'000	Exchange Movement £'000	**31 March 2003 £'000**
Cash at bank and in hand	13,090	1,369	-	(731)	**13,728**
Overdraft	(2,827)	(110)	-	181	**(2,756)**
		1,259			
Debt due after one year	(60,563)	6,039	1,035	4,773	**(48,716)**
Debt due within one year	-	-	(1,035)	-	**(1,035)**
Finance Leases	(109)	43	-	41	**(25)**
		6,082			
Net debt	(50,409)	7,341	-	4,264	**(38,804)**

31 Consolidated cash flow statement - continued

c. Reconciliation of net cash flow to movement in net debt:	**2003 £'000**	2002 £'000
Increase in cash in the year	**1,259**	7,221
Cash outflow from decrease in debt & lease financing	**6,082**	728
Change in net debt resulting from cash flows	**7,341**	7,949
New finance leases	**-**	(242)
Translation difference	**4,264**	297
Movement in net debt in the year	**11,605**	8,004
Net debt at 1 April 2002	**(50,409)**	(58,413)
Net debt at 31 March 2003	**(38,804)**	(50,409)

32 Post balance sheet event

Since the year-end, the Company has completed the re-negotiation of the terms of its borrowing facilities with its principal bankers (Barclays Bank PLC, Fleet National Bank and Royal Bank of Scotland PLC). Amendments to certain terms and financial covenants as previously set out in the prior year's facility agreement now provide for the continuation of these facilities until 30 June 2004, with the Company having the option to extend for a further year subject to meeting certain specified conditions.

In addition, the exercise price of the previously issued option warrants for 5% of the Group's issued ordinary share capital is to be adjusted at a 25% premium to the average share price over the 30 day period starting 5 June 2003. The banks will have the opportunity to exercise these warrants between July 2003 and 30 June 2005, with this period being extended until 30 June 2007 to the extent that each bank remains a committed lender to the Group during this extension period.

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

33 Pension Arrangements

a. United Kingdom

During the year the Company maintained two Inland Revenue approved defined benefit schemes which are funded by payments held in independent trusts. 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 2.5% p.a. in excess of salary increases and 3.3% p.a. 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.

The funds were valued at £7.2m as at 31 March 2003. As at the date of the last actuarial valuation in August 2001 the combined schemes were fully funded after allowing for expected salary growth. The average contribution rates for the two schemes for 2002/2003 ranged between 4.1% - 25% of pensionable earnings. At the end of the year both schemes have ceased future accrual of benefits. The current Schedule of Contributions envisages annual payments to the schemes of £117,000 per annum for the next 10 years. The schemes were replaced with effect from 1 April 2003 with defined contribution pension arrangements. The Company also has two Inland Revenue approved defined contribution schemes and makes contributions to a group personal pension plan.

As required by SSAP 24, the figures included in the accounts in respect of the Company pension scheme are based on the actuarial valuation carried out at August 2001. This does not take into account any impact of the fall in general stock market values since that date. Any such impact will be reflected in the next SSAP 24 triennial valuation as at August 2004 based upon which subsequent pension costs will be determined until the adoption of FRS 17.

33 Pension Arrangements – continued

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 second year of the transitional provisions. They provide information, which will be necessary for full implementation of FRS 17 in the year ending 31 March 2006. As a result of the different valuation bases used and the different valuation dates there are significant differences between the results of the SSAP 24 valuation and the FRS 17 valuation. Therefore the figures which are currently used for accounting purposes as regards pension costs are likely to change significantly once FRS 17 is implemented.

The actuarial valuation described above has been updated at 31 March 2003 by the Scheme Actuary using revised assumptions that are consistent with the requirements of FRS 17. Investments have been valued, for this purpose, at fair value.

The major assumptions used for the actuarial valuation were:

	2003	2002
Rate of increase in salaries	**2.60%**	4.6-5.1%
Rate of increase in pensions in payment	**2.60%**	2.80%
Discount rate	**5.40%**	6.00%
Inflation assumption	**2.60%**	2.80%

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 each balance sheet date were:

	2003 %	**2003 £'000**	2002 %	2002 £'000
Equities	**6.60%**	**4,869**	7.25%	7,515
Bonds	**4.60%**	**2,156**	5.25%	1,713
Property	**6.60%**	**180**	7.25%	285
Total fair value of assets		**7,205**		9,513
Present value of scheme liabilities		**(11,698)**		(11,060)
Deficit in the scheme		**(4,493)**		(1,547)
Related deferred tax liability		**-**		-
		(4,493)		(1,547)

The following is an analysis of the amount that would have been credited to operating profit under FRS 17:

	2003 £'000
Current service cost	**458**
Past service cost	**-**
Gain on settlements and curtailments	**(1,258)**
	(800)

The following is an analysis of the amount that would have been charged to net finance income under FRS 17:

	2003 £'000
Expected return on pension scheme assets	**661**
Interest on pension scheme liabilities	**(675)**
	(14)

33 Pension Arrangements – continued

The following is an analysis of the actuarial loss that would have been recognised in the statement of total recognised gains and losses:

	2003 £'000
Actual return less expected return on pension scheme assets	**(3,140)**
Experience gains and losses arising on the scheme liabilities	**280**
Changes in assumptions underlying the present value of the scheme liabilities	**(1,142)**
	(4,002)

The following shows the history of experience gains and losses:

Difference between the expected and actual return on scheme assets:	**2003**
Amount (£'000)	**(3,140)**
Percentage of scheme assets	**44%**

Experience gains and losses on scheme liabilities:	**2003**
Amount (£'000)	**280**
Percentage of the present value of scheme liabilities	**2%**

Total actuarial loss recognised in the statement of total recognised gains and losses:	**2003**
Amount (£'000)	**(4,002)**
Percentage of the present value of scheme liabilities	**34%**

The analysis of reserves that would have arisen if FRS 17 had been fully implemented is as follows:

	2003 £'000	2002 £'000
Profit and loss reserve excluding pension asset	**19,318**	31,926
Amount relating to defined benefit pension scheme asset, net of related deferred tax	**(4,493)**	(1,547)
Profit and loss reserve	**14,825**	30,379

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 £1,891,000 (2002 - £2,517,000).

five year summary

	2003 £'000	2002 £'000	2001 £'000	2000 £'000	1999 £'000
Turnover					
Continuing operations	**230,066**	275,696	418,299	319,807	215,913
Operating (loss)/profit					
Continuing operations	**(9,012)**	(2,452)	34,320	25,976	19,208
(Loss)/profit on ordinary activities before taxation	**(13,605)**	(7,772)	29,872	23,104	18,203
Exceptional (charges)/income(net)	-	(6,278)	(3,344)	20	59
	(13,605)	(14,050)	26,528	23,124	18,262
(Loss)/profit after taxation and minority interests	**(12,657)**	(10,143)	18,838	15,295	12,195
Assets employed:					
Fixed assets	**38,218**	55,297	64,179	57,548	42,329
Net current assets	**54,760**	64,759	69,050	45,149	38,679
Creditors:					
amounts falling due after more than one year	**(47,845)**	(60,602)	(61,612)	(43,423)	(27,971)
Provisions	-	(139)	-	-	(44)
Net assets	**45,133**	59,315	71,617	59,274	52,993
Financed by:					
Shareholders' funds	**45,133**	59,315	71,617	59,274	52,352
Minority interests	-	-	-	-	641
Total capital employed	**45,133**	59,315	71,617	59,274	52,993
Capital expenditure (Excl. Acquisitions)	**2,374**	4,599	14,190	10,643	8,667
Key statistics					
(Loss)/earnings per share – headline	**(7.3)p**	(8.4)p	79.9p	54.4p	42.4p
(Loss)/earnings per share – basic	**(44.3)p**	(35.5)p	66.1p	54.0p	43.2p
Average number of ordinary shares	**28,602,637**	28,592,218	28,487,198	28,307,204	28,215,536
Dividend per share	**n/a**	5.5p	28.0p	25.7p	24.0p
Dividend cover	**n/a**	n/a	2.3 times	2.1 times	1.8 times
Dividend cover – normalised*	**n/a**	n/a	2.7 times	2.1 times	1.8 times
Gearing (net cash)**	**86%**	85%	82%	74%	31%
Return on average shareholders' funds***	**(24)%**	(15)%	29%	27%	24%
Return on average net assets****	**(18)%**	(13)%	47%	47%	39%
Share price - high	**262p**	830p	2,155p	1,262p	660p
- low	**51p**	155p	660p	379p	382p

* Excluding discontinued operations and exceptional items

** Net debt excluding debt issue costs/shareholders' funds

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

**** Operating (loss)/profit after exceptional items/average of net assets excluding current asset investments

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

notice of annual general meeting

NOTICE IS HEREBY GIVEN that the eighty-fourth Annual General Meeting of the Company will be held at The Copthorne Manchester, Clippers Quay, Salford Quays, Manchester M5 3DL on Tuesday 29 July 2003 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 2003.
2. To appoint Mr. D.M.M. Beever as a director (appointed during the year).
3. To appoint Mr. D.B. Hudson as a director (appointed during the year).
4. To re-appoint Mr. D.C. Payzant as a director (retiring).
5. To re-appoint Deloitte & Touche as auditors of the Company and to authorise the directors to determine their remuneration.

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

6. To approve the Remuneration Report as set out in the Annual Accounts 2003.
7. 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.

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

8. 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

27 June 2003

By order of the Board

Mark Ashcroft

M. Ashcroft
Director and Secretary

Notes

1. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only the holders of ordinary shares entered on the register of members of the Company as at 11.30am on 27 July 2003 shall be entitled to attend 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 11.30 am on 27 July 2003 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 the Company's Registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours before the time appointed for holding the meeting.
4. Copies of directors' service contracts with the Company are available for inspection at the registered office during normal business hours and will be available for inspection 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 29 July 2003 and at any adjournment thereof.

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

	FOR	AGAINST
1. Adoption of the Report and Accounts.		
2. To appoint Mr. D.M.M. Beever as a director.		
3. To appoint Mr. D.B. Hudson as a director.		
4. Re-appointment of Mr. D.C. Payzant as a director.		
5. Re-appointment of Deloitte & Touche as auditors and authorisation of directors to determine their remuneration.		
6. To approve the Remuneration Report of the directors.		
7. Directors' authority to allot relevant securities.		
8. Directors' 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____________________2003

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 Registrars, Proxy Department, The Registry, 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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Capita Registrars
Registrars for Volex Group p.l.c.
Proxy Department
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4BR

First fold

Second fold

shareholder information

Financial Calendar

2002/2003

Final results announced	4 June 2003
Annual General Meeting	29 July 2003

2003/2004

Interim results published	November 2003
Year end	31 March 2004
Final results announced	June 2004

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

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

Registered number
158956 (Registered in England and Wales)

Registrars
Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU

Auditors	Deloitte & Touche
Merchant bankers	UBS Warburg
Bankers	Barclays Bank PLC Fleet National Bank Royal Bank of Scotland PLC
Stockbrokers	UBS Warburg
Solicitors	Allen & Overy

Volex Group plc
Dornoch House
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