

158956

Building for the Future

SATURDAY



A0NLEVA1

A10

25/06/2011

100

COMPANIES HOUSE

Voilex provides high-quality electrical and optical connection solutions to customers around the world.

We work closely with our customers throughout their product development cycles to design, develop and manufacture connection solutions that meet their specific business requirements.

Our global manufacturing footprint, combined with our supply chain and logistics expertise, enables us to provide a responsive, flexible service that meets customers fast changing requirements to timescales, order volumes or geographic destinations.

Our solutions are used in many high-tech products and services vital to modern life: communications networks, medical equipment, power generation, and everyday business and domestic equipment.

Contents

Corporate Overview

- 01 Highlights
- 02 Voilex at a glance
- 04 Our five year strategy
- 06 KPIs
- 08 Chairman's statement

Business Review

- 10 Chief Executive's statement
- 14 Financial review
- 20 Operating review
- 28 Managing Group risk
- 32 Corporate responsibility
- 36 Board of Directors

Corporate Governance

- 38 Corporate governance report
- 43 Directors' remuneration report
- 51 Directors' report
- 56 Independent auditors' report

Financial Statements

- 57 Consolidated income statement
- 58 Consolidated statement of comprehensive income
- 59 Consolidated and Company statement of financial position
- 60 Consolidated and Company statement of changes in equity
- 61 Consolidated and Company statement of cash flows
- 62 Notes to the financial statements
- 95 Five year summary
- 96 Shareholder information
- 96 Registered office and advisors

Annual General Meeting

- 97 Notice of Annual General Meeting

Highlights

In FY2011 Volex has been successful in restoring growth to the business. Revenue and operating profit were the highest they have been for ten years; the Board is recommending a return to a dividend payment; and the Group has completed a refinancing exercise to put in place lending arrangements more aligned with our strategic objectives and operational needs.

Financial Highlights

- > Revenue up 38% (35% at constant currency) to £316.0m (FY2010 £229.0m)
- > Normalised operating profit⁽ⁱ⁾ up 64% on prior year, at £16.8m (FY2010 £10.3m)
- > Profit before tax up 89% to £13.1m (FY2010 £6.9m)
- > Normalised diluted earnings per share⁽ⁱⁱ⁾ (EPS) up 130% to 20.9p (FY2010 9.1p) Basic EPS of 18.9p (FY2010 9.3p)
- > Working capital as a % of sales improved to 14.5% from 15.6% in FY2010
- > Net debt reduced to £4.6m at 3 April 2011 (4 April 2010 £7.6m)
- > Resumption of dividend – dividend of 2p per ordinary share proposed
- > Debt refinancing completed, securing a new 4-year US\$75m committed facility with a further US\$150m pre-negotiated for potential acquisitions

(i) Normalised operating profit is defined as operating profit before share based payments

(ii) Normalised earnings per share is defined as earnings per share before share-based payments

Operational Highlights

- > Strong growth achieved across all sectors, generating ten-year high revenue and operating profit
- > New product development in high-speed interconnects for the datacoms markets and interconnect solutions for next generation X-Ray and MRI machines
- > New business wins and increased allocations in existing accounts through improved engagement with customers
- > Increased investment in our engineering and design capability bringing benefits to customers
- > Achieved productivity gains through improved utilisation of plant and equipment
- > Significant progress made in our IT systems and infrastructure development programme

Voilex at a glance

02

Voilex provides high-quality electrical and optical connection solutions to customers around the world. We work closely with our customers throughout their product development cycles to design, develop and manufacture connection solutions that meet their specific business requirements. Our customers are equipment manufacturers in 4 market sectors: Telecoms/Datacoms, Healthcare, Consumer Products and Industrial.

Description	Market Drivers
Telecoms/Datacoms Our customers are manufacturers of vital equipment used in telecoms networks, IT data-centres and high-performance computing centres. Our solutions are geared to the need for increasing rates of data transmission, delivered in sufficient volume to support ongoing rollout of infrastructure in many countries.	> Smartphone-led demand for internet services accessed over mobile-phone networks, requiring increasing data speeds – leading to deployment of 3G and 4G/LTE networks > Ongoing build out of 2G and 3G mobile phone networks in developing countries > Demand for data-centres driven by increasing consumer internet traffic (e.g. search, video, uploading to social networking sites) > IT data and applications for enterprises being hosted in the network and access over network links
Healthcare Voilex supplies to large and medium-sized manufacturers of critical medical equipment such as imaging systems (MRI scanners, X-Ray), clinical diagnostics systems, and patient monitoring systems. The sector is characterised by extended product development cycles and long product lifetimes, requiring long-term partner relationships with vendors.	> Increasing demand for healthcare services from growing 'middle classes' in China, India, and other fast-developing countries > Ageing populations in developed countries placing increased demand on healthcare providers, in turn driving need for efficiency through automation > Increased emphasis on monitoring and early diagnosis, to avoid cost of treating acute conditions
Consumer Our customers are manufacturers of electrical and electronic devices and appliances, primarily for consumer markets but also for business users. Our products are used in laptops and PCs, printers, TVs, DVDs, games consoles, power tools, kitchen appliances and floor cleaning equipment.	> Growth in new product categories e.g. tablet computers, 3D-TVs, next-generation games consoles > Demand for environmentally-friendly components, e.g. halogen-free cabling > Manufacturers choosing global, high-quality suppliers over low-cost local suppliers
Industrial Voilex supplies to customers in a range of industrial segments including vehicle telematics systems, solar power installations and manufacturing automation.	> Private and public investment in renewable energy such as solar power > Enhanced manufacturing efficiency and quality through investment in automation > Growth in trucking telematics enabling fleets to boost productivity and enhance safety

- **Global headquarters**
London United Kingdom
- **Manufacturing units**
Tijuana, Mexico
Jacareí, Brazil
Bydgoszcz, Poland
Chennai, India
Batam, Indonesia
Ha Noi, Vietnam
Shenzhen, China
Zhongshan, China
Suzhou, China
- **Sales/Engineering units**
Castlebar Ireland
Hickory, NC USA
Singapore
Indianapolis IN USA
Istanbul, Turkey
Bangkok Thailand
Selangor, Malaysia
Hong Kong China
Beijing China
Yokohama Japan
Osaka Japan
Ottawa Canada
Taipei, Taiwan
Laguna, Philippines

Key Products

- > High-speed copper cable assemblies – a key new product in FY2011 was the HS QSFP cable assembly
- > Industry-standard input/output (I/O) cable assemblies

Customer Successes

- > Developed strong partnership with a major China telecoms manufacturer, providing global manufacturing footprint matching customer's global business development
- > Provides Volex-sourced solution to one of the leading European telco equipment manufacturers
- > Developed a strategic partnership with a leading datacoms switching solution provider

Telecoms/Datacoms quarterly revenue, £m

- > Complex customised medical harnesses
- > MR coil cables
- > Internal defibrillator paddles
- > Blood-pressure transducer cables
- > Industry-standard cables

- > We deployed an on-site design engineer to work with major global healthcare OEM on the design and manufacture of patient coils used in MRI systems. Volex demonstrated the necessary engineering expertise to be a collaborative solutions partner
- > Volex worked successfully with a global customer to successfully migrate its European in-house production of MRI products to China. Volex introduced new capabilities to its Suzhou factory to support this customer

Healthcare quarterly revenue, £m

- > Halogen-free power cords, duck-head plugs
- > Fused plugs, particularly for the US fan market, also launched with UK vacuum cleaner brand
- > Magnetic connector plugs for hotpot, kettle and rice-cooker for the Japan market

- > Success in supplying accessories to leading consumer brand for their new touch-screen entertainment product
- > Involved in every new programme of a leading consumer brand supporting their initiative to switch to halogen-free power cords
- > Established a new account, a leading provider of multi-function printer/scanners, printers, facsimiles and digital cameras, supplying for the China and Europe markets

Consumer quarterly revenue, £m

- > Complex cable assembly harnesses and standard I/O assemblies
- > In FY11 Volex launched solar junction boxes and drove sales of customer-specific photovoltaic harnesses

- > For a key market leader in manufacturing automation segment, Volex achieved sole-source supplier position, moving customer away from three-vendor approach
- > In trucking telematics segment, we achieved trusted partner status with a major customer, through delivering enhanced support including flexible manufacturing capacity and strong knowledge of customer's product range

Industrial quarterly revenue, £m

Our five year strategy

04

The cornerstone of our approach is 'customer engagement', and we strive to establish ourselves with our customers as a key partner, providing engineered interconnect solutions that meet their specific business requirements. A second key strategy is operational excellence, transforming our manufacturing capability and optimising our supply chain.

Selling unique solutions

Engage strongly with customers to provide interconnect and powercord solutions that deliver against the customers' own business priorities

Increasing Volex content

Engage early in our customers' product-development projects to design and develop specific interconnect or powercord solutions to meet customers' precise requirements

Manufacturing excellence

Exceed customer expectations for product quality and timely delivery, with greater efficiency and reduced waste to enhance Volex's profitability. Continually improve manufacturing operations to deliver increasing value to the customer and Volex

Supply-chain optimisation

Drive cost reduction, on-time delivery and enhanced quality through our supply chain. Deliver flexible and scalable logistics and procurement capabilities to achieve customers' geographic and volume requirements

-
- > Identify and target key customers for deep engagement, prioritising our resources to realise the full opportunity available to Volex
 - > Engage with customers and understand deeply their specific requirements. Work with technical and product development teams to identify connection solutions for specific business requirements

-
- > Engage early in customers' product design and development processes through expert field application engineers embedded at the customer and our expert design engineers delivering unique designs and Volex intellectual property
 - > Align our technology roadmaps with those of the customer. Engage with the customer at an early stage of their product development cycles

-
- > Embed a 'continuous-improvement' culture across Volex's manufacturing operations by systematically identifying and removing waste to reduce costs and increase profitability
 - > Drive product quality and productivity through enhanced technology and processes

-
- > Operate a flexible supply chain that is responsive to our requirements on behalf of our customers. Establish closer strategic ties with selected suppliers that transcend transactional business, while delivering a reduction in the overall number of suppliers
 - > Achieve lowest possible input costs for Volex for raw materials and standard components. Engage with suppliers to reduce volatility in future input costs
 - > Minimise inventory requirements to reduce working capital to industry-leading levels

KPIs

The Group has performed well during the year to 3 April 2011, producing a strong set of results which demonstrate the progress made in delivering our operational strategy. Revenues in FY2011 were significantly up on the prior year, and profits were similarly ahead.

06

Quarterly revenue by sector, £m

FY2011 vs FY2010 growth

+38%

Group gross margin, £m

FY2011 vs FY2010 growth

+29%

Group gross margin %

FY2011 gross margin

18.8%

Group quarterly normalised operating profit, £m

"Revenue and operating profit in FY2011 were the highest they have been for ten years"

FY2011 vs FY2010 growth

+64%

Andrew Chery,
Group Finance Director

Group working capital as % of revenue

Change in average
working capital held

1.1%

Group net debt, £m

FY2011 reduction
in net debt

£2.9m

Chairman's statement

Following significant restructuring of the Group in FY2010, Volex has been successful in restoring growth to the business, producing a set of results which demonstrates the progress made in delivering on our operational strategy

08

Mike McTighe
Chairman

Revenue and operating profit in FY2011 were the highest they have been for ten years and we are confident that this growth will continue as the benefits from our investments in people, processes and systems flow fully into increasing revenue, improving margins and greater profitability

Significant growth

The Group's new sector focus and unified, global structure has achieved pleasing results. Revenue of £316m was 38% ahead of last year (FY2010 £229m) and normalised operating profit* increased 64%, to £16.8m (FY2010 £10.3m), despite significant raw material price pressure. Importantly, second half operating profit was in line with the first half despite these substantial increases in input costs, underlining the increased consistency and resilience of the business and reflective of management's focus on improving the quality of earnings. Normalised diluted earnings per share* increased by 130% to 20.9p (FY2010 9.1p).

Dividend

As a result of our confidence in the Group's prospects, I am pleased to report that the Board is recommending a dividend of 2p per ordinary share, to be paid following shareholder approval at the AGM on 25 July 2011.

People

After several years of rebuilding, the executive team is fully established and working well together to deliver consistent, co-ordinated performance and increased value for our customers. The executive team's mandate is consistent with previous years to deliver further growth and improving margins by focusing on increasing Volex design content, closer customer focus and efficient manufacturing processes.

Refinancing an indicator of improved market confidence

On 31 May 2011 the Group completed a refinancing exercise to replace our existing banking facilities that had been due to expire in 2012. This new facility is more flexible than the previous lending

arrangements and is more consistent with our strategic objectives and operational needs. The addition of HSBC and Clydesdale to our banking group alongside Lloyds and the agreement of improved terms reflect increased confidence in the Group. This new facility will support the Group's next stage of organic and inorganic growth.

Outlook

The Board is pleased with trading performance in FY2011 but is aware of the challenges we face in building on this success, particularly given current commodity price volatility. We recognise the need to maintain our focus on continually improving the core performance of our business, in selling highly valued connection solutions, in building greater engineering expertise and in striving for excellence in our manufacturing and supply chain, all underpinned by an ongoing programme of internal improvements to people, systems and processes.

As a result of this focus, the Group is positioned to achieve higher quality single digit percentage revenue growth in FY2012 and improved gross margins, with the latter expected to exit next year at around 20%.

Across the business it has been a challenging but rewarding and successful year, delivering sales growth while building profitability. I would like to thank all our employees in every location for their hard work in achieving our results in FY2011 and in positioning the business for sustainable profitable growth.

Before share based payments (see note 7 to the Financial Statements)



Mike McTighe
Chairman

Our journey to a world class Company

2008

March 2008

Mike McTighe appointed as Chairman
Mike McTighe takes up role as Chairman of Volex Group plc, following a difficult year for the Group in 2007-08

2009

Jan-Apr 2009

New CEO and CFO appointed

Ray Walsh joined Volex as CEO in April 2009, bringing to Volex considerable experience running technology companies. Andrew Cherry appointed as Group Finance Director in January 2009

April 2009

Disposal of Wiring Harness division

Volex completes the disposal of its loss-making Wiring Harness division, paving the way for a renegotiated three-year banking facility

July 2009

Head office relocation to London

The relocation of the Group's head office from Warrington, Cheshire to London marks a key point in revitalising the Group, strengthening the head-office team and enabling closer communications with investor groups

2010

January 2010

Global IT transformation

Volex embarks on a three-year programme to transform its global IT architecture and business applications – prioritising the alignment of financial reporting and performance management tools during FY2011 to enhance operational decision-making and strategy execution

April 2010

Introduce market-sector facing sales organisation

Volex reorganises its sales teams into global, sector-focused teams for its four main market sectors – enabling deeper understanding of customers' specific business requirements and how our products can deliver value

May 2010

Continuous improvement programme

Volex begins development of its 'continuous improvement' culture, including the deployment of 'LEAN' manufacturing techniques across all factories and supply chain operations

2011

February 2011

Investor Seminar

Indicative of the strengthened communications with key investor groups and the raised awareness of the Group, Volex holds an Investor seminar in London attended by more than 60 analysts and investors

Chief Executive's statement

The business has generated significant revenue growth across all major geographies and market sectors in the last 12 months, together with increased operating profits and a healthy cash flow.

10

Ray Walsh
Group Chief Executive

Volex has delivered a robust performance in FY2011 and we are already seeing the results of our "Return to Growth" theme set out in our annual report last year. The business has generated significant revenue growth across all major geographies and market sectors in the last 12 months, driven by further penetration into existing strategic accounts and successful conversion of new accounts across the business. Alongside this revenue improvement we have generated increased operating profits and a healthy operating cash flow.

We have strengthened our position in the market relative to our competitors, as a result of the stability and scale brought to the business in the last two years. Investment in new products and capabilities will begin to deliver not only growth in revenues in the coming year, but also improvements in margins.

To support our growth plans we have invested in the fundamentals of our business, processes, systems and factories. Introducing 'LEAN' manufacturing processes across Volex has enabled us to maintain a consistent level of labour content per unit of revenue, improving our on-time performance and production quality through the year, and we have equally ambitious goals for the future. The upgrade and consolidation of software and IT platforms is providing the data we need for informed decision making to keep us on course. Furthermore, these initiatives are helping us build strategic relationships with existing customers and providing opportunities to expand our reach into adjacent business segments and product families.

Developing a clear strategy

Having stabilised the business in FY2009 and positioned the business for significant growth in FY2010, we have refreshed our strategy for the next phase of our development. The cornerstone of our business model is deeper 'customer engagement'. We are strengthening relationships with many of our most important customers to position ourselves as their key partner for interconnect

solutions, working closely with them to ensure that the interconnect and power products we supply meet their specific business requirements including lower total cost, improved technical performance and shorter development times. In particular, our sales teams are developing stronger knowledge of our customers' businesses whilst our engineering teams are engaging earlier in customers' product development cycles.

The second key component of our approach is driving Operational Excellence, addressing our manufacturing capabilities and management of our supply chain. We are delivering an operational transformation programme aimed at enhancing the value we deliver for customers and eliminating waste from all aspects of our manufacturing operations.

One Volex

We have completed our first full year under our global 'one-Volex' organisation which introduced market-sector facing sales teams, global functional teams for Engineering and Operations, and lean corporate functions. Throughout FY2011 and going forward, we are executing on strategies that cut across geographic boundaries to optimise global performance.

We have made several significant appointments during the year, bringing in a new General Manager for India to lead our strategy for growth in that market, strengthening the senior team leading our transformation programmes in manufacturing operations, appointing a new Information Technology Director to lead the IT infrastructure and ERP system improvement programmes, creating a HR director role for our Asia region, with responsibility for employment strategy and practice across six of our manufacturing sites, and hiring a new General Counsel and Head of Corporate Development to improve contracting discipline around the Group and lead our efforts to identify opportunities for acquisitive growth and improved technical competencies.

Driving our Performance

	Revenue			Gross Profit			Gross Margin	
	2011 £m	2010 £m	% Var	2011 £m	2010 £m	% Var	2011 %	2010 %
Consumer	196,336	139,350	41	34,579	30,738	12	17.6	22.1
Telecoms/Data	70,883	59,384	19	13,334	8,769	52	18.8	14.8
Healthcare	26,733	19,281	39	6,281	4,166	51	23.5	21.6
Industrial	22,027	10,980	101	5,215	2,488	110	23.7	22.7
Total	315,979	228,995	38	59,409	46,161	29	18.8	20.2

We achieved a strong sales performance in FY2011. Total revenue was up by 38%, reaching £316m, with all four of our key market sectors, Telecoms/Datacoms, Healthcare, Consumer Products and Industrial, achieving growth. We have identified the top-tier customer accounts in each sector for particular sales growth potential so we can deploy Volex resources to take advantage fully of these opportunities and this approach is yielding positive results.

Sales in our Telecoms/Datacoms sector rose by 19% to £71m, underpinned by our partnerships with two of the world's top-3 telecommunications manufacturers where we provide customised connection solutions. Europe performed strongly and we have built momentum in North America. Our growth in China and the South-East Asia markets has been challenged by keen local pricing and we have responded with continued improvements in our supply chain and stronger emphasis on our design expertise. Excluding India, Telecoms/Datacoms year-on-year revenue growth was 54%.

The North American region was an important contributor to our 39% increase in Healthcare sector sales. This region accounted for 64% of sector revenues, primarily due to significant growth from sales of our Magnetic Resonance Imaging (MRI) coil cables. Working with our customers at the early stages of design and development allowed us to apply our expertise across a wide portfolio of products including high-performance cable assemblies, high-volume power cords, and complex hybrid cable harnesses. This has enabled us to achieve critical benefits for

Our business model

Design & Development

Supply Chain Management

Manufacturing & Testing

Logistics & Delivery

Account management

Design and development

- > We use our global technical and commercial expertise to design interconnect solutions that meet customers' specific business requirements.
- > We develop a manufacturing approach, using our process and tooling expertise, to produce product samples for validating all performance requirements.

Supply chain management

- > We manage, on behalf of our customers, the sourcing of all required components for their connection solutions.
- > We arrange for the supply of raw materials and components offering the best performance in terms of cost, quality, and delivery response times.
- > We work with our suppliers to achieve a high standard of business conduct.

Manufacture and testing

- > We manufacture and test interconnect and power cord products according to customer requirements for volume, quality, lead-time, and price.
- > We manufacture products we have designed internally or from third party designs.
- > Our global manufacturing footprint and hubs enable localised production and effective inventory control.

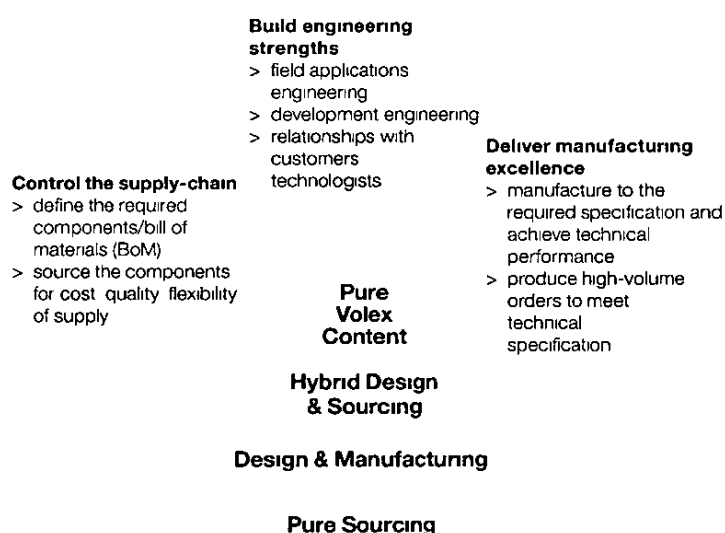
Logistics and delivery

- > Our service to customers provides flexibility in meeting their delivery requirements (dates, volumes and locations).

Account management

- > We engage with our customers in long-term business relationships to understand their specific business requirements, so that our whole service aligns with their own business objectives.

Increasing Volex content



customers such as shorter product design cycles, and lower total cost of ownership

The fast growing demand for Internet-connected TVs, living-room gaming consoles, tablet computers and smart phones was a key driver for the 41% increase in revenues in our Consumer Products sector, where turnover was £196m in the year. We also succeeded in sustaining our market shares in the LCD/LED TVs, computing peripherals and vacuum cleaner segments by focusing on production cost to stay competitive. We retained our leading position in the development of environmentally friendly halogen-free (HF) products, seeing rising demand from manufacturers in the PC/laptop segment for HF power cords for the launch of their new high-end models.

Our Industrial sector continued its strong performance with revenues up 101% to £22m. In trucking-telematics, our increased activity led to a revenue increase of 144%, while manufacturing automation grew 63%, fuelled by the introduction of further refinements to industry-standard assemblies to aid in the production and design of complex harness assemblies. In FY2011 we introduced our own products for solar-energy customers, including customer-specific photovoltaic harnesses and a Volex-designed junction box.

Gross profit also increased across all four sectors, although gross margin (gross profit as a percentage of sales) decreased in the year to 18.8% as a result of significant raw material cost increases. As the largest user of copper and oil-based products, the Consumer sector was most affected by these cost pressures, while gross margin in each of the three other sectors all increased year-on-year, reflecting the benefits of improved customer engagement, increased design content, manufacturing efficiencies and operating leverage.

Operations Performance

We have continued to deploy our 'LEAN' manufacturing approach across our global footprint. This initiative is allowing us to

deliver significantly increased volumes from our existing infrastructure through improved productivity. Of equal importance, we have maintained a focus on continually improving quality performance, resulting, for example, in three key sites across Europe and Asia gaining accreditation to the medical standard ISO13485

During FY2011 we created a new global approach to managing our suppliers and materials costs, reducing our supplier base by over 400 suppliers and we successfully transitioned more customer spend to Volex supply-sources. We were impacted by significant raw-materials cost increases, and we took action to counter these by accelerating operating efficiency programmes, focusing on greater supply-chain optimisation and renegotiating prices with our customer base

Engineering

In line with our strategy, we have delivered more Volex-engineered solutions for our customers across all our market sectors. These Volex-designed solutions include connectors on the printed circuit board as well as the cable assemblies we supply. Throughout the year we have introduced a new structure, organising our engineering teams to provide local support to each business sector in each region

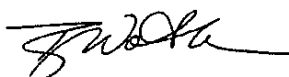
Product innovation is vital for Volex to develop its trusted-partner status with customers. In FY2011 our product developments have included high-speed interconnects for the datacoms server, storage and switch markets supporting 120 Gb/s (CXP) products and 48 Gb/s (HD SAS) products, in Healthcare we have developed interconnect solutions for next generation X-Ray and MRI machines, and in Consumer Products we have been engaged in developing high data rate video cables for laptop computers

In Conclusion

We are well along the path we have set to transform our company. The business has been stabilised, growth reinvigorated and our culture and values revitalised. All of these provide a secure foundation for sustained growth and improvement in earnings

Our revenue growth performance during FY2011 was a considerable achievement and an important step towards delivering our strategy. Looking forward to the coming year, we are confident continued focus on key market sectors, product strategies and sales initiatives will maintain sales growth and deliver strong profitability and high quality of earnings

We enter the new financial year determined to execute our strategies of customer engagement and operational excellence. Underpinning this agenda we continue to invest in enhanced business platforms to allow Volex to run as a single, coherent global company. Critically, we remain focused on having the right team to deliver the results we plan for. It is our talented and dedicated people across the globe who are the cornerstone for the Group's achievements this year and for realising our potential in the coming years



Ray Walsh
Group Chief Executive

"We are well along the path we have set to transform our company. The business has been stabilised, growth reinvigorated and our culture and values revitalised. All of these provide a secure foundation for sustained growth and improvement in earnings"

Financial review

Following a strong performance in FY2011 and a successful financial restructuring, the Volex Directors propose a return to dividend payments.

14

Quarterly revenue by sector, £m

Revenues in FY2011 were significantly up on the prior year (FY2010) and are the highest they have been for ten years. Encouragingly, while the industry as a whole benefited from improved economic conditions, our improvement was ahead of that of our major competitors. Also importantly, revenue was consistent quarter-on-quarter and we expect this consistency to continue and produce further year-on-year growth next year (FY2012), albeit at a lower rate than enjoyed this year.

Telecoms/Datacoms quarterly revenue, £m

Profits were similarly well ahead of last year, principally as a result of strong revenue. Although the Group was adversely impacted by raw material and labour cost increases, particularly in the second half of the year, gross profit, normalised operating profit, normalised profit before tax and normalised earnings per share (adjusting for share-based payments) were all significantly ahead of the previous year – up 29%, 64%, 113% and 134% respectively. Pricing and supply chain initiatives to address these cost pressures have already been implemented and are expected to generate margin improvements in FY2012.

Consumer quarterly revenue, £m

Sharp focus on cash and cash generation has been maintained, enabling us to successfully manage our working capital requirements during this period of increased trading activity. Working capital as a percentage of sales continued to improve during FY2011, allowing us to reduce net debt at year-end, despite significantly increased revenue.

Revenue

Revenue increased to £316m in FY2011, an increase of 38% over FY2010. This increase in revenue was broad based with each of our four sectors reporting significant growth, as we reaped the benefits of our sector focused strategy. This focus has ensured we work more closely with customers to understand more fully their needs and how these translate into opportunities for Volex. In addition to this

further development of our customer engagement model, incremental revenue from new products and further penetration of existing accounts through increased and new allocations of our customer spend, also contributed to the strong revenue performance. Although an element of global economic uncertainty remains, Volex has benefited from a recovery in the economic climate following the financial crisis that impacted FY2010. Currency movements had only a modest positive impact on the year-on-year comparison, on a constant currency basis revenue was up 35% over last year. Constant currency comparisons are derived by translating both years at FY2011 exchange rates.

Revenue in our Telecoms/Datacoms sector increased 19% from £59m last year to £71m in FY2011 (54% excluding India). This was principally as a result of 73% growth in the Europe region, which accounts for more than half of sector revenue. While the Asian and North American markets also recorded good growth, India continued to be a challenging market, with revenue decreasing 57% compared to FY2010. Part of this decline in year-on-year revenue is due to management's decision to not participate in some lower margin feeder cable business, which helped improve sector margins, while external factors, namely the Indian Government's ongoing restrictions on mobile-telecoms operators and equipment suppliers continued to adversely impact business volumes.

Increasing data transmission speeds and bandwidth requirements continued to be a feature of the market and created opportunities for Volex's high-speed copper capabilities in the areas of higher speed 3G and 4G networks and the deployment of high speed internet connections for the home. These high-speed copper capabilities were endorsed by a leading global supplier of connectivity solutions to the Cloud Computing and High Performance Computing segments, when it selected Volex as its preferred partner.

Revenue from our Consumer Products sector increased 41% from £139m last year to £196m in FY2011. Although all regions recorded double digit revenue growth, the Asia region (which accounts for 77% of total sector revenue) was the most significant growth driver, generating a 49% increase in revenue compared to FY2010.

Increased revenue was recorded across the product range. Our partnership with a leading US technology provider in the personal computer and desktop market was particularly successful, where our design expertise and strong customer relationship enabled us to grow revenue in that account significantly. Our industry leading position in halogen-free (HF) products continued to be a source of competitive advantage and we saw the continued migration from traditional PVC-based products to HF amongst OEMs in the computing segment, particularly for their high end models.

Revenue from our Healthcare sector increased 39% over FY2010, amounting to £27m in FY2011 compared to £19m last year. Much of the growth came from the core North American region, where revenue increased by 53%, following strong sales of increased MRI (Magnetic Resonance Imaging) system coil cables. In this sector particularly, proven production quality, reliability and strong collaborative partnerships with customers, are key to continued success in terms of revenue and margins. Our ongoing collaboration with a major global customer involved in the design and manufacture of patient coils used in MRI systems is evidence of our strengths in the healthcare sector. In this case, a Design Engineer worked on-site, supporting the customer's product development group and providing early-stage design input to improve product performance and reliability. This collaboration is a good example of how Volex is executing on two of its central operational strategies – increased customer engagement and greater Volex designed content. Partly as a result of initiatives such

as this, Healthcare gross margins increased from 21.6% in FY2010 to 23.5% in FY2011.

Revenue in our Industrial sector doubled from £11m last year to £22m in FY2011. The sector experienced increased demand in all targeted markets, with the largest segment, trucking telematics, recording year-on-year revenue growth of 144%. Cable assemblies used in the agricultural and manufacturing automation segments also performed strongly, experiencing revenue growth of 121% and 63% respectively. Business in the renewable energy segment, although up 26% year-on-year, was slower than anticipated. Whilst Industrial is the Group's smallest sector and is starting from a low base, the strategy of getting closer to customers and solution selling is proving successful and is expected to generate further growth.

Profits

Gross profit increased to £59.4m in FY2011 from £46.2m in FY2010, an increase of 29%, primarily as a result of the growth in revenue, as shown in the graph on the page opposite. Increases in raw materials prices, particularly copper, but also to a lesser extent oil and oil-based products, started to adversely impact gross profit as a percentage of sales in the second quarter of FY2011. The impact became more pronounced in the second half of the year, as input prices continued to rise. Although Volex passes on the majority of these cost increases to customers through price rises, the time lag between incurring higher input prices and raising selling prices was the principal driver behind gross margin decreasing to 18.8% from 20.2% in FY2010.

As is shown in the Management of Principal Risks section of this report, the average copper price in FY2011 was around a third higher than it had been during FY2010. Of particular significance was the unprecedented increase in copper price from the beginning of June 2010 until the end of the financial year, during which period London Metal Exchange copper spot prices increased 54%. In addition to

Healthcare quarterly revenue, £m

Industrial quarterly revenue, £m

Group quarterly gross profit, £m

Financial review continued

16

Group quarterly gross margin, %

copper, PVC and plasticiser prices also increased significantly. Combined with oil and other component costs, this created a very challenging cost environment for the Group. We remain focused on our strategic objective to increase gross margins and anticipate a recovery in gross margin percentage in FY2011, as full benefits from pricing and supply chain initiatives start to accrue. Furthermore, we are encouraged by the longer term gross margin trend which is positive, as shown in the table to the left.

Group annual gross margin, %

As the largest user of copper and oil-based products, the Consumer sector was the sector most affected by these cost pressures. Gross margin in the sector decreased to 17.6% in FY2011 from 22.1% in FY2010, with the positive impacts of increased higher margin products and improved operating leverage (amortising fixed factory overheads over an increased revenue base) more than offset by the adverse raw materials cost effects. Reported gross margins in the Telecoms/Datacoms, Healthcare and Industrial sectors all increased year-on-year.

Group quarterly normalised operating profit, £m

Gross margin % by sector

	FY 2011	FY 2010
Telecoms/Datacoms	18.8%	14.8%
Consumer	17.6%	22.1%
Healthcare	23.5%	21.6%
Industrial	23.7%	22.7%
Total Group	18.8%	20.2%

While pricing and supply chain initiatives will continue to be key components in our strategy to improve margins, the continuing focus on designed-in engineering solutions to secure earlier product life-cycle business, where margins are higher and revenue streams longer, will also be significant. In addition, further roll out of 'LEAN' manufacturing methodologies and upgraded manufacturing systems is also expected to contribute to higher gross margins. Importantly, despite the 38% increase in revenue, Volex retains the capacity and flexibility to accommodate further increased activity without the need

for significant investment in new plant and machinery.

On a normalised basis, operating profit increased £6.5m (64%) from £10.3m last year to £16.8m in FY2011, while normalised profit before tax increased by £7.9m (113%) from £6.9m in FY2010 to £14.8m in FY2011. Operating expenses (before share-based payments) in FY2011 rose by £6.7m (19%) over FY2010 principally as a result of increased sales revenue, in addition to targeted strategic investments in people, processes and systems in the sales, engineering, IT and supply chain functions. Despite these targeted investments, operating expenses as a percentage of sales improved from 15.7% in FY2010 to 13.5% this year.

Non-recurring items and share based payment charges

The Group incurred £1.0m (FY2010: £3.1m) of non-recurring charges in the year relating to modest restructuring programmes in a number of our facilities. These have been expensed as part of the statutory operating profit of £15.1m. The only reconciling item between statutory operating profit and normalised operating profit is a charge of £1.7m related to share-based payments, in accordance with the requirements of IFRS 2. This charge is in respect of long-term incentive plan awards granted to directors and senior management under the Group's various long-term incentive programmes. The significant increase in share-based payments costs compared to last year is due to awards made during FY2011 to Executive Directors and senior management to fully align their interests with those of the shareholders, and an IFRS 2 charge now being required for the Non-Executive Long Term Incentive Scheme (LTIS). This follows the amendments to the terms of the LTIS approved in General Meeting on 1 October 2010.

Full details of all of the long-term incentive schemes are given in the Directors Remuneration Report on pages 43 to 50, while details of the £3.1m non-recurring

charges taken in FY2010 are shown in note 4 to the Financial Statements on page 71

Cash flows, net debt and gearing

The Group has maintained its focus on cash generation and in particular working capital management during FY2011, a year which saw a substantial increase in trading activity and the associated working capital requirements that accompany such increases. Average working capital (defined as inventory plus trade debtors minus trade creditors) as a percentage of sales improved in FY2011 to 14.5% from 15.6% in FY2010, as shown in the facing table. Cash generated by operations of £13.1m in FY2011 compared to £15.9m in FY2010, with the reduction a result of increased working capital associated with the 38% increase in revenue. After aggregate outflows for tax, interest and capital expenditures, net cash flow was £3.5m (FY2010 £8.2m) and generated a reduction in net debt at 3 April 2011 to £4.6m, from £7.6m at the end of FY2010.

Shareholders' funds increased during the year from £12.7m to £23.8m mainly due to retained profit for the year of £10.7m. Also impacting shareholders' funds during the period was a foreign exchange loss of £1.8m and a credit of £0.9m in respect of the IAS 19 actuarial gain on the Group's defined benefit pension scheme. A full analysis of the movement in shareholders' funds is shown in the Consolidated Statement of Changes in Equity on page 60.

As a result of these movements, headline gearing (defined as net debt divided by shareholders' funds) at year end decreased to 19% (2010 60%).

Total interest costs in the year decreased 35% to £2.2m from £3.4m in FY2010. Interest on bank borrowings was £0.7m less than the previous year, with lower average borrowings complemented by reduced margins over LIBOR payable on the Lloyds facility, as we de-leveraged. Net interest costs also benefited from a £0.3m year-on-year gain on the mark-to-market value of the Group's interest rate swap contracts. A full analysis of interest costs is shown in

note 6 to the Financial Statements on page 72.

Banking facilities

During the year the Group's principal funding was provided by a multi-currency revolving credit facility (RCF) with Lloyds Banking Group plc which, after amortisation, had an available limit of US\$42.1m as at 3 April 2011, comprising both a US Dollar and a Euro component. At the year-end, amounts drawn under this facility were US\$7.3m and €13.5m and average combined utilisation during the year was US\$33.9m. In addition, Volex has a separate £6.0m invoice discounting facility with Lloyds Banking Group plc, which does not reduce until maturity, in March 2012. At 3 April 2011 the Group had undrawn committed borrowing facilities of £12.9m (2010 £14.0m).

While the existing facilities have served the Group well during our transformation phase, now that we have returned to growth the terms, structure and tenor of the current facilities are no longer consistent with the Group's strategic and operational objectives. Accordingly, on 31 May 2011, the Group signed and entered into a new multi-currency revolving credit facility (RCF) agreement with Lloyds, HSBC and Clydesdale, which replaces the existing RCF and provides greater financial flexibility and improved terms. The principal terms of this new financing facility are as follows:

- > US\$75m committed combined RCF, overdraft and guarantee facility, held equally by Lloyds Banking Group plc, HSBC Bank plc and Clydesdale Bank plc
- > four year facility, available until June 2015
- > no scheduled facility amortisation
- > improved pricing, with margin over LIBOR payable linked to a net debt EBITDA leverage ratio. Initial margin of 2.00% over LIBOR
- > interest cover and net debt EBITDA leverage covenants
- > further US\$150m pre-negotiated facility agreed to fund future, as yet unidentified, acquisitions

Group working capital as % of sales

Group net debt, £m

Financial review continued

18

Based on the Group's projected financial performance the Board is confident that this new facility provides adequate liquidity and covenant headroom for the Group's operations and the successful execution of its organic growth and acquisition strategy

Tax

The Group incurred a tax charge of £2.4m (FY2010: £1.6m) representing an effective tax rate (ETR) of 18% (FY2010: 24%). The principal reason for the reduction in the ETR in FY2011 is the release of £1.6m of tax provisions previously held in respect of tax exposures associated with local tax authority compliance. Following successful finalisation of tax computation filings in a number of regions and across a number of tax years, these provisions are no longer required and have been released back to the income statement.

In addition, we have recognised £1.1m (FY2010: £0.1m) of deferred tax asset related to unused tax losses, following the successful implementation of a global supply chain optimisation project, initiated last year and improved trading performance. Although the Group has increased the size of the deferred tax asset recognised at 3 April 2011 related to tax losses, the deferred tax asset recognised remains only in respect of a small proportion of our losses. As in FY2011, we expect to continue increasing the recognition of deferred tax assets relating to tax losses over the next few years, as the benefits anticipated from the global supply chain project accrue with greater certainty. Total losses at 3 April 2011 were £58m (FY2010: £54m). On a full recognition basis this represents a potential deferred tax asset of £15.2m (FY2010: £14.6m). We expect that the above factors will continue to result in a similarly low ETR in future years.

Earnings per share

Basic earnings per share for the year was 18.9p, significantly ahead of the 9.3p reported last year on account of the substantial improvement in profit after tax. Normalised diluted earnings per share increased 130%, to 20.9p from 9.1p last year.

Research and development costs

Group expenditure on research and development, of which the most significant component is employment costs in respect of design engineers, increased 49% to £2.5m from £1.7m in FY2010. The year-on-year increase is due to increased investment in people to further enhance our product design and development capability and is consistent with the Group's strategy of increased focus on designed-in engineering solutions.

Dividends

Following approval by shareholders at a General Meeting held on 1 October 2010, the Company applied for and was granted a court order releasing it from its undertaking to maintain a special reserve created in connection with the capital reduction carried out by the Company on 18 October 2005. The effect of the court-sanctioned release of this special reserve is to credit the Company's distributable reserves by the value of the special reserve, £18.1m. After adding the Company's retained profit for the year of £27.3m, the Company is pleased to report it now has distributable reserves, from which it can declare and pay a dividend.

Through this exercise, and recognising the improved financial strength of the Company, the Board will propose a dividend of 2p per share out of FY2011 earnings and a resolution for approval of this proposal will be put to the shareholders at the Company's AGM on 25 July 2011.

Prior to the AGM, the Company will pay to the holders of the Company's non-equity preference shares an aggregate dividend of £47,520, which represents the aggregate cumulative unpaid dividends the holders of these shares are entitled to prior to payment of any dividends on the ordinary shares. At the AGM, the Board will also recommend approval of a special resolution to cancel the preference shares, subject to which approval, the Company would initiate a court proceeding to pay the aggregate of £80,000 to the holders of the preference shares in cancellation of their shareholding.

Defined benefit pension scheme

The Group's net pension deficit under IAS 19 at 3 April 2011 decreased to £1.3m from £2.4m at 4 April 2010, primarily as a result of the change to the future pension increases assumption, which now references the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). This change to the assumption has been made following the Government's recent announcement of its intention to adopt CPI as the measure for statutory pension increases rather than the existing RPI based measure, for the purpose of revaluing pension benefits in line with inflation.

Change in presentation currency

Over recent years and in particular following the disposal of the UK based Wiring Harness division in FY2009, the proportion of Sterling denominated business activity carried out by Volex has been decreasing, with the Group's revenues and profits increasingly being generated in US dollars. Accordingly, the Board has resolved to change the Group and Company presentation currency to US Dollars.

An announcement will be made during the first half of FY2012 restating audited FY2011 and FY2010 figures, reported in Sterling in this Annual Report, to US Dollars, together with a "Special Purpose Audit Report" from the Group's auditors, verifying the re-statement into US Dollars. The Interim (FY2012 half year) release and subsequent financial statements will then be presented in US Dollars.



Andrew Cherry
Group Finance Director

"Group expenditure on research and development increased 49% reflecting the Group's strategy of increased focus on designed-in engineering solutions"

Operating review

In FY2011 we have delivered revenue growth across all four of our market sectors, Telecoms/Datacoms, Healthcare, Consumer Products and Industrial. Our sector-focus has enabled us to achieve strong alignment between our sales, engineering, manufacturing, and supply-chain teams.

20

Volex is a global provider of electrical and optical interconnect solutions to manufacturers of telecommunications and datacentre infrastructure equipment, healthcare equipment, industrial equipment and consumer electronics products and domestic appliances. Our interconnect solutions include high-bandwidth data cabling, industry standard input/output cabling, and electrical power cords.

Sales Performance

In the financial year 2011 (FY2011) we have delivered revenue growth across all four of our market sectors, with Group revenue of £316m representing growth of 38% over FY2010.

Working in partnership with our key customers across the globe, we have successfully aligned ourselves with significant new technologies that are driving demand for our customers products and services, including for example 4G/LTE mobile telecoms, high-speed data-transfer technologies for datacentres, photovoltaic (solar) power generation, tablet PCs, next-generation games consoles and high-resolution medical imaging systems.

Our sector-focused strategy – and within sectors, our focus on key customers – has enabled Volex to achieve strong alignment internally between sales, engineering, manufacturing, and supply-chain teams.

Telecommunications/ Data communications sector

Volex delivers customised interconnect solutions for global equipment manufacturers in the telecommunications and data communications (Telecoms/Datacoms) industries. Our interconnect solutions are used in mobile telecoms networks, both at the cell-site and for the core network, fixed-line telecoms equipment and high-performance computing (HPC) and data-centre environments.

The main drivers of demand in the telecoms equipment market include firstly, the

ongoing roll-out of higher-speed networks – for example 3G networks in developing countries and 4G (LTE) networks in Europe and North America – and secondly, the continuing deployment of high-speed internet connections for the home.

In the datacoms market, our customers are experiencing strong demand for datacentre equipment, driven by continued growth both in consumer internet traffic (for example, increasing volume of searches and internet video delivery) and in 'cloud computing' where applications and data are hosted remotely in the network.

In FY2011 Volex sales to the telecoms/datacoms sector reached £71m, 19% ahead of last year (54% excluding India). The Europe region continues to be our strongest revenue generator and we have seen momentum building in North America during the financial year. We have however, been operating in some tough market conditions. Our growth in China and the South-East Asia markets has been challenged by keen local price competition. Our performance in India has been disappointing, with our sales to a major manufacturer having decreased due to cautious Telecoms-operator investments in the lead up to 3G auctions and the ongoing government-initiated security clearance process. The Group also elected not to participate in low margin feeder cable opportunities, which have historically been a significant piece of the Indian business, in line with the Group's strategy of focusing on designed-in solutions and manufacturing value-add.

We have invested considerable time and energy in building deeper relationships with key customers. Examples include increasing our engineering resource to engage with customers earlier in their product development cycles, providing local manufacturing support for our customers' key locations and delivering continued improvement in our supply chain to enhance the flexibility of our service to customers while maintaining our margins.

We aim to maximise the value our customers realise from Volex, meeting our customers' challenging expectations for cost reduction, speedy delivery and forecast accuracy to increase their own competitive success

We continue to provide proactive support to two of the world's top three telecom manufacturers by providing customised interconnect solutions, offering cost savings and supply chain security to these customers. In our partnership with a major Asian telecoms manufacturer, our ability to align our manufacturing footprint with its global business development locations significantly reduced this customer's total cost of ownership as well as improving its time to market – positioning Volex as a strategic partner for all its interconnect requirements

Over three-quarters of our Telecoms/ Datacoms revenue in FY2011 has been generated from industry-standard input/output (I/O) and high-speed copper cable assemblies for the manufacturers of mobile-telecoms network infrastructure. Examples of where our customers use our interconnect solutions include mobile switching centre equipment, local access equipment and radio base station equipment

Going forward, Volex is well positioned to serve telecoms and datacoms equipment manufacturers. Our portfolio of established and new interconnect products including fibre-optic and high-speed copper solutions for high data-speed equipment, and our capabilities in engineering and manufacturing/logistics enable us to tailor our service to customers' specific technical and commercial requirements

Healthcare sector

Volex has a strong track record in the medical equipment field, particularly in the imaging technologies segment where we supply complex cable assembly and connector solutions. Other areas where we are well represented include patient monitoring systems, clinical diagnostics

equipment, and patient therapy systems. The healthcare equipment sector is generally more stable than other high-tech sectors, with both long product development cycles and long product lifecycles. This is underpinned by long-term relationships between equipment manufacturers and their suppliers.

We see strong demand, across all regions, for investment in healthcare equipment that in turn drives demand for our products and services. In emerging nations, access to modern healthcare services is required for rapidly expanding 'middle classes'. In developed countries, where ageing populations are placing higher demand on healthcare services, technology is increasingly used to enable preventative actions such as remote monitoring, to facilitate affordable home treatments and also to reduce the costs incurred in treating patients in hospitals and clinics. Original Equipment Manufacturers (OEMs) for healthcare equipment are competing aggressively on innovation in their product ranges and shortening development lifecycles, placing tough demands on interconnect suppliers to improve their own products' performance while reducing costs.

Our global sales in FY2011 to the healthcare sector were £27m, up 39% on the previous year. 64% of the revenues came from the North American region where we experienced significant growth from sales of our Magnetic Resonance Imaging (MRI) coil cables – these are used by all the major global OEM players in this market segment. Our European healthcare sales grew by 12% over the previous year and represented 25% of the global healthcare revenues for the Group. Revenue from the Asia region grew by 34%, to £2.7m and now represents 10% of Group healthcare revenues.

Cable assemblies, harnesses, and connectors for imaging equipment such as MRI scanners, X-ray machines, computed tomography (CT), nuclear medicine and ultrasound scanners accounted for

"We have invested considerable time and energy in building deeper relationships with some key customers. We aim to maximise the value our customers realise from Volex, meeting our customers' challenging expectations for cost reduction, speedy delivery and forecast accuracy to increase their own competitive success"

"During the coming financial year one of the major challenges we face is managing the development of emerging healthcare markets, including China and India. In FY2011 we experienced 53% growth in China and South East Asia and laid the foundations for further growth in FY2012"

approximately 70% of our healthcare sales in FY2011, with the balance spread across a wide range of medical equipment including patient monitoring, medical therapy and clinical diagnostic equipment

Working with our customers at the early stages of design and development allows us to exploit our expertise across a wide portfolio of products including high-performance cable assemblies, high-volume power cords and complex hybrid cable harnesses. In many cases our engineers operate on customer sites and this depth of engagement has enabled Volex to achieve critical benefits for customers such as shorter product design cycles and lower total cost of ownership. Through this deeper engineering support we have been engaged in supplying application-specific solutions, across both connector and cable harnesses.

Currently we are collaborating with one of our major global customers involved in the design and manufacture of patient coils used in MRI systems to produce detailed images of various body parts e.g. knee, shoulder, ankle and breast. We assigned an on-site Design Engineer to provide support to the customer's Product Development group. In this case Volex provided valuable design input on coaxial/Direct Current (DC) cable bundles to improve product performance and reliability. The initial support phase included working with the customer's development team at concept stage to provide solutions for ease of assembly, commonality of materials, test coverage etc. In this case we demonstrated that Volex has the necessary engineering competence to be a collaborative solutions partner from design through to production and improve product performance. This initiative also shows how Volex is integrated with our strategic customers through early engagement in the design process, which, in turn enables Volex to deploy its full expertise to provide high-value solutions that solve our customers' interconnect challenges.

In another case, Volex helped a customer to successfully migrate its European in-house

production of MRI products to China. To achieve this, Volex assigned a strong project team to manage the transfer that included establishing new-product-introduction and production capabilities for non-magnetic interconnect coil cables at Volex's Suzhou plant. By pro-actively supporting this transfer, Volex secured a good share of new business with the customer.

Delivering this increased customer value has enabled Volex to achieve higher margins in the Healthcare sector, in FY2011 we achieved gross margins of 23.5%, compared to 21.6% in the previous year.

During the coming financial year one of the major challenges we face is managing the development of emerging healthcare markets, including China and India. In FY2011 we experienced 53% growth in China and South-East Asia and laid the foundations for further growth in FY2012. India will be an area of special focus as we position the Group to take advantage of the significant growth potential in this region. India is witnessing increasing healthcare expenditure, changing demographic profile with an ageing population and rapidly increasing incidences of lifestyle diseases.

Consumer Products sector

Our customers in the Consumer Products sector are well-known brand-name manufacturers of consumer electronics such as TVs, games consoles, PCs and laptops as well as household appliances such as refrigerators, freezers, rice steamers, floorcare equipment, DIY products and gardening tools. During FY2011 demand for products in these industries grew 13% following a 9% decline in spending in the previous year. This growth was across all global regions, in particular, China was up 24% and Asia grew by 17%.

Volex's consumer sector revenues for FY2011 were £196m, up 41% over the previous year. All our regions delivered growth, most notably Asia, where we saw a growth rate of 49%. 77% of our deliveries

during FY2011 were to Asian customers or manufacturers, underpinning our leading position in these growing consumer markets

In the PC and desktop market, which is driven by both consumers and business customers, the popularity of tablet computers fuelled strong demand for our products. We worked closely with major OEM customers, in particular a leading US technology provider and generated revenue growth of 61% compared to the previous year. Our sales to manufacturers of printers, scanners and IT peripherals rose 14%, largely as a result of capturing market share from competitors while sales of products supplied to support the games console sector grew by 36%. In the domestic appliances sector, we seized the opportunity when a competitor had a major quality issue to become a main supplier to a leading UK vacuum cleaner brand. Consequently, we grew our revenue in this segment by 23% in the last financial year.

In FY2011, we focused on meeting demand from the growing markets in Internet-connected TVs, living-room gaming consoles, tablet computers and smart phones businesses. We also succeeded in maintaining our market share in the LCD/LED TVs, peripherals and vacuum cleaner segments by focusing on value engineering to stay competitive. Price pressures in mature markets presented some challenges, in particular the printers and desktop computers segment, and in some cases we declined to bid for business that fell below acceptable levels of profitability. We also underperformed in the saturated low-end Audio/DVD business where prices were extremely low, and where we would have needed to invest to redesign our products to maintain volumes and meet the price challenge.

Demand in consumer markets, where end customers were facing difficult economic conditions and uncertain employment prospects, was often difficult to predict accurately. We focused attention on every aspect from sales to operations to supply chain to meet customers' delivery dates

requirements. We continued to be flexible in meeting their extremely short lead times for orders and, in return, maintained our preferred vendor status. We retained our leading position in the development of environmentally friendly halogen-free (HF) products, seeing more demand from OEMs in the PC and Computer segment for HF power cords for their new high-end models.

We achieved a major milestone with the leading UK vacuum brand by participating in all its new programmes for vacuum cleaners. We also made another breakthrough to design the fuse plug power cord for its air multiplier products and have been supplying its US market since September 2010. These successes led to further business and we have now started to supply harnesses and looms. Similarly, when a leading US consumer brand launched its new touch-screen entertainment product and new laptop and netbook, we provided customised power cords and accessories.

Going forward, we will add more HF product offerings in both customised and generic designs and DC cords to serve increasing numbers of customers who are seeking to improve their environmental credentials. We will expand our custom-design duck-head adaptor product range to deliver the innovation demanded by market-leading customers. We will also focus on developing USB duck-head adaptor/chargers to satisfy smaller handheld device applications. In addition we have successfully developed and added high-speed data I/O cable assembly product to our portfolio. With our exciting product range and these new developments, we are well placed to support the demanding consumer-products markets.

Industrial sector

The Industrial sector for Volex comprises a diverse set of markets, which offer some exciting growth prospects. These markets include test and measurement equipment, manufacturing automation, refrigeration, trucking telematics, agricultural machinery, and renewable energy.

Operating review continued

24

"The Industrial sector for Volex comprises a diverse set of markets which offer some exciting growth prospects. Revenue in the Industrial sector grew to £22m, an increase of 101% over FY2010"

The Industrial market in FY2011 saw strong growth throughout. In the automation segment, companies continued to invest in order to update current capabilities and increase capacity. Telematics saw the further implementation of hardware upgrades to improve efficiency. Renewable energy markets continued to see increased development and government subsidies fuelling demand and activities.

As a result of both new business wins and improved market conditions, revenue in the Industrial sector grew to £22m, an increase of 101% over FY2010. In trucking-telematics, our increased activity led to a revenue increase of 144% over FY2010, while manufacturing automation grew 63%.

During the past two years, a great deal of emphasis has been placed on improving our relationships with market leading customers. We have undertaken specific actions to increase the value we provide to key customers – including inventory programmes to mitigate demand fluctuations and new product design initiatives – and our results in FY2011 have reflected this deeper level of engagement. By partnering with the market leaders, Volex is now in a strong position to capitalise on the further strengthening of the North American economy.

However, as demand increased significantly, so did the level of competition for our customers' business. Our strategy is to compete on customised solutions, incorporating elements such as redundant manufacturing locations, dedicated customer-service teams with manufacturing representation and good knowledge of the customer's own product range. This has enabled us to demonstrate the value of our relationship beyond the basic product price. In the automation segment, Volex was able to provide increased value to a market-leading customer by demonstrating the advantages of consolidating from three vendors to just one, with Volex as the single-source, achieving cost-savings and greater flexibility in supply lead times and locations.

In FY2011 we introduced our own products for solar-energy customers, including customer-specific photovoltaic (PV) harnesses and a Volex-designed junction box. In the telematics and automation segments of the market further refinements of industry-standard assemblies were introduced to aid in the production and design of complex harness assemblies.

Results in the renewable energy market did not meet expectations in FY2011. Although growth of 26% was achieved, our expectation for the year was significantly greater given the international focus on renewable energy and the relationships we had established with well-positioned solar-power providers. Delays in product launches and approval, followed by intense market competition among solar power players were the main contributing factors. With market prices eroding throughout the year, a number of customer opportunities failed to meet our profitability targets.

We expect to see further success in FY2012 from the strategy we have implemented in FY2011. We anticipate increased penetration and revenues in our three main target markets: automation, telematics and renewable energy. We will continue with the development of products for the solar-power market, for example bringing new, approved, junction-box products to market in India, North America, and Europe. In telematics and automation, we set out to increase our customer base for our established products and technical-support expertise.

Manufacturing Operations and Supply Chain

Volex has nine manufacturing locations – six in Asia, two in the Americas and one in Europe – supported by local hubs to ensure we can achieve fast response times and minimise our customers' inventories. During FY2011 we conducted a significant review of the priorities and goals for our operations to ensure we were in line with Volex's overall strategy and meeting end-to-end delivery commitments to our customers. By adopting data-driven management

processes we have been effective in prioritising and executing improvement opportunities. For example, a team composed of experts from our Bydgoszcz and Singapore locations spent time in China supporting the Suzhou site, to improve quality and delivery performance through a structured work programme

We have continued to deploy our 'LEAN' manufacturing strategy across our footprint. This effort is yielding improvements in our performance and has allowed us to achieve FY2011 volume increases within our existing manufacturing infrastructure through improved productivity. We reviewed our logistics strategy in FY2011 which will result in improvements to our supply chain and sourcing approaches.

Volex's Operations team works very closely with each of our sales sectors to ensure that we have the technologies, capabilities, and capacity to deliver our customers' current and future needs. We maintain and improve our supply flexibility to react quickly to changing customer requirements or socio-economic conditions in each of our markets.

Manufacturing operations

We have continued to deliver an operational transformation programme aimed at eliminating waste from all aspects of our operations, reducing our lead times, and improving our production predictability and quality in order to deliver increased value to our customers. We continue to make investments in new process technology aimed at improving our product quality and cost.

To give some examples, our application of 'LEAN' manufacturing techniques in our South China and Batam, Indonesia, facilities has materially improved asset utilisation and productivity, a cross-site team developed a new line design that resulted in a 17% improvement in productivity and reduction of manufacturing lead-time by more than 50%. These techniques are now being deployed Group-wide. Secondly our focus on continually improving quality performance resulted in three key sites across Europe

and Asia gaining accreditation to the medical standard ISO13485. In addition, our Suzhou facility has created the infrastructure to deliver solutions for customers who require high-speed data interconnect solutions.

Whilst we are proud of these successes and improvements made in FY2011, we recognise that continued focus on transformation is required throughout our operations in order to optimise our production and logistics capabilities. FY2012 will benefit from a combination of recent successes being extended across the group, and the execution of new initiatives to accelerate our transformation. Better understanding of customer needs is allowing us to focus on new initiatives to deliver against specific sector and customer requirements.

Managing our supply chain

During FY2011 we created a new global approach to managing our suppliers and materials costs across the Group. This organisation was established under a component structure recognising the distinct requirements of our different products and solutions. In addition to this we consolidated our supplier contract-management activity into two centres of excellence under the supply chain organisation.

We have been impacted by unprecedented raw-material cost increases, which drove up our input costs particularly in our Consumer sector. These commodity costs, particularly for copper, PVC and oil, translate into cable and connector costs for the Group.

We countered these raw material cost increases by accelerating operating efficiency programmes, focusing on greater supply-chain optimisation, and through increasing prices to our own customer base. We successfully reduced our supplier base by just over 400 suppliers in FY2011, in line with our plan, and throughout the year we also successfully transitioned more customer spend to Volex supply-sources. Inventory days improved from 57 at the start of FY2011 down to 48 at the close of the year, representing an improvement of 16%.

Operating review continued

26

We remained focused on inventory and cash management making significant process changes in our Consumer sector business. These changes yielded improved management of our customer hub inventories across the globe. In addition we installed a global sales/order process to further improve planning and inventory processes and continued tight management of supplier payment terms through FY2011 resulted in a more balanced overall cash cycle for the Group.

Technology

In FY2011 we increased our focus on delivering Volex-engineered solutions for our customers, in line with our strategy. Across all our market sectors we delivered more Volex design ('Volex content') in our connectors, both the cable-plug and the board-side connector, and the cable or cable assemblies that we supply. By participating earlier in our customers' new product development cycles, Volex has been able to exert more influence on the bills of material (BOMs) for the products we supply, resulting in improved margins in several sectors and securing supply contracts earlier in customers' product life cycles.

Enhancing engineering strength

FY2011 was the first full year for the deployment of our new structure where Engineering provides local support to each business sector in each region, deploying both field applications engineering (FAE) and new product development (NPD) resources. In the new structure, the sector-based sales teams are assured of engineering support in the field. This means expertise is on hand for the discussions with customers about specific applications as well as more extensive design support in the back office. This has proved critical to the sales effort, helping expand each sector's businesses beyond those regions where Volex was already comfortably positioned, for example the healthcare and industrial business in both China and India as well as the high-speed datacoms business in Europe.

In FY2012 Volex plans to drive further enhancements in rapidly emerging technologies such as Active Optical Cable

(AOC) products displacing copper cables where customers need higher data capacity over longer distances.

New product development

Innovation in our products and services is vital for Volex to maintain and develop its trusted-partner status with key customers. Our NPD activity in FY2011 has been very significant. In each of our market sectors our R&D activity has kept us engaged with the critical interconnect design issues our customers need to address. High speed interconnects for the datacoms server, storage, and switch markets were rolled out this past year supporting 12-channel 120 Gb/s (CXP) products and 4-channel 48 Gb/s (HD SAS) products. These products included both the cable plug and the corresponding connector receptacles on the printed circuit board, known as the 'board-side' connectors.

Telecoms NPD activity focused heavily on optical interconnect products for outdoor environments. These are used in base station applications for the mobile telecoms infrastructure market. For healthcare and industrial applications, Volex engaged with key customers in development activity to support interconnect needs on several next generation X-Ray and MRI models as well as applications for both factory and field installed harnesses for solar panel grid arrays. Our Consumer Products sector extended beyond its core power cords, adapters and power distribution units into cord reel and USB products. Additionally this group saw cable assembly opportunities in the market for high data rate video cables connecting laptop computers to external monitors, developing DisplayPort and Mini DisplayPort cable assemblies.

Contributing to industry standards

Volex continues to provide active support for industry standards committees that determine performance specifications for products to support future interconnect needs. We maintain a strong presence in the Video Electronics Standards Association, T10 SAS, SFF (small form factor), Infiniband, IEEE and Ethernet Alliance committees. Volex recently joined the Optoelectronics

"In FY2011 we increased our focus on delivering Volex-engineered solutions for our customers, in line with our strategy. Across all our market sectors we delivered more Volex design intellectual property"

Industry Development Association (OIDA) and Optical Society of America (OSA), extending our reach deeper into emerging trends in optical product development

Our consumer products engineering team is closely engaged with the standards and approvals requirements for environmentally friendly products, maintaining our focus on meeting environmental requirements and legislation in 36 countries. We have achieved formal approvals for compliance to the ecology and environmental requirements of TCO '03 (Sweden), Blue Angel (Germany), Nordic Swan (Scandinavia), EuP (EU) and Energy Star (International)

People, Processes, Platforms

The Group recognises that its profitable and sustainable growth requires ongoing investment in and development of its workforce to ensure that it has appropriate, function-specific skill-sets throughout all levels of the organisation. Having substantially reshaped the executive leadership team in FY2010, the focus this year has been to make targeted human capital investments to cover identified capability gaps, in order to enable execution of the Group's operational strategies. Key hires were made during the year in the engineering, supply chain, legal, IT and sales organisations, while an increased investment in training was made in selected areas throughout the Group.

The programme of work to upgrade the Group-wide ERP system started last year, has progressed well with a phased implementation during FY2011, and will result in the whole Group operating a common chart of accounts and consistent standard costing methodology in FY2012. Next year will see further activities to align and consolidate the ERP environments to one single global instance, rationalising data structures and refining supporting business processes to a consistent methodology.

Further investments have been made in our business intelligence and performance management systems, in particular to deliver increased management and customer data analytics, to support improved business decision making, and to enhance

financial reporting, forecasting and budgeting capabilities.

The IT infrastructure supporting our businesses has continued to see investment during the past year, in particular to the core ERP systems hardware delivering enhanced stability and improved disaster recovery capability. We have also undertaken a review of the global IT infrastructure, identifying sub-optimal architectures and other limitations to our future businesses requirements. Next year will see increased investment in this area to build and establish a consistent single global IT infrastructure platform through a structured transformation programme over an eighteen-month period.

Continued progress has been made during the year in improving and standardising business processes across all functions and territories of the Group. Operations planning and production scheduling solutions are in development to increase plant productivity and improve efficiency, with additional benefits flowing from reductions in inventory levels. Lot traceability is also being evaluated to improve customer service and further increase quality control. In the sales area, a Group-wide review of all major sales contracts has been completed to ensure we are both commercially competitive and protected as far as possible from unwarranted litigation claims. An exercise to include raw materials price clauses in our sales contracts, where they do not already exist, has also been initiated, to guard the Group from volatility in raw material prices, while training in best practice sales techniques is ongoing. Efficient transaction processing has also been targeted with a project underway to develop optimised bid-to-cash and procure-to-pay cycles. These can then be rolled out across the Group, easing the path towards concentrated shared service centres of excellence. In addition, the functional structure, now in its second year, has continued to generate benefits by promoting a global rather than regional culture.

Managing Group risk

The Group has an established risk management framework which is designed to identify, evaluate and manage the risks and uncertainties facing the Group.

28

Within the risk management framework we classify risks into four distinct categories according to their potential impact on the Group:

Strategic

Risks impacting long-term strategic objectives

Operational

Risks arising during day-to-day activities which if not managed could impact upon the running of the business

Financial

Risks directly impacting upon the financial condition of the business

Compliance

Risks relating to legal and regulatory sanctions and damage to goodwill arising from failure to comply with applicable laws and regulations

Our approach to risk management

Volex's risk management has improved significantly over the past year, with a risk governance framework embedded in operational management processes and good progress made in better understanding and managing the Group's most significant risks

Our comprehensive approach to identifying and managing our business risks is two fold

- > a bottom-up approach focused on business risks identified by line management and a complementary top-down approach focused on strategic and financial risks, as identified by senior executives and the board, and
- > evaluating the business risks and challenging the adequacy of processes to address such risks

The output from this two-step process is a detailed Risk Register, explaining the key risks faced by the Group, their potential impacts and how these risks are being managed. This enterprise-wide risk management and reporting process helps management to identify, assess and mitigate risk and is kept up to date through an ongoing programme facilitated by the Group Business Assurance function

The Board reviews the Group's Risk Register annually. Executive management report every month on the progress against agreed actions to keep a close watch on how we are managing our key risks. The Executives also provide regular reports to the Group Board and the Audit Committee which ensure a more focused approach

The Group's approach to internal control is business risk driven, with emphasis given to both business and financial risks, as explained in the corporate governance review on page 38

Our principal risks

The table to the right gives examples of what we do to manage these risks. The Board considers these to be the most significant risks that could materially affect the Group's financial condition, performance, strategies and prospects. The risks listed do not comprise all risks faced by the Group and are not set out in any order of priority. Additional risks not presently known to management, or currently deemed to be less material, may also have an adverse effect on the business

Risk	Impact and description	Examples of mitigating actions
Non-compliance with legislation and regulation	The Group operates in diverse markets and therefore is exposed to a wide range of legal and regulatory frameworks. We must understand and comply with all applicable legislation. Any breach could have a financial impact and damage our reputation.	> External consultants have been engaged to perform a number of corporate health checks in high risk markets to identify any compliance gaps and assist in the development of appropriate solutions > We maintain a number of general compliance policies to ensure compliance with local laws, regulations and standards and any other laws with international reach, such as the UK Bribery Bill, where relevant. These policies are reinforced through our ongoing training to employees > Code of Business Conduct communicated to the Group and third parties to make sure business is carried out in line with our policies and procedures
Failure to attract, develop and retain key personnel	Performance, knowledge and skills of employees are central to success. We must attract, develop and retain the talent required to fulfil our ambitions. Inability to retain key knowledge and adequately plan for succession could have a negative impact on Company performance.	> During FY2011, the group commissioned external consultants to undertake a thorough review of senior management remuneration and incentives, in order to ensure better alignment between rewards and achievements > Remuneration policies designed to attract, retain and reward employees with ability and experience to execute Group strategy > Talent strategy to provide opportunities for employees to develop careers > Formalised objective setting in place for all employees > Bonus scheme in place for all relevant employees based on business and individual objectives
Failure to maintain an effective system of internal control	Without effective internal controls, we could be exposed to financial irregularities and losses which may have a significant impact on the ability of the business to operate. We must safeguard business assets and ensure accuracy and reliability of records and financial reporting.	> Adoption of detailed authorisation matrices to ensure appropriate segregation of duties > Minimum Internal Control Standards are in place with which all business units are expected to be 100% compliant > Detailed General, Finance, Operational, Sales and HR Policy Statements set out the required policies and procedures > Rolling internal audit plan whereby all business units are reviewed by Group Business Assurance in collaboration with external audit firms > Group financial performance monitored with monthly Board reports and regular forecasting > Chief Executive and Group Finance Director undertake detailed monthly business and financial reviews

Managing Group risk continued

Principal exchange rates used in the year

	Period end rate (Statement of Financial Position)		Average rate (Income statement)	
	FY2011	FY2010	FY2011	FY2010
US Dollar	1 611	1 517	1 551	1 596
Euro	1 135	1 121	1 172	1 129

Risk

Exchange rate fluctuations

Impact and description

The Group operates in many different countries and is subject to currency fluctuations arising on transactional foreign currency exposures and the translation of overseas subsidiaries' results which could create earnings and balance sheet volatility. For example, a weakening of the US Dollar and the Euro against Sterling would have a negative impact on earnings and net assets reported in Sterling.

The principal exchange rates used in the year are shown in the table above.

Examples of mitigating actions

- > Group Treasury Policy Statement sets out procedures on exchange rate management policies
- > Revenues and costs in each of the Group's entities are broadly denominated in the same currency
- > The impact of foreign exchange movements on the Consolidated Statement of Financial Position is mitigated by a natural hedge arising as a result of the Group's US Dollar and Euro denominated borrowings
- > Group adopting US Dollars as its presentation currency in FY2012

Customer concentration

A significant proportion of the Group's trading activity is with a relatively small number of large global accounts. Approximately three-quarters of total Group revenue is generated by the Group's top 25 customers, mostly prestigious global OEMs.

Three of the Group's customers individually account for more than 10% of total Group revenue, with the Group's largest customer, operating in the Consumer sector, accounting for 12% of total Group revenue.

- > The Group continues to mitigate the risk of fluctuations in revenues from these customers through closer trading relationships with individual customers while diversifying into other customers and market segments
- > New initiatives in place to align capabilities and resources to customer's needs and to improve quality systems and customer service
- > Global key account managers in place for major customers
- > In practice these key global customers operate across a number of different business sectors and regions with somewhat independent customer relationships in each of the sectors and geographies. The loss of business in one particular geography or sector would not necessarily result in the loss of all of that customer's business.

Increased competition

The Group's markets are highly competitive and we expect this competition will continue in the future. Our overall competitive position depends on a number of factors including the price, quality and performance of our products, the level of customer service, the development of new technology and our ability to participate in emerging markets. Competition may intensify from various international competitors and new market entrants and our markets have become increasingly concentrated and global. Increased competition may result in price reductions, reduced margins or loss of market share, any of which could materially and adversely affect our business and trading performance.

- > Strategic relationships with customers
- > Investing in new technology and developing new products to maintain the Group's competitive position
- > Close monitoring of market trends and industry developments (eg by participating in Standards Committees) to shape, or at least gain early sight of, future product requirements

Copper Spot Prices US\$/metric tonne

Risk	Impact and description	Examples of mitigating actions
Rising commodity prices	Many of the Group's products, in particular power cords used in the Consumer sector, are manufactured from components that contain significant proportions of copper and, to a lesser extent, other metals and oil-based products such as PVC. Increases in the prices of these commodities are reflected in the prices charged to our customers but delays in passing through these costs can cause short-term volatility in the Group's gross margins. Copper price volatility is the single largest commodity price exposure facing the Group. The graph above illustrates how LME copper spot prices have fluctuated during the period from April 2009 to May 2011.	> The Board regularly reviews the prices of these commodities and effects a number of measures to mitigate the impact of excessive volatility > With specific respect to copper, prices are fixed quarterly with major suppliers based on average LME rate over prior quarter > For customer contracts for significant periods, we attempt to negotiate the inclusion of an appropriate copper clause > Where possible, we try to arrange back-to-back arrangements to match customer demand with cable supplier arrangements > Strategic relationships established with key suppliers > Appropriate commodity hedging strategies
Adverse trading conditions	The Group's business and trading performance have been, and will continue to be, affected by global economic conditions. As global economic conditions deteriorate or economic uncertainty increases, our customers and potential customers may experience deterioration of their businesses, which may result in the delay or cancellation of plans to purchase our products. This may have a material adverse effect on the Group's trading results.	> Regular review of pricing, promotion and marketing strategies > Ongoing close working relationships with suppliers and customers to monitor performance > Adapting product ranges to meet changing customer needs > Early communication of adverse trading conditions through functional and regional lines. Where these can be managed, we will address these with appropriate action plans/strategies to mitigate them where possible (and to the extent deemed appropriate after assessing the costs and benefits)
Failure to set out a clear strategic vision as well as provide accurate and timely information to the market	The share price is based on the expectations of a wide variety of market participants such as analysts, brokers, investment funds and other investors. Media stories or rumours can influence these expectations. We must ensure our communications are clear and timely to enable the investment community to efficiently assess the Company's value, and reduce the risk of uncertainty and volatility in the share price.	> Procedures to monitor Group financial performance and communicate with the market via regular trading updates > Investor relations department, supported by external advisors, ensures all communications are timely, clear and consistent and comply with regulatory and legislative requirements > Ongoing communication with rating agencies and brokers > The Group Chief Executive and Group Finance Director regularly meet with analysts, fund managers and the sales desks of equity brokerage houses to keep them informed of the Group's financial and operational progress > In February 2011 the Group's senior management hosted an Investor Seminar in the City of London that was attended by around 60 analysts and fund managers

Corporate responsibility

At Volex we are committed to conducting our business responsibly and ethically, in accordance with our corporate responsibility strategy. For us, it makes sound business sense.

32

Volex Code of Conduct

Code of Business Conduct August 2010

Volex's Code of Business Conduct sets out the basic principles governing the actions of the Company and our employees, and a general framework for our approach to doing business. The code includes

- > Respecting the rule of law and conducting our business with integrity
- > Demonstrating respect for the rights of the individual. We do not tolerate harassment or abuse of employees, vendors or customers, nor do we sanction discrimination of any kind. Volex will not permit forced or child labour
- > Demonstrating respect for the environment and working continuously to improve business processes and practices to reduce the impact of our operations
- > Supporting and encouraging the efforts of employees in the educational and social fabric of communities in which they live and work
- > Adopting and enforcing a zero-tolerance policy against corruption and illegal behaviour at all Volex locations
- > Engaging with our stakeholders to maximise long-term value for our shareholders

Code of Conduct

Volex Relationships

Employees

Environment

Community

Stakeholders

Although the Board of Volex is ultimately responsible for the maintenance and operation of the Volex Code of Business Conduct, the effective realisation of its principles relies on management and all our employees being actively involved in its implementation

To encourage our employees to identify and report potential ethical wrongdoings or suspected violations of our Code of Business Conduct or any other matters that give them cause for concern, we have implemented a confidential and anonymous means to report such matters through our 'Right to Speak Hotline', that may be accessed by phone or email confidentially and anonymously

We believe that implementation of our Code of Business Conduct and the Right to Speak hotline are a key foundation for, and fundamental to, the establishment of a clear set of values and objectives for our employees and to the delivery of a high standard of ethical and responsible conduct throughout the Group

Relationship with our employees

Since people are key to our business, we believe that the motivation, skill and welfare of our employees is a critical factor to our success. We are committed to maintaining the right combination of labour and management skills and we target a good balance of internal development of our employees with focused external recruiting

The creation and ongoing development of a centrally led Group-wide Human Resources team has enabled Volex to take great strides in improving its policies and practices globally. During FY2011, we saw the appointment of an Asia specific Human Resources Director deliver greater focus and responsiveness to the important labour and personnel issues in one of our key regions

Whilst Volex recognises that regional and local customs and cultural differences can lead to different operational modes and practices, we also strongly believe in certain standards and practices that must be observed globally, regardless of local differences. During FY2011, we conducted a Group-wide reassessment and refresh of our global policies, this resulted in the

implementation or revision of over 50 global policies across all Volex functions and locations. These global policies allow the Board and senior executives to identify the specific standards and conduct expected of all our employees. To ensure a thorough understanding of the policies, during the year we conducted training sessions throughout the Group on these policies, internal controls and on the UK Bribery Act and their implications for the manner in which we conduct our business activities.

Training and communication

Maintaining a skilled workforce is vital to the success of our business and we are committed to creating a motivating environment of empowerment and continuous learning while generating a common sense of purpose and pride in working for the Group.

Through our training practices we seek to realise the potential of employees and recognise individual and team contributions. An example of how communication and training has the ability to fine tune an organisation is evidenced in our Improvement Proposals Programme, which has facilitated the implementation of employee proposals and successfully increased efficiency and improved the quality of work for employees.

Health and safety

Volex considers health and safety at the workplace a core business value and is committed to ensuring the continual improvement of our standards and performance.

This year's newly implemented health and safety policy has provided Volex with an improved mechanism to monitor and review health and safety performance so that our objectives and targets can be met. The Board receives reports on the performance of the Group as a whole and regional operations conduct regular programmes and initiatives to improve identified risks.

We collect and review various performance data ranging from monthly key performance indicators to annual insurance claim records and use these to identify areas for improvement. Only 38 accidents were recorded last year throughout all our manufacturing locations, this represents 0.41 accidents per 100 employees based on 2,000 work hours a year per employee. This is well below the standard of 3.9 accidents per 100 employees per year for the electrical equipment, appliance and component manufacturing sector, as disclosed by the most recent Bureau of Labour Statistics. In FY2011 lost time due to accidents and injury as a proportion of total employee hours was less than 0.1% across all locations.

Volex recognises that understanding the health and safety record of the Group is an increasingly important issue for our stakeholders and as such plans to consider an appropriate manner for communicating this information in next year's annual report.

Relationship with the environment

At Volex, we are committed to meeting the needs of our customers in an environmentally sound and sustainable manner through continuous improvement in all activities, using the best available technology without incurring excessive cost.

We are currently in the process of adopting a newly revised global environmental and site policy. We have established a framework for effective management practice to review and regularly evaluate our practices so that we continually improve. Each Volex location is required to conduct its operations in a manner that minimises any detrimental effect on the environment and to avoid exposure of Volex employees, consultants, contractors or third parties to environmental risks arising from our operations.

"Our conduct should be a source of positive influence for those whom our business impacts. We will pursue our business with integrity, respecting the different cultures and the dignity and rights of individuals in all countries in which we operate"

Volex Code of Business Conduct

Corporate responsibility continued

34

Volex football team

We are working towards the requirements stated in the ISO 14001 Environmental Management System. As part of this system we review our environmental objectives and targets on a regular basis and ensure continuous improvement.

In line with our plan to achieve international environmental certification in all manufacturing locations as soon as reasonably possible, we have this year successfully achieved ISO 14001 certification at our facilities in Brazil and India, this is in addition to existing certifications at each of our three facilities in China, at our two facilities in Indonesia and at facilities in Vietnam and Poland. These sites are now maintaining and improving their environmental management systems to retain their ISO 14001 certification status. Our sole remaining location in Tijuana, Mexico is developing its systems, aiming to attain certification this coming year.

Central to our business model is our responsiveness to customers' needs. We have already enjoyed considerable success in the renewable energy market supplying cable assemblies and junction boxes to leading developers and manufacturers of solar energy throughout the US and Europe and this year we launched a full range of products into the renewable energy market in India.

Volex is also committed to reducing hazardous material content in its products. Working closely with customers, we are leading the industry in the supply of halogen-free cables. To ensure that customer requirements and applicable regulations are met, Volex sets criteria and test guidelines for its own products and for materials received from its suppliers. Volex ensures that specially formulated compound materials are part of the sourcing and engineering services so that compliance with applicable regulations, such as the Restriction of Hazardous Substances ('RoHS') can be met by Volex and its customers. The Waste Electrical and Electronic Equipment ('WEEE') Regulations are very relevant to our customers and as part of our manufacturing excellence model, we aim through the design of our products, our manufacturing processes and our product disposal to reduce waste so that we further assist customers in their compliance with the WEEE Regulation.

Relationship with the community

In addition to operating as a responsible member of the local, national and global communities of which we are part, Volex also seeks to encourage and support the efforts of our employees in the educational and social fabric of communities where they live and work. We aim to provide employment opportunities to local people and business opportunities for local companies. The majority of our workforce is locally sourced.

Whether it be establishing and supporting a local football team, volunteering in the fire service or participating in a local social responsibility committee, Volex encourages its employees to engage with and support their local communities

Relationship with stakeholder groups

At Volex we see effective engagement with stakeholders as vital not only for the success of our business but also in pursuing our corporate responsibility objectives. The success of our strategy and adherence to our values is closely tied to maintaining and improving our communications with shareholders and our business relationships with customers, suppliers, contractors and agents

Shareholders

To ensure that the Company understands and takes into account the emerging corporate governance and responsibility views of our shareholders, Volex is keen to increase shareholder engagement and as a result has developed ongoing communications with key shareholders

Customers

Understanding customers' views on corporate responsibility as they relate to our operations and products that we manufacture for them, is important to us. We aim to establish Volex as a trusted partner to our customers, which includes accommodating where practicable, their views on corporate responsibility. Whether it is improving the design of products and processes in a more environmental or sustainable fashion or working with a customer on a local community project, Volex is committed to ensuring that it meets the high standards of corporate responsibility often expected by our customers

Suppliers

To achieve the highest standard of corporate responsibility Volex is committed to integrating its values into its supplier decision-making process. In line with our Supply Chain Excellence programme, our supplier objectives are to create business sustainability and long-term environmental and social compliance. To realise these objectives, we carry out thorough audits of our suppliers. Prospective suppliers must pass a qualification audit, which assesses their ethical and environmental management systems and health and safety practices. To ensure continued compliance, suppliers must pass yearly process audits. Where our expectations are not met, suppliers must implement corrective action and are given support and a period of time to do so. To drive sustainable change we recognise that our auditing process must constantly evolve and we are continually endeavouring to improve our practices

Volex fire service volunteer in action

"The reputation of Volex and the trust and confidence of those with whom we interact are among our vital assets"

Volex Code of Business Conduct

Board of Directors

36

1

2

1 Mike McTighe Chairman

Mike McTighe, 57, was appointed Non-Executive Chairman of the Board on 1 March 2008. He is a member of the Remuneration Committee and Chairman of the Nomination Committee. Mike is also chairman of JJB Sports plc, WYG Group plc and a board member of Ofcom. Mike was previously chairman of Pace plc, a non-executive director of Alliance & Leicester plc, a director of London Metal Exchange Holdings and chairman and chief executive officer of Carrier International SA. Prior to that Mike was executive director and chief executive, global operations of Cable & Wireless plc. Mike has also held senior roles with Philips, Motorola and GE and has more than 30 years' experience in the TMT sector worldwide.

3

4

2 Ray Walsh Group Chief Executive

Ray Walsh, 46, was appointed Group Chief Executive on 6 April 2009. He served previously as chief executive of VIA NETWORKS Inc. servicing global clients from its head office in Amsterdam and immediately prior to joining Volex he led the operations, technology, products, communications and research of a leading market research firm in the US. Ray has more than 20 years' experience in technology leadership and, for more than half of his career, held senior executive roles with international and global organisations. Ray has led numerous organisational and technological integrations in global technology and telecommunications concerns in addition to driving sales and operational transformations in both large scale and venture capital backed firms.

5

6

7

3 Andrew Cherry **Group Finance Director**

Andrew Cherry, 44, was appointed Group Finance Director on 19 February 2009, having held the position of Interim Finance Director since 5 January 2009. Andrew was previously chief financial officer of SpinVox Limited and prior to that had held a number of executive positions including that of chief financial controller of Vodafone UK, chief financial officer of Cable & Wireless Jamaica Ltd and chief financial officer of GoIndustry Plc. He has also held positions in B A T Plc, PricewaterhouseCoopers and Cap Gemini Ernst & Young. Andrew holds an MBA from the Kellogg Graduate School of Management, is a Fellow of the Institute of Chartered Accountants of England and Wales and has a Bachelors degree in Physics.

4 Richard Arkle **Non-Executive Director**

Richard Arkle, 62, joined the Board as a Non-Executive Director on 20 April 2005. Richard was Chairman of the Board from 6 May 2006 until 1 March 2008, when he resumed the role of a Non-Executive Director. He is currently Chairman of the Audit Committee. Richard was a partner at KPMG LLP from 1 October 1982 until he retired on 30 September 2004, where as a senior partner, he played a key role in developing the transaction services practice. Richard was also a non-executive director of SDI Group plc until December 2010, when the business was sold to its management. Richard is a Fellow of the Institute of Chartered Accountants of England and Wales and has extensive experience in a range of businesses across a number of market sectors. Richard also provides consultancy services to a variety of businesses and professional firms.

5 Chris Geoghegan **Senior Independent Director**

Chris Geoghegan, 56, was appointed a Non-Executive Director on 1 March 2008 and became the Board's Senior Independent Director with effect from 31 December 2008. Chris is Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees. Chris is also chairman of Hampson Industries plc and E2v plc and a non-executive director of Kier Group plc and SIG plc. Up until 31 December 2007, Chris was the group director of BAE Systems plc, responsible for all European joint ventures, the company's commercial aerospace interests as well as the UK wholly-owned electronics business and shared services. Chris is a Fellow of the Royal Aeronautical Society and was previously president of the Society of British Aerospace Companies.

6 Karen Slatford **Non-Executive Director**

Karen Slatford, 54, was appointed a Non-Executive Director on 27 May 2008 and is also a member of the Nomination, Audit and Remuneration Committees. Karen is currently chairman of Neverfail Group, the Foundry Visionmongers, and Featurespace Limited. In addition Karen is a non-executive director of Microfocus International plc. Karen was previously a non-executive director for HAL Knowledge Solutions, Portwise AB and Compel Group plc. Between 1983 and 2001 Karen was employed by Hewlett Packard Ltd and whilst working across various capacities and roles, was focused on improving the Group's sales and marketing throughout the UK and globally. In 2000, Karen was appointed chairman of Hewlett Packard UK Ltd and also undertook the position of vice president and general manager worldwide of sales and marketing, business customer organisation until 2001.

7 Paul Mountford **Non-Executive Director**

Paul Mountford, 52, was appointed as an independent Non-Executive Director on 1 January 2011. Paul currently leads Global Enterprise Business at Cisco Systems, Inc., an area covering all the technologies sold to large and medium enterprises, public sector organisations and small business customers. Until recently, Paul was President of Emerging Markets at Cisco, a role that spanned 132 countries. He joined Cisco in 1996 as managing director of the UK and Ireland business and subsequently led Worldwide Channels from Silicon Valley and led Service Provider Sales and Marketing Strategy for EMEA region. Prior to joining Cisco, Paul owned a channel development consultancy that worked with US companies entering international markets. He has also held key executive sales positions at Azlan, Retix, Anix Systems, and Norsk Data. As an authority on technology marketing and sales, Paul served on the Board of Directors for UK start-up leader Phyworks Ltd prior to its acquisition and he served as a non-executive director on the board of Palm Inc before it was acquired by HP in 2010.

Corporate governance report

38

Volex Group is committed to business integrity, high ethical values and professionalism in all its activities. The Company is committed to applying industry standards of good practice and observes the principles of corporate governance contained in the Combined Code on Corporate Governance that was issued in June 2008 by the Financial Reporting Council ('the Code') for which the Board is accountable to shareholders

Governance structure

Volex Shareholders

Mike McTighe (Chairman)	
Chrs Geoghegan (Sr Ind Director)	Karen Slatford (NED)
Richard Arkle (NED)	Paul Mountford (NED)
Ray Walsh (CEO)	Andrew Cherry (CFO)

Audit Committee	Remuneration Committee	Nominations Committee	Chairman's Committee
Richard Arkle (Chair)	Mike McTighe (Chair)	Chrs Geoghegan (Chair)	Mike McTighe (Chair)
Chris Geoghegan	Chris Geoghegan	Mike McTighe	Ray Walsh
Karen Slatford	Karen Slatford	Karen Slatford	Others as requested by the Chair

Executive Team

Company Secretary

Volex is committed to maintaining good, responsible and transparent corporate governance practices. A strong corporate governance structure is vital to achieving this. The Board is responsible for ensuring that the Company can generate sustainable growth and deliver long-term value to all stakeholders of the Company. The Board's activities are supplemented by Nomination, Audit, Remuneration and Chairman Committees. Essential support to the Board and Board Committees is also provided by the Company Secretary and a strong and experienced global executive team.

Statement of compliance with the Code

In the opinion of the Directors, the Company has complied with the provisions set out in section 1 of the Code throughout FY2011, and up to the date of reporting except for the following matters:

- > Pursuant to her original letter of appointment, Karen Slatford was required to devote a minimum of 25 days to the Company each year to perform her duties as a Non-Executive Director, the original letter provided that in the event that she was required to devote time to the Company outside of those 25 days, then she would be paid a daily rate of £1,500. Karen's letter has now been amended to eliminate payment for any excess time devoted to the Company and therefore any potential conflict has been removed.
- > Mike McTighe, Chris Geoghegan and Karen Slatford hold long-term incentive awards under the Volex Group plc Non-Executive Director Long Term Incentive Scheme ("Non-Executive LTIS"). Following approval by the shareholders at a General Meeting on 1 October 2010, the terms of these awards were amended. Prior to the General Meeting, the Remuneration Committee of the Board engaged with shareholders in a dialogue to remind the shareholders of the unique circumstances under which the Non-Executive LTIS was initially adopted and the reasons for the amendments. Full details of the scheme, and the amendments made, are given on pages 47 to 49 of the Remuneration Report.

The continuing view of the Board is that the Non-Executive LTIS does not compromise the independence of the Non-Executive Directors, as they have each applied an objective approach and demonstrated both dedication and integrity in their roles as Non-Executive Directors and the Board has no reason to believe that this will change in the future.

In accordance with section A 3.1 of the Code, the Board has considered whether each of the Non-Executive Directors is independent in character and judgement. After having reviewed the above factors that may, from a distance, cast doubt over their independence, it has concluded that all of the Non-Executive Directors are independent.

In addition the Board has endeavoured where possible to ensure early compliance with principles set out in the Corporate Governance Code issued in 2010 and shall in the coming year conduct a review of future compliance

Statement of how the principles of the Code have been applied

The following paragraphs together with the Directors' Remuneration Report set out on pages 43 to 50 and the Directors' Report set out on pages 51 to 55 describe how the principles of the Code have been applied

Board of Directors

The Board currently comprises a Non-Executive Chairman and four Non-Executive Directors, all of whom the Board consider to be independent, together with two Executive Directors. The biographies of the Directors can be found on pages 36 to 37. Volex's Articles of Association provide that all Directors are subject to re-election every three years. Details of those Directors who will be offering themselves for election can be found on page 52 of the Directors' Report.

During FY2011, Volex added a new independent Non-Executive Director to its Board. With the addition of Paul Mountford, a senior executive of Cisco Inc, the Board has gained new industry insights and a fresh perspective on the issues facing Volex today and in the future.

On appointment, Directors receive an induction to the business that includes a briefing on the activities of the Group. In addition, the Chairman and Company Secretary ensure that all new Directors have access to appropriate training and advice in relation to the duties of Directors. The Directors are also encouraged to update and refresh their skills and knowledge.

The Board is supported by Company Secretary, Matt Nydell, who was appointed on 18 September 2010 and brings a wealth of experience in corporate governance and development.

Operation of the Board

The Board is scheduled to meet at least ten times a year and during the FY2011 it in fact met 11 times. Some meetings were called at short notice. The Board also engages in active and regular dialogue and consideration of various Volex issues through frequent electronic mail dialogue and ad-hoc conference calls. The frequency of the Board meetings is dictated by the supervision and direction required by the Company's executives in managing the affairs and strategy of the Company. The table below summarises the attendance by Board or Committee members at meetings held during the year.

During the year, the Board conducted one meeting in Shenzhen China, the site of a Volex manufacturing facility. In addition to its regular meeting, the Board conducted a visit of the factory, received a presentation from the Company's Asia-based high-speed cable team and formally met and engaged in dialogue with one of the Company's key customers. The Board intends to devote one meeting each financial year to visit a Volex site to ensure that members are able to maintain a strong first-hand appreciation of local conditions and issues facing the Group and to enable the Board to ensure that the necessary financial and human resources are in place and that the Company's values and standards are being met.

Certain matters relating to the review of business performance, major strategy, policy and investment decisions affecting the Group and the development of Group policies in a number of areas including health and safety, social, ethical and environmental issues and insurance are reserved for the Board.

The Board approves the annual business plan and budget of the Group, which is initially prepared by senior management of each of the Group's sectors and then adopted by the executive team. Actual sector and Group performance against budget is reviewed by the Board at each Board meeting and Executive Directors comment on any areas where performance departs from current expectations. Significant variances are discussed by the Board and appropriate action taken. If considered appropriate, the Board

	Board 11 meetings	Audit Committee 4 meetings	Remuneration Committee 6 meetings	Nomination Committee 1 meeting	Chairman's Committee 2 meetings
Board attendance record					
Richard Arkle	11	4	–	–	–
Andrew Cherry	11	–	–	–	1
Chris Geoghegan	8	3	6	1	–
Mike McTighe	11	–	6	1	2
Paul Mountford**	2	–	–	–	–
Karen Slatford	11	4	6	1	1
Ray Walsh	11	–	–	–	2

The Chairman's Committee meets only as required and its membership includes the Chairman and CEO and other members as invited by the Chairman and appropriate to the topic to be addressed. Karen Slatford and Andrew Cherry attended the one meeting at which their presence was requested.

Paul Mountford joined the Volex Board in January 2011.

meets with senior operational management of the Company in order to further enhance its understanding of the Group's key developments. Procedures have been adopted to enable the Board to make informed decisions on a range of key issues including those relating to strategy and risk management.

A key role for the Non-Executive Directors is to provide vital yet constructive engagement with executive management in particular the Executive Directors, on the key issues affecting the Company. A balance of five independent Non-Executive Directors to two Executive Directors creates a healthy environment for executive management strategy and management proposals to be challenged and scrutinized. Whilst the responsibilities of the Executive Directors and the Non-Executive Directors may differ, the Board collectively share the same responsibility in ensuring the long-term success of the Company.

The Chairman, Mike McTighe, is primarily responsible for leading the Board, ensuring its effectiveness in all aspects of its role, setting its agenda and also ensuring that each Director has adequate information before making decisions. The Chairman ensures effective communication with shareholders and makes himself available to meet with shareholders. As Chairman, Mike McTighe also facilitates the effective contribution of Non-Executive Directors and ensures constructive relations between Executive and Non-Executive Directors. Chris Geoghegan, as Senior Independent Director, makes himself available to meet with shareholders. The Chief Executive, Ray Walsh, is responsible for the Group's business overall and leads the execution of the Group's strategy. The Directors have access to the advice and services of the Company Secretary and both the appointment and removal of the Company Secretary is a matter for the Board as a whole. The Board practices the policy that the Directors are able to take independent professional advice at the Company's expense.

The Chairman, the Group Chief Executive and the Group Finance Director are responsible to the Board for the timeliness and quality of all financial information submitted to the Board. The Company Secretary is responsible for the timeliness and quality of all other information submitted to the Board and for advising the Board through the Chairman on governance issues. The normal procedure is to distribute Board papers at least five days in advance of meetings.

Directors' and officers' insurance against legal action is in place providing cover for Directors and certain key officials of the Company and its subsidiaries. The Company has also granted qualifying third party indemnities to the Directors, which remain in force, copies of which will be available for inspection at the forthcoming AGM.

Board Effectiveness Board Evaluation

The Board considers essential a periodic evaluation of the effectiveness, quality and focus of its members, the committees and the full board. This year the Board considered the use of an external facilitator to support the evaluation process. It concluded that in light of the size of the Company, its continuing revitalisation and growth, the key role of the Board in supporting the continuing transformation of the Company, and the associated cost of an external facilitator, the best course for the current year would be to continue past practice of the Company to conduct evaluations using internal resources.

Accordingly, this year the Chairman working closely with the Company Secretary conducted a Board, Board committee and Board member evaluation through the use of a series of questionnaire surveys prepared by the Company Secretary and Chairman, in consultation with corporate governance best practices. The surveys requested member feedback on a number of areas critical to the assessment of the Board's effectiveness, including questions about leadership within the Board, the appropriateness of the current Board composition, the process associated with the appointment of new members, the level of commitment of members, the Company's support for continuing development of the Directors, the quality and timeliness of information provided to the Board by management and the Company Secretary, engagement with shareholders, and an independent view of the Executive Directors and the Non-Executive Directors.

The results of the evaluations have been compiled but, due to timing of the process, have not yet been formally prepared into a report and placed before the Board as a whole. The Chairman will be responsible for reporting the findings to the full Board and to the individual committees, and intends to conduct individual performance reviews with each member. The members will then have the opportunity to discuss the findings and create an action plan to focus on for FY2012.

Board Committees

The Board has established the following Committees, each of which has adopted written terms of reference dealing clearly with the Committee's authority and duties. Revised terms of reference for the Audit and Remuneration Committees were adopted during the year and all committee terms of reference are available on request and on the Company's website (www.volex.com). During the year, the Board established the Chairman's Committee to address issues that fall outside the remit of other Committees and the regularly-scheduled Board meetings.

The Nomination Committee

The Nomination Committee is comprised of Mike McTighe, who is Chairman of the Committee, Chris Geoghegan and Karen Slatford.

What has the Board achieved this year?

- > Reviewed and refreshed corporate governance process
- > Actively engaged shareholders in dialogue and consultations
- > Expanded the Board with the appointment of a new Non-Executive Director
- > Adopted new corporate policies to address and manage enterprise risk
- > Visited a Volex factory site and engaged in dialogue with a key Volex customer
- > Continued to upgrade the executive team with the appointment of a new Company Secretary

Board appointments are considered initially by the Nomination Committee, which makes recommendations to the full Board for further consideration and approval. In performing its duties the Nomination Committee evaluates the balance of skills, knowledge and experience on the Board, which enables it to determine the roles and capabilities required for a particular appointment. The Nomination Committee takes advice from a variety of sources including external recruitment consultants when considered appropriate. The Board seeks to maintain an appropriate balance between Executive and Non-Executive Directors. The Company Secretary is Secretary to the Committee.

The Remuneration Committee

The members of the Remuneration Committee are Chris Geoghegan, who is Chairman of the Committee, Mike McTighe and Karen Slatford. The Company Secretary acts as Secretary to the Committee. The structure and business of the Remuneration Committee is summarised in the Directors' Remuneration Report on pages 43 to 50.

The Audit Committee

The Audit Committee is comprised of Richard Arkle, Chairman of the Committee, Karen Slatford and Chris Geoghegan. Richard Arkle is regarded by the Board to have recent and relevant financial experience.

The Group Chief Executive, Group Finance Director, Group Financial Controller and the Director of Business Assurance are invited to attend regular meetings, however the Audit Committee also meets without the Executive Directors at least once a year.

The Audit Committee monitors the integrity of the financial statements of the Company and the Group together with any formal announcements in relation to the Group's financial performance. It reviews the Group's internal financial controls and also reviews the scope and effectiveness of the internal audit function, although the Group's internal control and risk management processes are considered by the Board as a whole. The Audit Committee recommends to the Board the appointment and re-appointment of the external auditors. It considers the scope and results of the external audit, its cost effectiveness and the effectiveness of the external audit process. Furthermore, the Audit Committee monitors the independence and objectivity of the auditors and the nature and extent of non-audit services supplied by the external auditor by analysing fees for audit and non-audit work, by receiving from, and discussing with, the auditors their annual report regarding their independence policies and procedures, and by receiving from the auditors confirmation that they have complied with APB Ethical Standards.

During the year the Committee reviewed the provision of overall assurance within the Group, including a review of external audit arrangements. As part of this review, the Committee, jointly with the

Board, recommended that the Company should seek the re-appointment of PricewaterhouseCoopers LLP as external auditors to the Company and Group at the AGM to be held on 25 July 2011.

The respective responsibilities of the Directors in connection with the financial statements are explained in the Directors' Responsibilities Statement in the Directors' Report and in the Auditors' Report. The Directors seek to ensure the independence of the auditors by requesting an annual confirmation of independence, which includes the disclosure of all non-audit fees.

Chairman's Committee

The Chairman's Committee was established during the year and comprises Mike McTighe, Chairman of the Committee, Ray Walsh and one or more of the other Directors as invited by the Chairman of the Committee. The Committee acts on behalf of and with full power of the Board when, as between scheduled Board meetings, it is not practicable to convene a meeting of the Board and a matter is not reserved for the Nomination, Remuneration or Audit Committees, and when specific delegations are conferred upon it by the Board. The Chairman's Committee meets on an ad-hoc basis during the year, as required.

Internal controls

The Board has overall responsibility for the Group's system of internal control and risk management and for reviewing the effectiveness of this system. Such a system is designed to identify, evaluate and control the significant risks associated with the Group's achievement of its business objectives with a view to safeguarding shareholders' investments and the Group's assets. Because of the limitations that are inherent in any system of internal control, this system is designed to meet the Company's particular needs and the risks to which it is exposed and is designed to manage rather than eliminate risk. Accordingly, such a system can provide reasonable, but not absolute, assurance against material misstatement or loss.

In accordance with the Turnbull Guidance on internal control, the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. During the year the Board revisited its risk identification and assessment processes, inviting Board members and senior management to convene and discuss the Group's key risks and mitigating controls. The output from these sessions was a comprehensive Risk Register, explaining the key risks faced by the Group, their potential impacts and how these risks are being managed.

The Board has adopted a risk-based approach in establishing the Group's system of internal control and in reviewing its effectiveness. To identify and manage key risks, it has established a number of Group-wide procedures, policies and standards, has

set up a framework for reporting and escalating matters of significance, has authorised the Audit Committee to undertake reviews of the effectiveness of management actions in addressing key Group risks identified by the Board, has developed a system of regular reports from management setting out key performance and risk indicators and has reserved specific, key matters for its decision. This process is designed to provide assurance by way of cumulative assessment and is embedded in operational management and governance processes.

Key elements of the Group's system of internal control which have operated throughout the year are

- > a clearly defined organisation structure with established responsibilities
- > a simple and focused business strategy, thus restricting potential risk exposures
- > Group financial, business conduct, operating and administrative policies and procedures which incorporate statements of required behaviour
- > continuous review of operating performance and monitoring of monthly results, annual budgets, and periodic forecasts
- > a centrally coordinated business assurance programme which uses both internal and external resource to support the Board in its role of ensuring a sound control environment
- > completion by business unit management of an annual internal control assessment confirming compliance with Group policies and procedures, detailing controls in operation and listing any weaknesses

The Board regards responsible corporate behaviour as an integral part of the overall governance framework and believes that it should be fully integrated into management structures and systems. Therefore the risk management policies, procedures and monitoring methods described above apply equally to the identification, evaluation and control of Volex's safety, ethical and environmental risks and opportunities. This approach ensures that the Company has the necessary and adequate information to identify and assess risks and opportunities affecting the Company's long term value arising from its handling of corporate responsibility and corporate governance matters. Further, this approach has enabled the Company to comply with the disclosure guidelines issued by the Association of British Insurers on socially responsible investment which require listed companies to report to shareholders and give assurance that the Company is managing its risks in these matters.

The Board has completed its annual review of the effectiveness of the system of internal control for the year to 3 April 2011 and is satisfied that it is in accordance with the Turnbull Guidance. The assessment included consideration of the effectiveness of the Board's ongoing process for identifying, evaluating and managing the risks facing the Group.

Whistle-blowing policy

The Company has adopted a whistle-blowing policy (the "Right to Speak" policy), which is publicised to employees via email, on the Group's website and on-site notice Boards. The aim of the policy is to encourage all employees, regardless of seniority, to bring matters that cause them concern to the attention of the Audit Committee. To ensure that the policy is properly understood, training sessions on the policy were held throughout the Group's locations. Further information regarding this policy can be found in the Corporate Responsibility Section on pages 32 to 35.

Relations with shareholders

Volex understands the importance of open dialogue with its investors. The Board actively engaged with shareholders throughout the year to explain corporate proposals and strategy and solicit their commentary and feedback. Our Executive Directors conducted numerous one-on-one and group investor meetings to ensure good understanding of the Group's financial results and factors impacting our Group's performance. We held a well-attended investor day in February of this year at which the Group's executive team were introduced in person to shareholders and provided an opportunity to articulate our corporate strategy. The meeting was attended by more than 60 analysts and investors.

During the year, the Board and the Company has maintained frequent communication with shareholders. Through its Remuneration Committee, the Board engaged with investors in a month long consultation process that preceded the Company's October General Meeting. During the year, Board members met with institutional shareholder services such as ABI and Risk Metrics. In addition, Volex Group's new Company Secretary has been introduced to investors and institutional shareholder service groups and conducted a number of one-on-one and group meetings to explain the Company's corporate governance positions and solicit feedback.

Maintaining an open channel for discussion with shareholders through face-to-face dialogue, investor seminars or presentations has allowed Volex to better understand the concerns and emerging governance views of our important stakeholders. This process alongside efforts from the Chairman and Chief Executive, is the most practical and efficient means of ensuring that the views of shareholders are communicated to the Board as a whole. The process has also allowed the Company to better and more pro-actively explain the Group strategy and business model to a wider group. One result of this more active approach is that two new sell-side equity research analysts and around six buy-side analysts initiated coverage on the Company during FY2011.

It is part of the Group's policy that all Directors attend the Annual General Meeting and the Board encourages all shareholders to attend and participate at the AGM to enable it to be a forum for substantive communication with investors.

Directors' remuneration report

Introduction

This report has been prepared in accordance with the Companies Act 2006 (the 'Act'). The Report also meets the relevant requirements of the Listing Rules of the Financial Services Authority, Schedule 8 of the Large & Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Combined Code (the 'Code'). A resolution to approve the Report will be proposed at the 2011 Annual General Meeting of the Company at which the financial statements will be approved.

The Auditors are required to report to the shareholders on certain sections of this Report and to state whether those sections have been properly prepared in accordance with the Companies Act 2006. The Report has therefore been divided into separate sections for audited and unaudited information. The audited information commences on page 57.

UNAUDITED INFORMATION

Remuneration Committee

The members of the Remuneration Committee (the 'Committee') during the year were Chris Geoghegan, Chairman of the Committee, Mike McGighe and Karen Slatford. The Company Secretary acts as secretary to the Committee. The Chief Executive Officer and Group HR Director provide advice to and attend meetings of the Committee. No individual is present at discussions regarding his or her own remuneration.

Kepler Associates is the appointed remuneration advisor to the Committee and provides no other services to the Company.

None of the Committee members have any conflicts of interest arising from cross-Directorships or day-to-day involvement in running the business. The only personal financial interest that any of the Committee members have in the Company, other than as shareholders, is in respect of their participation in the Non-Executive LTIS scheme under which one-off awards were made following approval by shareholders in December 2008.

Remuneration policy

The Committee, together with the Board of Directors of the Company, sets the broad policy for the remuneration of the Executive Directors and other senior executives within the scope of the Committee remit. In the context of that broad policy for each of the Executive Directors and senior executives the Committee then determines and reviews, at least annually, the specific remuneration packages including annual bonus plans and awards under the Company's share incentive arrangements. In addition, the Committee approves the terms of service agreements of all Executive Directors and also the terms of appointment of certain senior executives. Termination payments are also considered by the Committee, although it is mindful of its duty not to reward failing performance.

This report deals solely with the remuneration and terms of service of the Board Directors of the Company. The policy of the Committee in relation to the Executive Directors 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 of the remuneration policy is to provide a balanced remuneration package, comprising

- > basic annual salary and benefits-in-kind,
- > annual bonus arrangements,
- > long-term share based incentives, and
- > pension

The Company's policy is that a substantial proportion of the remuneration of the Executive Directors should be performance related and the Committee aims to provide a balanced remuneration package which links individual and corporate performance. Short-term incentives are linked to challenging targets, which support and reinforce the objectives of the Company. The standard long-term incentives, which are currently share-based awards, focus the executives on the sustained development of the Group and align their interests with those of the shareholders.

In deciding and reviewing appropriate remuneration packages, the Committee considers

- > the positioning of Executive Director pay relative to companies of a similar size and companies operating in a similar sector to Volex,
- > remuneration expectations in the geographical area of operation,
- > surveys published by leading remuneration consultants supplemented by 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,
- > the particular expertise and understanding required of the Directors concerned, the responsibilities undertaken and their performance and progress in their role in the financial year, and
- > pay and employment conditions of employees across the Group.

The Committee considers the policy to be appropriate for the following financial year and for subsequent financial years.

Directors' remuneration report continued

44

Basic salary

The Committee determines Executive Directors' basic salaries annually, with adjustments normally being made with effect from 1 April each year. For FY2011 no adjustment was made to Executive Directors' basic salaries.

In addition to basic salary and pension benefits, the Executive Directors also receive certain benefits-in-kind, principally a car allowance and fuel costs, private medical insurance, life assurance and assistance in the cost of relocation where considered appropriate.

In the event that an Executive Director is required to relocate to another country the Committee may award an expatriation allowance for a limited number of years.

Bonus arrangements

A discretionary annual cash bonus scheme represents the short-term incentive element of the overall remuneration package for Executive Directors. Under the scheme, Executive Directors can earn up to a maximum of 100% of salary. 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. The bonus plan for the financial year to 3 April 2011 was structured to reward performance relative to financial targets and in certain cases personal objectives.

No bonuses were paid under the scheme to Executive Directors in respect of the year to 3 April 2011.

Andrew Cherry's terms of appointment, as set out in his service agreement, include a final retention bonus payment of £32,051 in respect of the period 1 April 2010 to 18 August 2010, which was paid subsequent to 18 August 2010.

Volvo Group plc Performance Share Plan (PSP)

Following its approval by shareholders in December 2008, the Volvo Group plc Performance Share Plan ('PSP') is the principal scheme through which the Company provides long term incentive awards to Executive Directors and other senior executives.

The PSP seeks to reward and encourage long-term performance by providing incentives linked to the long-term performance of the Company's shares. During the year, Executive Directors and other key senior executives received awards of nominal-value options with an exercise price of 25p. The maximum annual limit for awards made under the PSP is 100% of salary. In exceptional circumstances the Committee has discretion to make awards above this limit.

FY2011 PSP awards

For PSP awards granted during the financial year ended 3 April 2011, the Committee determined to use a combination of three- and four-year performance period awards, with both awards subject to absolute Total Shareholder Return ('TSR') performance targets, as set out in the tables below. The Committee believes that TSR is the most appropriate measure of long-term performance for the Company under current circumstances, and provides strong alignment with shareholder interests.

FY2011 three-year awards

TSR ¹ target	% of shares subject to award that vest
Less than or equal to 225p	Zero
328p	25%
Greater than or equal to 620p	100%

FY2011 four-year awards

TSR ¹ target	% of shares subject to award that vest
Less than or equal to 250p	Zero
372p	25%
Greater than or equal to 700p	100%

1. TSR is defined as the aggregate of share price (average mid-market quotations for a Company share over the five dealing days prior to the maturity date) plus any dividends paid (or declared, if the shares ex-dividend on the maturity date) during the period, rolled up at 3% per annum over the remainder of the performance period.

If TSR in the Performance Period is between the targets set out above, then the percentage of shares which vest will be calculated on a straight-line basis.

The PSP awards made to the Executive Directors in FY2011 are set out on page 49 of this Report. The vesting date for the three and four year awards is the third and fourth anniversary of the date of grant respectively. As two awards were made under the PSP in FY2011, no PSP award will be made to Executive Directors in FY2012.

Amendments to the PSP in FY2011

Following approval by shareholders in October 2010 of an amendment to the terms of the PSP, the exercise period in which PSP awards are capable of exercise has been extended to the tenth anniversary of the award date, or such earlier date as the Committee considers appropriate. This amendment applies to awards made in FY2011 and thereafter. This change provides the Committee with greater flexibility in setting the period within which the award-holder may choose to exercise his or her options, and thereby enhance the incentive value of an award.

Note, this amendment only applies to non-US taxpayers as US tax legislation does not permit the same changes to be made

In October 2010, shareholders also approved the introduction of the Volex Group plc 2010 Joint Share Ownership Plan (the 'JSOP') This affords the Company the opportunity to make awards on a basis which is intended to optimise the tax treatment of such awards for the benefit of the Company and individual participants The intention is to use the JSOP only as a structure to deliver PSP awards Accordingly, the performance conditions and other key terms of the JSOP are the same as those of the PSP

Awards made to Executive Directors during the year are disclosed on page 49 of this report

FY2010 PSP awards

All PSP awards granted during the financial year ended 4 April 2010 have a Performance Period of three years (commencing on the date of grant of award) and are subject to a TSR performance target, as shown in the table below

TSR target	% of shares subject to award that vest
Less than or equal to 90p	Zero
Greater than or equal to 170p	100%

If TSR in the Performance Period falls between the two targets set out above, then the percentage of shares which vest will be calculated on a straight-line basis

Subject to the performance target attaching to an award being met, an award may be exercised at any time during the six months that follow the third anniversary of the date of grant

Long Term Incentive Plan

Prior to the adoption of the PSP Plan, the Volex Group plc Long Term Incentive Plan (LTIP) was the Company's principal long-term incentive scheme Under the LTIP two types of awards were made Share Matching Awards and Performance Share Awards At 4 April 2010 and 3 April 2011, all Share Matching Awards had lapsed

Performance Share Awards made under the LTIP are structured as an option to acquire shares in the Company for their nominal value The option is normally capable of exercise if the participant is an employee at the point of exercise and demanding performance conditions set at the date of grant of the Performance Share Award are satisfied at the end of the three-year performance period Performance Share Awards to any individual in any one financial year were limited to 100% of basic salary

The Executive Directors have not been granted awards under the LTIP

FY2009 LTIP awards

In relation to the Performance Share Awards made during the financial year ended 5 April 2009 all of the shares subject to each award were subject to the 'share price target' set out in the table below

Total shareholder return ¹ target	% of shares subject to award that vest
Less than 115p	Zero
Equal to 115p	25%
Equal to 155p	50%
Equal to 200p	100%

¹ In determining the percentage of shares subject to an award that will vest the share price target is compared with the average mid market quotations for a Company share over the five dealing days prior to the maturity date (i.e. three years from the grant of the award)

If the average falls between any two of the share price targets set out above, then the percentage of shares which vest will be calculated on a straight-line basis between the vesting thresholds

In addition to the share price targets, awards are subject to an EPS underpin Accordingly, for LTIP awards granted in July 2008 to become capable of exercise, the EPS for the financial year ending 3 April 2011 ('Actual EPS') must equal 18p per share If the Actual EPS is less than 18p per share, then the total number of shares subject to an award is reduced, before the share price targets are applied As reported on page 75, the EPS for the financial year ending 3 April 2011 is 21.8p ('Actual EPS')

Subject to the performance conditions attaching to an award being satisfied, the LTIP awards granted in July 2008 may be exercised at any time during the six months that follow July 2011

FY2008 LTIP awards

All of the awards granted under the LTIP during the financial year ended 30 March 2008 lapsed during the year, as a result of the performance conditions not being met

Restricted Scheme

The Company also operates a Restricted Share scheme Any nominated employee of the Company or any of its subsidiaries may participate in the Restricted Scheme It is intended that the Restricted Scheme will be limited to key executives An award will take the form of a nil-cost option to acquire ordinary shares in the Company, granted by the trustee of an employee benefit trust established by the Company No awards were made to Executive Directors under the Restricted Scheme in FY2011

Directors' remuneration report continued

46

Discretionary share option schemes

Historically, and prior to the adoption of the PSP and LTIP schemes, the Company's long-term incentives for Executive Directors and senior executives were in the form of share option schemes, which included the 1994 Share Option Scheme ('1994 Scheme') and the Volex 2001 Option Plan (the 'Option Plan'). Following the adoption of the PSP, the Company has not issued any further options under the discretionary share option schemes and does not propose to issue any further options under such schemes in the forthcoming financial year.

Share Appreciation Right (SAR) Scheme for Non-Executive Directors

No awards have been granted pursuant to the SAR Scheme during the year and the Company does not intend to grant any awards pursuant to the SAR Scheme during the next financial year.

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 each executive's particular circumstances. Ray Walsh and Andrew Cherry are members of the Volex Group Personal Pension Plan, with entitlements to 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.

Five year total shareholder return

Directors' contracts

It is the Company's policy that service contracts for each Executive Director continue until such date as agreed between the Director and the Company, unless terminated earlier by either party, subject to the contractual notice period of not more than one year.

The Company's policy for Non-Executive Directors, including the Chairman, is to have contracts for services, documented in a Letter of Appointment, with an initial period of appointment of three years, renewable by agreement for successive periods.

Under the Articles of Association of the Company at each 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 elected or last re-elected by the Company in General Meeting is required to retire from office but is eligible for re-election. Details of those Directors seeking election can be found on page 52 of the Directors' Report.

Details of the Directors' contracts are summarised in the table below

Name of Director	Effective date of service contract or letter of appointment	Notice period
Executive Directors		
Andrew Cherry	19 02 2009	6 months
Ray Walsh	06 04 2009	12 months
Non-Executive Directors		
Richard Arkle ¹	21 04 2008	3 months
Chris Geoghegan	01 03 2008	3 months
Mike McTighe	01 03 2008	3 months
Paul Mountford	03 12 2010	3 months
Karen Slatford ²	27 05 2008	3 months

¹ Richard Arkle joined the Company on 20 April 2005 and his terms of appointment were renewed in 2008

² Karen Slatford's letter of appointment originally dated 27 May 2008 was amended as of 24 May 2011

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 Director's service agreement, the Company would give notice to the Executive Director and/or make payment in lieu of notice, with due allowance in appropriate circumstances for the Director's duty to mitigate his loss. Details of payments with regard to compensation of loss of office are included in the table on page 48.

Executive Directors' service contracts, which include details of remuneration together with copies of the Non-Executive Directors' letters of appointment, will be available for inspection prior to the 2011 AGM.

External appointments

Neither of the Executive Directors hold external Director appointments.

Non-Executive Directors

All Non-Executive Directors have specific terms of engagement. The fee paid to each Non-Executive Director in the year is set out in the table on page 48. The fee payable to the Company Chairman is reviewed and determined annually by members of the Committee (excluding the Company Chairman) following consultation with the Group Chief Executive and assisted by market data provided by Kepler Associates. The remuneration of the Non-Executive Directors is determined by the Board of Directors of the Company within the limits set out in the Articles of Association.

Non-Executive Directors cannot participate in the LTIP, the PSP Plan nor the Restricted Scheme and are not eligible to join the Company's pension scheme.

Non-Executive Director Long Term Incentive Scheme (LTIS)

The LTIS was approved by shareholders in 2008 when it was considered imperative by the Directors that the Non-Executive Directors be incentivised to return cash to shareholders over the three year period to 25 March 2012. Decisions on the LTIS are made by the Executive Directors of the Board.

During FY2011, the Executive Directors determined that the original LTIS was no longer appropriate for Volex in its current form. In order to align more closely the interests of selected Non-Executive Directors and shareholders, certain terms of the outstanding one-off LTIS awards were amended during the year, following approval by shareholders in October 2010.

The number of LTIS awards receivable by each eligible Non-Executive will now be calculated as an option over a number of units based on the Average Value Attained¹ at the end of the three year period to 25 March 2012. The maximum number of units that can be awarded under the LTIS is 800,000 units.

¹ Average Value Attained is defined as the average price per ordinary share in the Company on 25 March 2012 (or, if earlier, on a change of control of the Company) averaged over a period of 20 dealing days preceding that date, plus dividends paid in the three years preceding that (or, if the shares are ex dividend on 25 March 2012, the corresponding dividend declared).

Directors' remuneration report continued

48

Average Value Attained target	% of units that may vest
Less than 114p	Zero
Greater than or equal to 114p	87.5%
Greater than or equal to 250p	100%

If the Average Value Attained falls between 114p and 250p, then the percentage of units that may vest will be calculated on a straight-line basis, between the threshold values

Subject to the achievement of the Average Value Attained target as described above and the award-holder remaining in office at the relevant date, awards will vest in three equal tranches on 25 March in each of 2012, 2013 and 2014. Assuming these conditions have been satisfied, awards may be exercised at any time during the period commencing 21 days after the vesting date (of that tranche) until the fifth anniversary of the vesting date (of that tranche). The amendments made in 2010 will allow the Company to satisfy the LTIS award in either Company shares or cash.

Awards held by Non-Executive Directors under the LTIS are shown on page 49 of this report. The Board intends that no further awards will be made under the LTIS.

AUDITED INFORMATION

Directors' emoluments

Details of the emoluments of those Directors who were in office during the financial period ended 3 April 2011 are set out below

	Fees/basic salary £	Benefits in kind £	Annual bonuses £	Compensation for loss of office ³ £	2011 Total £	2010 Total £
Executive Directors						
Andrew Cherry ¹	242,875	14,951	32,051	–	289,877	539,705
Ray Walsh ²	356,452	85,011	–	–	441,463	788,048
Non-Executive Directors						
Richard Arkle ⁴	35,000	–	–	–	35,000	35,000
Chris Geoghegan ⁵	35,000	–	–	–	35,000	35,000
Mike McTighe	125,000	–	–	–	125,000	125,000
Paul Mountford ⁷	7,500	–	–	–	7,500	–
Karen Slatford ⁶	30,000	–	–	–	30,000	30,000
	831,827	99,962	32,051	–	963,840	1,552,753

¹ Included in Mr Cherry's annual bonus is the second tranche of a contractual retention bonus amounting to £32,051

² Included in Mr Walsh's benefits-in-kind is £55,896 received as a cash payment in lieu of pension contribution

³ Heejae Chae ceased to be a Director on 9 March 2009. £316,850 (FY2010: £241,000) was paid to him in the year in respect of compensation for loss of office and no further amounts are due

⁴ For his services as a Non-Executive Director Richard Arkle receives an annual fee of £35,000 comprising a Non-Executive Director fee of £26,000 and an additional £9,000 for chairing the Audit Committee

⁵ As the Board's Senior Independent Non-Executive Director Chris Geoghegan receives an annual fee of £35,000 which includes a fee of £4,000 for chairing the Remuneration Committee

⁶ Karen Slatford receives an annual Non-Executive Director fee of £30,000

⁷ Paul Mountford joined the Board on 1 January 2011 and receives an annual Non-Executive Director fee of £30,000

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

Directors' interest in long-term incentive scheme

Details of the Directors' interest in long-term incentive schemes are set out below

Volvo Group plc Performance Share Plan (PSP)

	Number of shares subject to PSP options held at 5 April 2010	Number of shares subject to PSP options granted during FY2011	Number of shares subject to PSP options lapsed during FY2011	Number of shares subject to PSP options held at 3 April 2011	Exercise price of shares subject to PSP options granted during FY2011 (£)	Market price of shares subject to PSP options granted during FY2011 at date of grant ¹	Date of grant of shares subject to PSP options granted in year
Andrew Cherry ²	305,623	600,000	–	905,623	0.25	2.349	31.08.2010
Ray Walsh	452,322	800,000	–	1,252,322	0.25	2.349	31.08.2010

¹ The market price of a share at the date of grant is taken to be the average of the mid-market quotation for a Company's share over the period of five dealing days preceding the date of grant

² Delivered through the JSOP. Andrew Cherry paid £600 to acquire his interests under the JSOP

No PSP awards vested during the year ended 3 April 2011

Long term incentive plan (LTIP)

No LTIP options or awards were held during the year by any of the Directors

Share Appreciation Rights (SAR)

No share appreciation rights were held during the year by any of the Directors

Non-Executive Director Long Term Incentive Scheme (LTIS)

Non-Executive Directors interests in the LTIS are as follows

	Re-stated number of award units at 5 April 2010 ¹	Number of award units granted during FY2011	Number of award units lapsed during FY2011	Number of award units at 3 April 2011	% interest in award units at 3 April 2011
Chris Geoghegan	80,000	–	–	80,000	10%
Mike McTighe	640,000	–	–	640,000	80%
Karen Slafford	80,000	–	–	80,000	10%
Total units in Bonus Pool	800,000			800,000	

¹ The number of award units at 5 April 2010 has been re-stated to show the impact of the amendments to the LTIS, approved by shareholders in General Meeting on 1 October 2010

Details of the LTIS, and amendments made to it during the year, are set out on pages 47 to 48 of this Remuneration Report

Directors' remuneration report continued

50

Directors' pension entitlements

Pension contributions in respect of Directors payable by the Group during the year were as follows

	2011 £	2010 £
Andrew Cherry ¹	57,739	50,000
Ray Walsh ²	30,625	–

¹ Andrew Cherry is a member of the Volex Group Personal Pension Plan, a money purchase scheme to which the Company makes a contribution of 20%

² Ray Walsh joined the Volex Group Personal Pension Plan during the year and elected to take £55,896 of his pension entitlement as a cash payment in lieu of pension contribution and this cash payment is reflected in the table of Directors' emoluments on page 48

Directors' interest in shares of the Company

The interests in the share capital of the Company of those Directors who were in office at 3 April 2011, together with their interests at 4 April 2010, or date of appointment if later, are detailed below. The table details separately beneficial interest and share options issued to the Directors (both prior to and upon their appointment), under the PSP and the LTIS. All interests relate solely to 25p Ordinary shares

	Shares held at 3 April 2011	Shares held at 4 April 2010	PSP awards at 3 April 2011	PSP awards at 4 April 2010	LTIS awards at 3 April 2011	LTIS awards at 4 April 2010 ¹
Richard Arkle	184,000	184,000	–	–	–	–
Andrew Cherry	41,765	41,765	906,623	305,623	–	–
Chris Geoghegan	–	–	–	–	80,000	80,000
Mike McTighe	107,042	100,000	–	–	640,000	640,000
Paul Mountford	–	–	–	–	–	–
Karen Slatford	–	–	–	–	80,000	80,000
Ray Walsh	42,500	40,000	1,252,322	452,322	–	–

¹ The number of LTIS award units at 4 April 2010 has been re-stated to show the impact of the amendments to the LTIS approved by shareholders in General Meeting on 1 October 2010. Details of the amendments are shown on page 47 of this Remuneration Report

There have been no changes to the Directors' interests in the shares of the Company between 3 April 2011 and the date of this report

Directors' interest in transactions with related parties

On 4 March 2011 Andrew Cherry received an advance of £65,505 from the Volex Group plc Employee Share Trust, a related party of the Company. The advance, which remained outstanding at 3 April 2011, bears interest at 4% per annum and is available until the earlier of 5 April 2012 or the date he ceases to be employed by Volex Group plc. Under the terms of the advance agreement, Andrew Cherry has agreed to apply 100 per cent of each and any net cash bonus paid to him by Volex (after deduction of PAYE income tax and employee national insurance contributions) in the repayment of the advance until such time as the advance is fully repaid.

Except for the above, 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 on 1 June 2011



Chris Geoghegan
Chairman of the Remuneration Committee
1 June 2011

Directors' report

The Directors present their Annual Report on the affairs of the Group together with the audited financial statements and independent auditors' report for the financial year ended 3 April 2011

Principal activities and business review

Volex Group plc is a leading global provider of customised electrical and optical interconnect solutions and provides global support to leading producers of consumer products, telecommunication systems, networking devices, medical equipment and other industrial products. The Group designs and produces cable assemblies for consumer products and data & telecommunications, healthcare and industrial applications.

The Group operates through overseas subsidiary companies in Asia, Europe, North and South America. The subsidiary undertakings principally affecting the profits or net assets of the Group in the year are listed on page 94.

A review of the development and performance of the business of the Group, including the financial performance during the year, the key performance indicators focused on and a description of the principal risks and uncertainties facing the Group, can be found on pages 8 to 31 and also the Corporate Responsibility Statement which can be found on pages 32 to 35.

Principal risks and uncertainties

Included on pages 28 to 31 is an outline of the principal risks facing the Group. Given the current economic circumstances and the guidance issued by the Financial Reporting Council, additional disclosures are included in note 2 to the Financial Statements regarding the basis on which the Directors have continued to adopt the going concern basis in preparing these financial statements.

Dividend

The Directors intend to declare a dividend of £0.54 per share on the 7 per cent cumulative preference shares of £1.00 each in the Company so as to ensure that the fixed dividend payable on these preference shares up to 31 March 2011 (a total of £47,520) is paid in full prior to the AGM. This will permit a dividend to be paid on the ordinary shares in accordance with the Company's Articles of Association. As such the Directors recommend that a final dividend of 2 pence per share be paid to the holders of ordinary shares on the register of members of the Company.

Financial instruments

An indication of the Company's financial risk management objectives and policies and the exposure of the Company to new business development, customer concentration, commodity price fluctuations, foreign exchange rates, pricing, credit, liquidity and cash flow risks is set out in note 33 to the accounts and in the Financial Review on pages 14 to 19.

Research and development

The Group continues to place great emphasis on product and process research and development to satisfy customer demand and to ensure world class manufacturing standards are achieved. Tom Aubin, Director of Global Technology, is responsible for leading the implementation and development of our technology strategy, which has resulted in enhanced engineering competencies in North America, Europe and China. Each operating unit allocates considerable time and financial resources for these purposes.

Continuous improvement

The Group continues to use a range of management tools to achieve a culture of continuous improvement throughout its operations. Continuous improvement processes are in place throughout the Group.

Share capital

As at 3 April 2011, the Company's total issued share capital comprised 62,493,578 Ordinary shares of 25p each, which represents 99.9% of the issued share capital together with 80,000, 7% cumulative preference shares of £1.00 each, which represents 0.1% of the issued share capital. Included in the 62,493,578 ordinary shares of 25p are 5,672,015 ordinary shares issued during the year to the Volex Employee Share Trust and the Volex Group Guernsey Purpose Trust to satisfy the potential future vesting of long term incentive awards held by certain Directors and key management. The Ordinary shares carry no right to a fixed income and each Ordinary share carries the right to one vote at general meetings of the Company. Subject to the payment of the fixed dividend arrears on the preference shares, holders of preference shares in the Company will, in accordance with the Company's Articles of Association, only be entitled to attend and vote, whether in person or by proxy, at the 2011 AGM in respect of the special resolution to cancel the preference shares. If the fixed dividend arrears are not paid prior to the AGM, the holders of preference shares in the Company will be entitled to attend, speak and vote at the 2011 AGM. Details of the Company's share capital can be found in note 24 to the accounts.

There are no specific restrictions on the size of a holding or on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. No person has any special rights or control over the Company's share capital and all issued shares are fully paid.

Directors' report continued

52

Cautionary statement

The purpose of the Annual Report is for the Company to provide information to its members. The Annual Report contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature these statements involve uncertainty, since future events and circumstances can cause results and developments to differ from those anticipated. Nothing in this Annual Report should be construed as a profit forecast.

Summary review of operations

	2011 £'000	2010 £'000
Operating profit before non-recurring items and share-based payments	16,818	13,353
Non-recurring items	–	(3,095)
Normalised operating profit	16,818	10,258
Share-based payments charge	(1,677)	(9)
Operating profit	15,141	10,249
Finance income	149	71
Financing costs	(2,205)	(3,410)
Profit on ordinary activities before taxation	13,085	6,910
Taxation	(2,373)	(1,631)
Profit for the period, being the retained profit for the year attributable to the equity holders of the parent	10,712	5,279

Net assets employed by the Group were

	2011 £'000	2010 £'000
Non-current assets	12,521	10,570
Other assets and liabilities	15,866	9,661
	28,387	20,231
Net debt	(4,623)	(7,571)
Net assets	23,764	12,660
Gearing ¹	19%	60%

¹ Net debt divided by net assets

Directors and their interests

(a) Directors

The Directors who served during the year were as follows

Richard Arkle
 Andrew Cherry
 Chris Geoghegan
 Mike McTighe
 Paul Mountford (appointed 1 January 2011)
 Karen Slatford
 Ray Walsh

There have been no changes to the Board since the end of the financial year. Biographical details of the current Directors can be found on pages 36 to 37.

(b) Election of Directors

In accordance with the provisions of the Articles of Association of the Company, Karen Slatford and Chris Geoghegan will retire at

the 2011 AGM and being eligible, offer themselves for election by the shareholders. In addition, Paul Mountford, who was appointed a director on 1 January 2011, offers himself for election by the shareholders.

The unexpired terms on the service contracts of Karen Slatford, Chris Geoghegan and Paul Mountford as at the date of this report, are 36 months, 33 months and 31 months respectively.

(c) Directors' interests and remuneration

Details of the Directors' remuneration and their interests in the share capital of the Company are disclosed in the Directors' Remuneration Report on pages 43 to 50.

(d) Third party indemnities

The Company has granted qualifying third party indemnities to the Directors, which remain in force, copies of which will be available for inspection at the forthcoming AGM.

Substantial shareholdings

The following percentage interests in the ordinary share capital of the Company, disclosable under the Disclosure and Transparency Rules, (DTR 5) have been notified to the Directors

	Number of Ordinary shares	Percentage held ¹
NR Investments Ltd	14,855,000	23.77
GoldenPeaks Active Value Master Fund	11,010,057	17.62
Volex Group plc Employee Share Trust	4,667,015	7.47
Neue Helvetische Bank	2,192,000	3.51

¹ Percentage calculated on the total number of Ordinary and preference shares outstanding at the date of this report which was 62,493,578

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 his/her 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. Both employment and policy in the Group are based on non-discrimination and equal opportunities.

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. Details of the Group's employees can be found in note 9 to the accounts.

Restrictions on Voting Rights

Volex's Articles of Association provide that voting on resolutions at a general meeting shall be decided on a show of hands unless a poll is demanded by the chairman of the meeting or by those members entitled under the provisions of the Companies Act 2006 to demand a poll. Subject to the following paragraph, on a show of hands every member who is present in person or by proxy, shall have one vote and, on a poll, every member who is present in person or by proxy, shall have one vote for every share in the capital of Volex.

Holders of the 7 per cent cumulative preference shares of £1 each in the capital of Volex do not have the right to attend or vote (either in person or by proxy) at any general meeting, or to receive 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 proposals to be submitted to the meeting directly affects the rights and privileges of the holders, or if the dividend due on such shares is in arrears for more than three months.

Appointment and Replacement of Directors

The Directors may appoint any person to be a Director either to fill a vacancy or as an additional Director provided the total number of Directors does not at any time exceed 15. In addition, provided the procedural requirements prescribed in Volex's Articles of Association are followed, Volex may by ordinary resolution appoint any person to be a Director of Volex either to fill a vacancy or as an additional Director.

At each AGM, all Directors who (i) were appointed by the Board since the last AGM, (ii) were elected or last re-elected at or before the AGM held in the second calendar year before the current year or (iii) have held office (other than employment or executive office) for a continuous period of nine years or more, shall automatically retire.

At the meeting at which a Director retires, the members may pass an ordinary resolution to fill the office being vacated by electing the retiring Director or some other person eligible for appointment to that office. In default, the retiring Director shall be deemed to be elected or re-elected (as the case may be) unless (i) it is expressly resolved at the meeting not to fill the vacated office or the resolution for such election or re-election is put to the meeting and lost, or (ii) such Director has given notice that he is unwilling to be elected or re-elected, or (iii) the procedural requirements prescribed in Volex's Articles of Association are contravened.

Amending Volex's Articles of Association

English law specifies that any alteration to Volex's Articles of Association must be approved by a special resolution of the shareholders.

Director's Powers

The Directors are empowered to exercise all the powers of Volex subject to any restrictions in Volex's Articles of Association, the Companies Act 2006 and any special resolution.

Under the Volex's Articles of Association, a Director cannot vote in respect of any proposal in which the Director, or any person connected with the Director, has an interest that conflicts, or may conflict, with the interests of Volex other than by virtue of the Director's (or their connected persons) interest in Volex's shares or other securities. However, this restriction on voting does not apply to resolutions (i) giving the Director any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of Volex or any of its subsidiary undertakings, (ii) giving any guarantee, security or indemnity to a third party in respect of a debt or obligation of Volex or any of its subsidiary undertakings for which the Director has assumed responsibility under an indemnity or guarantee or by the giving of security, (iii) granting the Director an indemnity or provision of funding in relation to liabilities incurred by him in the execution and discharge of his duties, powers or office as a Director of any member of the Group, (iv) relating to an offer for subscription or purchase of securities of Volex or any of its subsidiary undertakings in which the Director is or may be entitled to participate as a holder of securities or as a underwriter or sub-underwriter, (v) concerning any other company in which the Director (together with any connected person) is a shareholder or an officer or is otherwise interested, provided that the Director (together with any connected person) is not interested in 1% or more of any class of equity share capital of such company or the voting rights available to the shareholders of such company, (vi) relating to the arrangement of any employee benefit in which the Director will share equally with other employees, or (vii) relating to any insurance that Volex purchases or maintains for the benefit of its Directors or persons including its Directors.

The Directors are empowered to exercise all the powers of Volex to borrow money, subject to the limitation that the aggregate amount of all liabilities and obligations of the Group outstanding at any time shall not exceed an amount equal to two times the aggregate of the Group's share capital and reserves calculated in the manner prescribed in the Volex Articles of Association unless sanctioned by an ordinary resolution of Volex's shareholders.

Volex can make market purchases of its own shares provided it is duly authorised by its members in a general meeting and subject to and in accordance with section 701 of the Companies Act 2006.

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 financial year ended 3 April 2011 in respect of trade creditors was approximately 90 days (2010: 79 days).

Audit and auditors

In accordance with the recommendation of the Audit Committee as disclosed on page 41 and section 489 of the Companies Act 2006, a resolution to re-appoint PricewaterhouseCoopers LLP as the Company's auditors will be proposed at the forthcoming AGM.

Directors' indemnities

The Company's Articles of Association contain a qualifying third party indemnity provision (as per the Companies Act 2006) that provides that the Company may pay for Directors' indemnities out of its own assets. The Company has procured Directors' and Officers' insurance for this purpose.

AGM

The 2011 AGM of the Company will be held on 25 July 2011 in accordance with the Notice of Meeting, which is included at the end of this Annual Report.

The meeting will consider items of ordinary business and items of special business. Each resolution will be proposed as a separate resolution.

By order of the Board



Matt Nydell
Company Secretary
1 June 2011

Directors' report

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to

- > select suitable accounting policies and then apply them consistently,
- > make judgements and accounting estimates that are reasonable and prudent,
- > state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- > prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

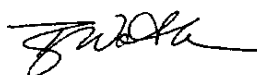
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Each of the Directors, whose names and functions are listed in the section, Board of Directors, of the annual report confirm that, to the best of their knowledge

- > the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group,
- > the management report contained within the Directors' Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces
- > so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- > each of the Directors has taken all the steps he/she ought to have taken individually as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

By order of the Board



Ray Walsh
Group Chief Executive
1 June 2011



Andrew Cherry
Group Finance Director
1 June 2011

Independent auditors' report

To the members of Volex Group plc

56

We have audited the financial statements of Volex Group plc for the 52 week period ended 3 April 2011, which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated and Company Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 55, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report & Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion

- > the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 3 April 2011 and of the Group's profit and Group's and parent company's cash flows for the year then ended,
- > the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- > the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and

- > the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- > the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006,
- > the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- > the information given in the Corporate Governance Statement set out on pages 38 to 42 with respect to internal control, risk management systems and share capital structures is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following

Under the Companies Act 2006 we are required to report to you if, in our opinion

- > adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- > the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns, or
- > certain disclosures of Directors' remuneration specified by law are not made, or
- > we have not received all the information and explanations we require for our audit

Under the Listing Rules we are required to review

- > the Directors' statement, set out on page 63, in relation to going concern, and
- > the parts of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review, and
- > certain elements of the report to shareholders by the Board on Directors' remuneration



Nigel Reynolds

(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
1 June 2011

Consolidated income statement

For the 52 weeks ended 3 April 2011 (52 weeks ended 4 April 2010)

	Notes	Group	
		2011 £'000	2010 £'000
Revenue	3	315,979	228,995
Cost of sales		(256,570)	(182,834)
Gross profit		59,409	46,161
Operating expenses		(44,268)	(35,912)
Operating profit		15,141	10,249
Analysed as			
Operating profit before non-recurring items and share-based payments		16,818	13,353
Non-recurring items	4	-	(3,095)
Operating profit before share based payments		16,818	10,258
Share-based payments charge	31	(1,677)	(9)
Operating profit		15,141	10,249
Finance income	5	149	71
Finance costs	6	(2,205)	(3,410)
Profit on ordinary activities before taxation		13,085	6,910
Taxation	10	(2,373)	(1,631)
Profit for the period attributable to the owners of the parent	7	10,712	5,279
Earnings per share (pence)			
Basic	12	18.9	9.3
Diluted	12	18.2	9.1

All results relate to continuing operations

Consolidated statement of comprehensive income

For the 52 weeks ended 3 April 2011 (52 weeks ended 4 April 2010)

58

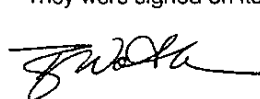
	Notes	Group	
		2011 £'000	2010 £'000
Profit for the period		10,712	5,279
Other comprehensive income			
Gain on hedge of net investment taken to equity		575	532
Exchange gain/(loss) on translation of foreign operations		(2,373)	1,073
Actuarial gain/(loss) on defined benefit pension schemes	32	933	(516)
Other comprehensive income/(loss)		(865)	1,089
Tax relating to components of other comprehensive income/(loss)		—	—
Other comprehensive income/(loss) for the period		(865)	1,089
Total comprehensive income for the period attributable to the owners of the parent		9,847	6,368

Consolidated and Company statement of financial position

As at 3 April 2011 (4 April 2010)

	Notes	Group		Company	
		2011 £'000	2010 £ 000	2011 £'000	2010 £ 000
Non-current assets					
Goodwill	13	1,930	1,930	-	-
Other intangible assets	14	1,316	658	1,114	357
Property, plant and equipment	15	7,737	7,501	130	192
Investments	16	-	-	90,332	90,668
Trade and other receivables	18	200	213	200	200
Deferred tax asset	22	1,338	268	460	-
		12,521	10,570	92,236	91,417
Current assets					
Inventories	17	32,207	27,502	2,485	3,847
Trade and other receivables	18	73,321	60,146	26,952	54,376
Current tax assets		448	385	-	-
Cash and bank balances	29	12,660	18,220	2,536	3,049
		118,636	106,253	31,973	61,272
Total assets		131,157	116,823	124,209	152,689
Current liabilities					
Borrowings	19	17,095	282	4,034	-
Obligations under finance leases	20	121	64	121	64
Trade and other payables	21	78,924	61,949	32,680	69,313
Current tax liabilities		2,727	5,402	-	-
Retirement benefit obligation	32	156	155	156	155
Provisions	23	1,825	4,055	639	1,882
Derivative financial instruments	33	183	371	133	199
		101,031	72,278	37,763	71,613
Net current assets/(liabilities)		17,605	33,975	(5,790)	(10,341)
Non-current liabilities					
Borrowings	19	-	25,356	-	13,314
Obligations under finance leases	20	67	89	67	89
Trade and other payables	21	-	-	36,625	47,618
Deferred tax liabilities	22	1,433	65	-	-
Retirement benefit obligation	32	1,169	2,231	1,169	2,231
Provisions	23	3,565	4,064	3,039	3,168
Non-equity preference shares	25	128	80	128	80
		6,362	31,885	41,028	66,500
Total liabilities		107,393	104,163	78,791	138,113
Net assets		23,764	12,660	45,418	14,576
Equity attributable to owners of the parent					
Share capital	24	15,623	14,205	15,623	14,205
Share premium account		1,357	1,357	1,357	1,357
Hedging and translation reserve		1,340	3,138	(1,683)	(1,569)
Own shares	27	(1,418)	-	-	-
Merger reserve		-	-	8,224	8,224
Non-distributable special reserve	26	-	-	-	18,125
Accumulated gains/(losses)		6,862	(6,040)	21,897	(25,766)
Total equity		23,764	12,660	45,418	14,576

The financial statements on pages 57 to 93 were approved by the Board of Directors and authorised for issue on 1 June 2011
They were signed on its behalf by



Ray Walsh
Group Chief Executive



Andrew Cherry
Group Finance Director

Voilex Group plc Company Number 158956

Consolidated and Company statement of changes in equity

For the 52 weeks ended 3 April 2011 (52 weeks ended 4 April 2010)

60

Group	Share capital £ 000	Share premium account £ 000	Hedging and translation reserve £ 000	Own shares £ 000	Merger reserve £ 000	Non distributable special reserve £ 000	Accumulated gains/(losses) £ 000	Total equity £ 000
Balance at 5 April 2009	14,205	1,357	1,533	-	-	-	(10,826)	6,269
Profit for the period attributable to the owners of the parent	-	-	-	-	-	-	5,279	5,279
Other comprehensive income/(loss) for the period	-	-	1,605	-	-	-	(516)	1,089
Total comprehensive income/(loss) for the period	-	-	1,605	-	-	-	4,763	6,368
Reserve entry for share option charge	-	-	-	-	-	-	23	23
Balance at 4 April 2010	14,205	1,357	3,138	-	-	-	(6,040)	12,660
Profit for the period attributable to the owners of the parent	-	-	-	-	-	-	10,712	10,712
Other comprehensive income/(loss) for the period	-	-	(1,798)	-	-	-	933	(865)
Total comprehensive income/(loss) for the period	-	-	(1,798)	-	-	-	11,645	9,847
Issue of share capital	1,418	-	-	-	-	-	-	1,418
Own shares acquired in the period	-	-	-	(1,418)	-	-	-	(1,418)
Reserve entry for share option charge	-	-	-	-	-	-	1,257	1,257
Balance at 3 April 2011	15,623	1,357	1,340	(1,418)	-	-	6,862	23,764

Company	Share capital £ 000	Share premium account £ 000	Hedging and translation reserve £ 000	Own shares £ 000	Merger reserve £ 000	Non distributable special reserve £ 000	Accumulated gains/(losses) £ 000	Total equity £ 000
Balance at 5 April 2009	14,205	1,357	(1,339)	-	8,224	18,125	(25,806)	14,766
Profit for the year attributable to the owners of the parent	-	-	-	-	-	-	533	533
Other comprehensive income/(loss) for the period	-	-	(230)	-	-	-	(516)	(746)
Total comprehensive income/(loss) for the period	-	-	(230)	-	-	-	17	(213)
Reserve entry for share option charge	-	-	-	-	-	-	23	23
Balance at 4 April 2010	14,205	1,357	(1,569)	-	8,224	18,125	(25,766)	14,576
Profit for the year attributable to the owners of the parent	-	-	-	-	-	-	27,348	27,348
Other comprehensive income/(loss) for the period	-	-	(114)	-	-	-	933	819
Total comprehensive income/(loss) for the period	-	-	(114)	-	-	-	28,281	28,167
Issue of share capital	1,418	-	-	-	-	-	-	1,418
Release of special reserve	-	-	-	-	-	(18,125)	18,125	-
Reserve entry for share option charge	-	-	-	-	-	-	1,257	1,257
Balance at 3 April 2011	15,623	1,357	(1,683)	-	8,224	-	21,897	45,418

Consolidated and Company statement of cash flows

For the 52 weeks ended 3 April 2011 (52 weeks ended 4 April 2010)

	Notes	Group		Company	
		2011 £'000	2010 £'000	2011 £'000	2010 £'000
Net cash generated from operating activities	29	7,000	11,868	6,894	10,590
Cash flow (used in)/from investing activities					
Interest received		149	71	99	53
Proceeds on disposal of intangible assets, property, plant and equipment		66	73	-	-
Purchases of property plant and equipment		(2,810)	(1,619)	(11)	(42)
Purchases of intangible assets		(774)	(237)	(723)	(237)
Net cash outflow arising on disposal of operations		(159)	(1,979)	(159)	(1,979)
Net cash inflow/(outflow) on intercompany funding		-	-	2,958	406
Net cash (used in)/from investing activities		(3,528)	(3,691)	2,164	(1,799)
Cash flows before financing activities		3,472	8,177	9,058	8,791
Cash generated before non-recurring items		3,631	12,811	9,217	12,339
Net cash outflow arising on disposal of operations	29	(159)	(1,979)	(159)	(1,979)
Cash utilised in respect of non-recurring items		-	(2,655)	-	(1,569)
Cash flow (used in)/from financing activities					
Repayments of borrowings	28	(9,190)	(5,994)	(9,190)	(5,994)
Refinancing costs paid	28	(16)	(1,512)	(16)	(1,512)
Repayments of obligations under finance leases	28	(93)	(2)	(93)	-
Net cash (used in)/from financing activities		(9,299)	(7,508)	(9,299)	(7,506)
Net (decrease)/increase in cash and cash equivalents		(5,827)	669	(241)	1,285
Cash and cash equivalents at beginning of period	28	17,938	16,877	3,049	1,458
Net (decrease)/increase in cash and cash equivalents		(5,827)	669	(241)	1,285
Effect of foreign exchange rate changes	28	(613)	392	(272)	306
Cash and cash equivalents at end of period	28	11,498	17,938	2,536	3,049

Notes to the financial statements

For the 52 weeks ended 3 April 2011 (52 weeks ended 4 April 2010)

1 Presentation of financial statements

Volex Group plc ('the Company') is a public limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006 and listed on the London Stock Exchange. The address of the registered office is given on page 96. The nature of the Group's operations and its principal activities are set out in the Chairman's Statement and Business and Financial Reviews on pages 8 to 27.

62

Financial statements are prepared for the period ending on the Sunday following the Friday that falls closest to the accounting reference date of 31 March each year.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the parent company income statement. The profit for the parent company for the year was £27,348,000 (2010: £533,000).

2. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of the financial instruments.

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRSs as adopted by the EU'), International Financial Reporting Interpretations Committee ('IFRIC') Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements therefore comply with Article 4 of the EU IAS Regulation.

Adoption of new and revised International Financial Reporting Standards ('IFRSs')

The following new and revised Standards and Interpretations have been adopted in the current period. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

- IFRS 2 (amendment) 'Group cash-settled and share-based payment transactions'
- IFRS 3 (revised) 'Business combinations'
- IFRS 5 (amendment) 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'
- IFRS 7 (amendment) 'Financial instruments'
- IAS 1 (amendment) 'Presentation of financial statements'
- IAS 27 (revised) 'Consolidated and separate financial statements'
- IAS 32 (amendment) 'Classification of Rights Issues'
- IAS 38 (amendment) 'Intangible assets'
- IAS 39 (amendment) 'Financial Instruments: Recognition and measurement'
- IFRIC 17 'Distribution of non-cash assets to owners'
- IFRIC 18 'Transfer of assets from customers'

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 9 Financial instruments for financial assets – effective from reporting period beginning on or after 1 January 2013
- IAS 24 (amendment) 'Related party disclosures' – effective from reporting period beginning on or after 1 January 2011
- IFRIC 14 (amendment) 'Prepayments of a Minimum Funding Requirement' – effective from reporting period beginning on or after 1 January 2011
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments – effective from reporting period beginning on or after 1 July 2010

The adoption of IFRS 9 which the Group plans to adopt for the year beginning 1 April 2013 will impact both the measurement and disclosure of financial instruments.

The Directors do not expect that the adoption of the other standards listed above will have a material impact on the financial statements of the Group in future periods.

Basis of consolidation

The consolidated financial statements of Volex Group plc incorporate the financial statements of the Company and entities which it controls (its subsidiaries), (together the 'Group'), and are drawn up to the relevant period end date. Control is achieved where the Company has the power to govern the financial and operating policies so as to be able to obtain benefits from its activities.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the income statement as incurred.

Where the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, it is measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Any excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair value of the identifiable net assets acquired, the difference is recognised directly in the income statement.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Going concern

The Group's business activities, together with the factors likely to affect its future developments, performance and position are set out in the Business Review on pages 10 to 35. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review on pages 14 to 19. In addition Note 33 to the financial statements includes the Group objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk, liquidity risk, interest rate risk and foreign exchange risk.

As highlighted in Note 19 to the financial statements, the Group met its day-to-day working capital requirements through a multi-currency revolving credit facility ('RCF') with Lloyds Banking Group plc. On 31 May 2011 the Group signed and entered into a new US\$75 million multi-currency RCF agreement with a syndicate of three banks which replaces the existing RCF and provides greater flexibility and improved terms. The principal terms of this new financing facility are given in Note 19.

The Group's forecast and projections, taking reasonable account of possible changes in trading performance, show that the Group should be able to operate within the level of the new contracted and committed facility for the foreseeable future. The Group has access to additional undrawn committed facilities together with long established contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the Directors believe that the Group is well placed to manage its business risk successfully despite the ongoing uncertain economic outlook.

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. Accordingly, they continue to adopt the going concern basis in preparing the Annual Reports and financial statements.

Investment in subsidiary undertakings

In the Company balance sheet, investments in subsidiary undertakings are recorded at cost less provision for impairment.

The excess of fair value over the nominal value of shares issued in consideration for investments in which ownership exceeds 90% is recorded in the Company's merger reserve.

Foreign currency translation

The individual financial statements of each Group company are prepared in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in Pound Sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting), and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur and which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment. The principal balances on which these exchange differences arise are treated as quasi-equity.

Notes to the financial statements continued

For the 52 weeks ended 3 April 2011 (52 weeks ended 4 April 2010)

2. Significant accounting policies *continued*

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

64

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable from third parties for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- significant risks and rewards of ownership have been transferred to the buyer determined with reference to the specific contract in place,
- the amount of revenue can be measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the Group, and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the provision of engineering services is recognised by reference to the stage of completion of the contracted services.

Interest income is accrued on a timely basis by reference to the principal outstanding and the effective interest rate applicable.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is recognised in other comprehensive income or directly in equity, respectively.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to reserves, in which case the deferred tax is also dealt with in reserves.

The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Goodwill

Goodwill arising on the acquisition of subsidiaries and businesses represents an excess of the cost of acquisition over the fair value of the identifiable net assets acquired at the date of acquisition and is carried at cost less accumulated impairment losses.

Goodwill is not amortised but is tested annually for impairment. For the purpose of impairment testing, goodwill is allocated to cash-generating units. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. If the recoverable amount of the cash-generating unit is less

than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. The impairment loss is recognised immediately in profit and loss and is not reversed in subsequent periods.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts. Goodwill arising on acquisitions prior to 31 March 1998 has been written off to reserves and has not been reinstated in the balance sheet and will not be included in determining any subsequent profit or loss on disposal.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Cost includes the original purchase price of the asset and any further costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over the expected useful life, as follows:

Long leasehold buildings	up to 50 years or period of lease, if shorter
Plant and machinery	up to 10 years

Freehold land is not depreciated.

A gain or loss on disposal is determined by comparing the proceeds with the asset's carrying amount and is recognised in the income statement.

Computer software and licences

Computer software is stated at cost less accumulated depreciation and any recognised impairment loss. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and use the specific software. These costs are included in the balance sheet within intangible assets and are amortised straight-line over their estimated useful lives, not exceeding five years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

The Group is engaged in development activities which include both general product development and specific customer development projects. An internally generated intangible asset arising from these development activities is recognised only if all of the following conditions are met:

- an asset is created that can be identified,
- it is probable that the asset created will generate future economic benefits, and
- the development cost of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight-line basis over their useful lives. Where the above conditions are not met, development expenditure is recognised as an expense in the period in which it is incurred.

Impairment of property, plant and equipment and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Notes to the financial statements continued

For the 52 weeks ended 3 April 2011 (52 weeks ended 4 April 2010)

2. Significant accounting policies *continued*

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

66

Assets held under finance leases and similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as property, plant and equipment and are depreciated over the shorter of the lease term and their economic useful life. Assets are recognised at their fair value or if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the income statement over the period of the lease to produce a constant rate of charge on the balance of the capital repayments outstanding.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised as a liability and are allocated on a straight-line basis as a reduction of rental expense over the lease term.

The Group as lessor

Rental income from operating leases, which have arisen from the sublet of vacant premises, is recognised on a straight-line basis over the term of the relevant lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes direct 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.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value less bank overdrafts.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the consolidated income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Present obligations arising under onerous lease contracts are recognised as property provisions and measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

A restructuring provision is recognised when the Group has developed a detailed formal plan for restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from

the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity

Provisions for the expected cost of warranty obligations under local sales of goods legislation are recognised at the date of sale of the relevant products, at the Directors' best estimate of the expenditure required to settle the Group's obligations

Retirement benefits

The Group has both defined benefit and defined contribution schemes

For defined benefit schemes, the retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation less the fair value of the plan assets. The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in the statement of comprehensive income in full in the period in which they occur. As the defined benefit schemes are now closed, no service cost is incurred.

For defined contribution schemes the amount charged to the income statement in the period is the amount of contributions payable in the period. The difference between contributions payable in the period and contributions actually paid are shown either in accruals or prepayments in the balance sheet. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Share-based payments

Equity-settled share-based payments are issued to certain employees and are measured at the fair value of the equity instruments at the date of grant. The fair value excludes the effect of non market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 31.

The fair value determined at the date of grant of the equity-settled share-based payments is expensed to the income statement on a straight-line basis over the vesting period, based on the estimate of the number of options that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

The fair value of cash-settled share-based payments is remeasured at each balance sheet date with a corresponding liability recognised on the balance sheet. The movement in this liability is recorded in the income statement.

The requirements of IFRS 2 have been applied, in accordance with the transitional provisions, to all grants of equity instruments made after 7 November 2002 that were unvested as at 1 January 2005.

Non-recurring items

Costs that are one-off in nature and significant, such as restructuring costs, are deemed to be non-recurring by virtue of their nature and size. They are included under the statutory classification appropriate to their nature but are separately disclosed on the face of the income statement to assist in understanding the financial performance of the Group and the Company.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax. Non-equity share capital, which includes preference shares, is classified within non-current liabilities.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss'; 'held-to-maturity' investments; 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial asset/liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Notes to the financial statements continued

For the 52 weeks ended 3 April 2011 (52 weeks ended 4 April 2010)

2. Significant accounting policies *continued*

Financial assets at 'fair value through profit or loss' ('FVTPL')

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

68

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Available-for-sale financial assets ('AFS')

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For loans and receivables the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Debt and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are initially measured at fair value and subsequently stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derivative financial instruments

The Group's activities expose it to the financial risks of changes in both foreign exchange and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to these risks. The use of financial derivatives is governed by a Group policy approved by the Board of Directors which provides written principles on the use of financial derivatives to hedge certain risk exposures. The Group does not use derivative financial instruments for speculative purposes. Further details of derivative financial instruments are disclosed in Note 33 to the financial statements.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative

is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations.

A derivative is classified as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk as hedges of net investments in foreign operations.

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Hedges of net investments in foreign operations

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in the hedging and translation reserve, the gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Gains and losses deferred in the hedging and translation reserve are recognised immediately in profit or loss when the foreign operation is disposed of.

Critical judgements and estimates in applying the accounting policies

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Management has made the following judgements and estimates that have the most significant effect on the amounts recognised in the financial statements.

Property provisions

As at 3 April 2011, the Group had property provisions of £5,102,000 (2010: £6,804,000) relating to onerous lease obligations arising from vacated leased premises. The provisions have been recorded taking into account management's best estimate, following appropriate advice, of the anticipated net cost of the lease over the remaining lease term and the level of sub-lease rental income, if any, that can be obtained from sub-tenants. The net cost of the leases is then discounted using a pre-tax risk free discount rate. The provisions are regularly reviewed in light of the most current information available.

Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the appropriate discount rate. Any changes in these assumptions will impact the carrying amount of the pension obligations. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 32 to the financial statements.

Taxation

Provisions for tax contingencies require management to make judgements and estimates in relation to tax issues and exposures. Amounts provided are based on management's interpretation of country specific tax law. Tax benefits are not recognised unless the tax positions are capable of being sustained. In arriving at this position, management reviews each material tax benefit to assess whether a provision should be taken against full recognition of the benefit.

Deferred tax

The Group operates in a large number of different tax jurisdictions. Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, significant judgement is used when assessing the extent to which deferred tax assets should be recognised, with consideration given to the timing and level of future taxable income, time limits on the availability of taxable losses for carry forward and any future tax planning strategies.

Inventory provisions

Inventories are carried at the lower of cost and net realisable value, which is calculated as the estimated sales proceeds less costs of sale. Factors considered in the determination of net realisable value are the ageing, category and condition of inventories, recent inventory utilisation and forecasts of projected inventory utilisation. Reviews of provisions held against damaged, obsolete and slow-moving inventory are carried out at least quarterly by management and these reviews require the application of judgement and estimates. Changes to these estimates could result in changes to the net valuation of inventory.

Notes to the financial statements continued

For the 52 weeks ended 3 April 2011 (52 weeks ended 4 April 2010)

3 Segment Information

The internal reporting provided to the Group's Board for the purpose of resource allocation and assessment of Group performance is based upon the end markets the Group's products are supplied into. The four reportable segments are

Consumer	The Consumer sector supplies interconnect solutions and power products to manufacturers of electrical/electronic devices and appliances (including laptop/desktop computers, printers, televisions, power tools and floor cleaning equipment)
Telecoms/Datacoms	The Telecoms/Datacoms sector supplies customised interconnect solutions to manufacturers of equipment servicing the telecoms network, high-performance computing and data-centre markets
Healthcare	The Healthcare sector serves key accounts in the medical equipment field, supplying complex cable assembly and connector solutions for a broad range of medical equipment
Industrial	The Industrial sector supplies cable assemblies to a diverse set of industrial markets, including test and measurement equipment, manufacturing/automation, refrigeration, vehicle telematics and renewable energy

The Board believes that this segmentation of the customer base best aligns the Group with its customers and markets and allows it to best leverage the global customer relationships in order to maximise opportunities for cross selling

The following is an analysis of the Group's revenues and results by reportable segment

	2011 £'000	2010 £'000
Revenue		
Consumer	196,336	139,350
Telecoms/Datacoms	70,883	59,384
Healthcare	26,733	19,281
Industrial	22,027	10,980
	315,979	228,995
Gross profit		
Consumer	34,579	30,738
Telecoms/Datacoms	13,334	8,769
Healthcare	6,281	4,166
Industrial	5,215	2,488
	59,409	46,161
Unallocated overhead costs	(42,591)	(32,808)
Non recurring items	-	(3,095)
Operating profit before share-based payments	16,818	10,258
Share-based payments	(1,677)	(9)
Operating profit	15,141	10,249
Finance income	149	71
Finance costs	(2,205)	(3,410)
Profit before tax	13,085	6,910
Taxation	(2,373)	(1,631)
Profit after tax	10,712	5,279

The accounting policies of the reportable segments are in accordance with the Group's accounting policies

Segment profit represents the profit earned by each segment before the allocation of operating expenses, non-recurring income, investment income, finance costs and income tax expense. This is the measure reported to the Group's Board for the purpose of resource allocation and assessment of performance

The segment profits above are shown after the following charges for depreciation and amortisation

	2011 £'000	2010 £'000
Depreciation and amortisation		
Consumer	1,123	1,340
Telecoms/Datacoms	386	261
Healthcare	95	141
Industrial	85	71
	1,689	1,813
Depreciation and amortisation included in unallocated overhead costs	525	479
Total depreciation and amortisation charge for the year	2,214	2,292

Asset and liability information is not provided to the Board on a segmental basis. In order to maximise the efficiency of asset utilisation, the Group's assets are employed cross-segment and the Board believes that there is no meaningful basis in which such assets and liabilities can be allocated.

Information about major customers

Three (2010: two) of the Group's customers individually account for more than 10% of total Group revenue, with the Group's largest customer, operating in the Consumer sector, accounting for 12% (2010: 11%) of total Group revenue.

Geographical information

The Group's revenue from external customers and information about its non-current assets (excluding deferred tax assets) by geographical location are provided below.

	Revenue		Non-Current Assets	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Asia (excluding India)	165,392	113,003	6,573	5,952
North America	68,281	45,367	411	636
Europe (excluding UK)	60,557	42,484	151	211
India	12,657	22,222	446	569
South America	9,092	5,919	229	256
UK	-	-	3,373	2,678
	315,979	228,995	11,183	10,302

Revenue is attributed to countries on the basis of the geographical location of the Group entity recording the sale.

4. Non-recurring items

	Group	
	2011 £'000	2010 £'000
Corporate restructuring	-	2,154
Facilities rationalisation	-	941
	-	3,095

Corporate restructuring

In the prior year the Group relocated its corporate headquarters ('HQ') from Warrington to London. Costs associated with this HQ relocation included £1,233,000 of redundancy, recruitment and office set-up costs and £466,000 relating to onerous lease provisions established on exiting UK premises. Also included in the corporate restructuring costs were additional disposal costs of £455,000 in respect of the finalisation of all outstanding issues arising from the disposal of the Wiring Harness business that occurred on 3 April 2009.

Facilities rationalisation

In the prior year, the Board initiated a rationalisation programme to align the Group's manufacturing capacity and support facilities more closely with its customer base and market environment. Costs associated with this rationalisation programme related primarily to redundancy and severance costs.

The taxation effect of the above charges in the prior year was £nil.

5 Finance income

	Group	
	2011 £'000	2010 £'000
Interest on bank deposits	50	71
Other interest	99	-
	149	71

Finance income earned on financial assets was derived from loans and receivables (including cash and bank balances) only. No other gains or losses have been recognised in respect of loans and receivables other than those disclosed above and impairment losses recognised in respect of trade receivables (see Note 18).

Notes to the financial statements continued

For the 52 weeks ended 3 April 2011 (52 weeks ended 4 April 2010)

6 Finance costs

72

	Notes	Group	
		2011 £'000	2010 £'000
Interest on bank overdrafts and loans		1,489	2,153
Interest on obligations under finance leases		15	15
Interest on pension scheme liabilities	32	728	719
Return on pension assets	32	(700)	(536)
Fair value (gain)/loss on interest rate swap contracts	33	(188)	156
Unwinding of discount on long-term provisions	23	235	281
Other		124	–
Total interest costs		1,703	2,788
Amortisation of debt issue costs	28	502	622
Total finance costs		2,205	3,410

No gains or losses have been recognised on financial liabilities measured at amortised cost (including bank overdrafts and loans) other than those disclosed above

7. Profit for the year

Profit for the year has been arrived at after charging/(crediting)

	Group	
	2011 £'000	2010 £'000
Net foreign exchange (gains)/losses	845	(170)
Research and development costs	2,478	1,658
Depreciation of property, plant and equipment	1,972	2,200
Amortisation of acquired intangible assets	242	92
Cost of inventories recognised as an expense	203,936	144,484
Write down of inventories recognised as an expense	765	1,684
Staff costs (see Note 9)	52,112	39,555
Impairment loss recognised on trade receivables	138	134
Loss on disposal of property, plant and equipment	17	6

Research and development costs disclosed above comprise the following

	Group	
	2011 £'000	2010 £'000
Employment costs	1,768	1,122
Raw materials and consultancy	266	219
Other	444	317
	2,478	1,658

Reconciliation of operating profit to adjusted EBITDA (earnings before interest, tax, depreciation, amortisation, non-recurring items and share-based payment charge)

	Group	
	2011 £'000	2010 £'000
Operating profit	15,141	10,249
Add back		
Share-based payment charge	1,677	9
Normalised operating profit	16,818	10,258
Add back		
Non-recurring items	–	3,095
Adjusted operating profit	16,818	13,353
Depreciation of property, plant and equipment	1,972	2,200
Amortisation of acquired intangible assets	242	92
Adjusted EBITDA	19,032	15,645

8. Auditors' remuneration

The analysis of auditors' remuneration is as follows

	Group	
	2011 £'000	2010 £'000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	180	180
Fees payable to the Company's auditors and their associates for other audit services to the Group – the audit of the Company's subsidiaries pursuant to legislation	220	226
Total audit fees	400	406
Other services pursuant to legislation		
Tax services	23	18
Other services	8	68
Total non-audit fees	31	86

A description of the work of the Audit Committee is set out in the Corporate Governance Report on page 41 and includes an explanation of how auditor objectivity and independence is safeguarded when the auditors provide non-audit services

9. Staff costs

The average monthly number of employees (including Executive Directors) was

	Group	
	2011 No	2010 No
Production	7,093	5,707
Sales and distribution	631	476
Administration	652	611
	8,376	6,794

Their aggregate remuneration comprised

	Group	
	2011 £'000	2010 £'000
Wages and salaries	45,426	35,106
Social security costs	3,398	2,994
Share-based payment charge/(credit) (see Note 31)	1,677	9
Other pension costs (see Note 32)	1,611	1,446
	52,112	39,555

Details of Directors' remuneration, share options, pension contributions, pension entitlements, fees for consulting services and interests for the year required by the Companies Act 2006 are provided in the audited part of the Directors' Remuneration Report on pages 48 to 50 and form part of the financial statements

10. Taxation

	Group	
	2011 £'000	2010 £'000
Current tax – charge for the period	3,725	2,972
Current tax – adjustment in respect of previous periods	(1,616)	(1,801)
Total current tax	2,109	1,171
Deferred tax (Note 22)	264	460
Income tax expense	2,373	1,631

UK corporation tax is calculated at 28% (2010 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions

Notes to the financial statements continued

For the 52 weeks ended 3 April 2011 (52 weeks ended 4 April 2010)

10 Taxation continued

The charge/(credit) for the period can be reconciled to the profit/(loss) per the income statement as follows

	2011 £'000	2011 %	2010 £'000	2010 %
Profit/(loss) before tax	13,085	100	6,910	100
Tax at the UK corporation tax rate of 28% (2010 28%)	3,664	28	1,935	28
Tax effect of expenses that are not deductible and income that is not taxable in determining taxable profit	1,422	11	1,466	21
Tax effect of non-utilisation of tax losses	1,150	9	848	12
Tax effect of adjustments in respect of previous periods	(1,616)	(12)	(1,493)	(21)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(742)	(6)	(631)	(9)
Tax effect of recognised deferred tax	264	2	151	2
Tax effect of loss utilisation	(1,769)	(14)	(645)	(9)
Tax expense and effective tax rate for the year	2,373	18	1,631	24

11 Dividends

	2011 £'000	2010 £'000
Proposed final dividend for the year ended 3 April 2011 of 2p per share (2010 nil)	1,136	-

No amounts have been recognised as distributions to equity holders in the period

The proposed final dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements

12 Earnings per Ordinary share

The calculations of the basic and diluted earnings per share is based on the following data

	Notes	Group 2011 £'000	2010 £'000
Profit for the purpose of basic and diluted earnings/(loss) per share being net profit attributable to equity holders of the parent		10,712	5,279
Adjustments for			
Share-based payments charge	31	1,677	9
Tax effect of above adjustment		(82)	-
Normalised earnings		12,307	5,288
Adjustments for			
Non-recurring items	4	-	3,095
Adjusted earnings		12,307	8,383
		No shares	No shares
Weighted average number of Ordinary shares for the purpose of basic earnings per share		56,821,563	56,821,563
Effect of dilutive potential Ordinary shares – share options		2,141,432	958,703
Weighted average number of Ordinary shares for the purpose of diluted earnings per share		58,962,995	57,780,266

	2011 pence	2010 pence
Basic earnings per share		
Basic earnings per share	18 9	9 3
Adjustments for		
Share-based payments charge	3 0	-
Tax effect of above adjustments	(0 1)	-
Normalised basic earnings per share	21 8	9 3
Adjustments for		
Non-recurring items	-	5 5
Adjusted basic earnings per share	21 8	14 8
Diluted earnings per share		
Diluted earnings per share	18 2	9 1
Adjustments for		
Share-based payments charge	2 8	-
Tax effect of above adjustments	(0 1)	-
Normalised diluted earnings per share	20 9	9 1
Adjustments for		
Non-recurring items	-	5 4
Adjusted diluted earnings per share	20 9	14 5

The normalised earnings per share has been calculated on the basis of profit before non-recurring items and share-based payments, net of tax. The Directors consider that this earnings per share calculation gives a better understanding of the Group's earnings per share in the current and prior period.

13 Goodwill

	Group	
	2011 £'000	2010 £'000
Cost		
At beginning and end of the period	3,798	3,798
Accumulated impairment losses		
At beginning and end of the period	1,868	1,868
Carrying amount at the beginning and end of the period	1,930	1,930

Goodwill acquired in a business combination is allocated, at acquisition, to the business units that are expected to benefit from that business combination. After recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	2011 £'000	2010 £'000
Volex North America	1,433	1,433
Volex Europe	444	444
Volex India	53	53
	1,930	1,930

The Group annually tests goodwill for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amount of goodwill is determined from value in use calculations. The key assumptions used in the value in use calculations are those regarding the discount rates, revenue and costs growth rates and the level of capital expenditure required during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the business unit. The growth rates are based upon industry growth forecasts.

The Group prepares cash flow forecasts derived from the most recently approved annual budget and 5 year plan for the relevant businesses. No growth is forecast for cash flows for years beyond 2016.

The rate used to discount the forecast cash flows is a pre-tax discount rate of 12.74% (2010: 10%), which reflects the Group's estimated cost of capital.

Notes to the financial statements continued

For the 52 weeks ended 3 April 2011 (52 weeks ended 4 April 2010)

14. Other intangible assets

76

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Software and licences				
Cost				
At beginning of year	1,021	995	457	219
Additions	902	237	851	238
Disposals	(21)	—	—	—
Reclassification	—	(204)	—	—
Exchange differences	(18)	(7)	—	—
At end of the year	1,884	1,021	1,308	457
Accumulated amortisation				
At beginning of year	363	429	100	42
Amortisation charge for the period	242	92	94	58
Disposals	(21)	—	—	—
Reclassification	—	(140)	—	—
Exchange differences	(16)	(18)	—	—
At end of the year	568	363	194	100
Carrying amount at end of year	1,316	658	1,114	357
Carrying amount at start of year	658	566	357	177

Computer software is amortised over the estimated useful life, not exceeding five years. The amortisation charge for the period is fully expensed within operating expenses.

The carrying amount of the Group's and Company's software and licences includes an amount of £124,000 (2010: £nil) in respect of assets held under finance leases.

15 Property, plant and equipment

Group	Land and buildings		Plant and machinery £'000	Total £'000
	Freehold £'000	Long leasehold £'000		
Cost				
At 5 April 2009	50	2,767	25,884	28,701
Additions	—	—	1,772	1,772
Reclassification	—	(95)	(700)	(795)
Disposals	(46)	—	(488)	(534)
Exchange differences	(4)	(95)	(559)	(658)
At 4 April 2010	—	2,577	25,909	28,486
Additions	—	126	2,684	2,810
Disposals	—	(9)	(637)	(646)
Exchange differences	—	(151)	(1,439)	(1,590)
At 3 April 2011	—	2,543	26,517	29,060
Accumulated depreciation and impairment				
At 5 April 2009	—	1,778	18,883	20,661
Depreciation charge for the period	—	187	2,013	2,200
Reclassification	—	(61)	(797)	(858)
Disposals	—	—	(455)	(455)
Exchange differences	—	(52)	(511)	(563)
At 4 April 2010	—	1,852	19,133	20,985
Depreciation charge for the period	—	104	1,868	1,972
Disposals	—	(5)	(558)	(563)
Exchange differences	—	(92)	(979)	(1,071)
At 3 April 2011	—	1,859	19,464	21,323
Carrying amount				
At 3 April 2011	—	684	7,053	7,737
At 4 April 2010	—	725	6,776	7,501
At 5 April 2009	50	989	7,001	8,040

The carrying amount of the Group's plant and machinery includes an amount of £106,000 (2010 £153,000) in respect of assets held under finance leases. At 3 April 2011, the Group had no contractual commitments for the acquisition of property, plant and equipment (2010 £nil)

Of the £1,972,000 (2010 £2,200,000) depreciation charge for the period, £1,689,000 (2010 £1,813,000) was expensed through cost of sales and £283,000 (2010 £387,000) was expensed through operating expenses

Company	Plant and machinery £'000
Cost	
At 5 April 2009	782
Additions	196
Disposals	(202)
Exchange differences	(16)
At 4 April 2010	760
Additions	11
Exchange differences	(31)
At 3 April 2011	740
Accumulated depreciation and impairment	
At 5 April 2009	767
Depreciation charge for the period	19
Disposals	(202)
Exchange differences	(16)
At 4 April 2010	568
Depreciation charge for the period	73
Exchange differences	(31)
At 3 April 2011	610
Carrying amount	
At 3 April 2011	130
At 4 April 2010	192
At 5 April 2009	15

The carrying amount of the Company's plant and machinery includes an amount of £106,000 (2010 £153,000) in respect of assets held under finance leases. At 3 April 2011, the Company had no contractual commitments for the acquisition of property, plant and equipment (2010 £nil)

16 Investments

The Company's fixed asset investments comprise investments in wholly-owned subsidiary undertakings and permanent loans as follows

Company	Shares £ 000	Loans £ 000	Total £ 000
Cost			
At 5 April 2009	34,218	66,566	100,784
Repaid	–	(405)	(405)
Exchange differences	–	(1,144)	(1,144)
At 4 April 2010	34,218	65,017	99,235
Additions	–	3,031	3,031
Exchange differences	–	(4,456)	(4,456)
At 3 April 2011	34,218	63,592	97,810
Accumulated depreciation and impairment			
At 5 April 2009	(3,642)	(4,769)	(8,411)
Repaid	–	405	405
Exchange differences	–	(561)	(561)
At 4 April 2010	(3,642)	(4,925)	(8,567)
Exchange differences	–	1,089	1,089
At 3 April 2011	(3,642)	(3,836)	(7,478)
Carrying amount			
At 3 April 2011	30,576	59,756	90,332
At 4 April 2010	30,576	60,092	90,668
At 5 April 2009	30,576	61,797	92,373

Notes to the financial statements continued

For the 52 weeks ended 3 April 2011 (52 weeks ended 4 April 2010)

16 Investments continued

In the United Kingdom, the Company includes an operational division, Volex Powercords Europe. Details of the Company's principal subsidiary undertakings are set out on page 94. The investment in subsidiaries are all stated at cost.

In the current year, the Company has made a long term loan of £1,167,000 to the Volex Group plc's Employee's Share Trust and a further loan of £251,000 to the Volex Group Guernsey Purpose Trust. For further details on these loans see Note 35. All loans are carried at amortised cost.

17 Inventories

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Raw materials	14,845	11,701	–	6
Work-in-progress	797	1,099	–	–
Finished goods	16,565	14,702	2,485	3,841
	32,207	27,502	2,485	3,847

18 Trade and other receivables

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Amounts receivable for the sale of goods	65,975	51,992	3,282	3,335
Allowance for doubtful debts	(678)	(618)	(114)	(66)
	65,297	51,374	3,168	3,269
Amounts due from Group undertakings	–	–	23,067	49,894
Other debtors	7,017	6,792	721	1,283
Prepayments	1,207	2,193	196	130
	73,521	60,359	27,152	54,576

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Due for settlement within 12 months	73,321	60,146	26,952	54,376
Due for settlement after 12 months	200	213	200	200
	73,521	60,359	27,152	54,576

Trade receivables are classified as loans and receivables and are therefore measured at amortised cost.

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

Three of the Group's customers (2010: two) individually account for more than 10% of total Group revenue, with the Group's largest customer, operating in the Consumer sector, accounting for 12% (2010: 11%) of total Group revenue. Other than these customers the Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. At 3 April 2011, the three customers represented 26% of the net trade receivables.

The average credit period taken on sales of goods is 73 days (2010: 83 days). An allowance has been made for estimated irrecoverable amounts from the sale of goods. This allowance has been determined by reference to past default experience and an analysis of the counterparty's current financial position.

Included in trade receivables are receivables with a carrying value of £8,632,000 (2010: £7,511,000) and £739,000 (2010: £823,000) for the Group and Company respectively which are past due at the reporting date for which no provision has been made as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group and Company does not hold any collateral over these balances.

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Ageing of past due but not impaired receivables				
0–60 days	7,460	6,957	559	739
60–90 days	670	356	109	21
90–120 days	157	139	10	53
120+ days	345	59	61	10
	8,632	7,511	739	823

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Movement in the allowance for doubtful debts				
Balance at beginning of the year	618	575	66	69
Amounts written off during the year	(62)	(21)	-	-
Amounts recovered during the year	-	(57)	-	(3)
Increase in allowance recognised in profit or loss	138	134	51	-
Exchange differences	(16)	(13)	(3)	-
Balance at end of the year	678	618	114	66

In determining the recoverability of the trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. With the exception of the three customers noted above, the concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Ageing of impaired trade receivables				
0-60 days	-	55	-	-
60-90 days	-	45	-	-
90-120 days	12	62	3	53
120+ days	666	456	111	13
	678	618	114	66

19. Borrowings

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Unsecured borrowings at amortised cost				
Bank overdrafts	1,162	282	-	-
Secured borrowings at amortised cost				
Bank loans	15,933	25,356	4,034	13,314
Total borrowings at amortised cost	17,095	25,638	4,034	13,314

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Amount due for settlement within 12 months	17,095	282	4,034	-
Amount due for settlement after 12 months	-	25,356	-	13,314
	17,095	25,638	4,034	13,314

The weighted average interest rates paid on the Group's borrowings during the period were as follows

	2011 %	2010 %
Bank loans and overdrafts	5.1	5.9

During the year, the Group's principal funding was provided via a multi-currency combined revolving, overdraft and guarantee facility. The amount available under the facility at 3 April 2011 was US\$42,100,000 (2010 US\$57,700,000). The facility was secured by fixed and floating charges over the assets of certain Group companies.

At 3 April 2011, the facility incurred interest at a margin of 2.75% (2010 3.25%) above LIBOR.

Also drawn under the facilities, and not included above, are bonds, guarantees and letters of credit amounting to £2,800,000 (2010 £3,700,000).

Drawings under the facilities were made in various currencies. Total borrowings for the Group at 3 April 2011 can be analysed by currency as follows

	2011 £'000	2010 £'000
Group		
US Dollar	5,702	14,587
Euro	11,898	12,042
	17,600	26,629
Less debt issue costs	(505)	(991)
	17,095	25,638

Notes to the financial statements continued

For the 52 weeks ended 3 April 2011 (52 weeks ended 4 April 2010)

19. Borrowings continued

Post year end, the Group has signed and entered into a new US\$75 million multi-currency revolving credit facility with a syndicate of three banks which replaces the existing facility and provides greater flexibility and improved terms. The principal terms of this new financing facility are as follows

- US\$75m committed combined RCF, overdraft and guarantee facility, held equally by Lloyds Banking Group plc, HSBC Bank plc and Clydesdale Bank plc,
- four year facility, available until June 2015,
- no scheduled facility amortisation,
- improved pricing, with margin over LIBOR payable linked to a net debt EBITDA leverage ratio. Initial margin of 2.00% over LIBOR,
- interest cover and net debt EBITDA leverage covenants, and
- further US\$150m pre-negotiated facility agreed to fund future, as yet unidentified, acquisitions

Undrawn borrowing facilities

At 3 April 2011, the Group had available £12,900,000 (2010: £14,000,000) of undrawn committed borrowing facilities

20. Obligations under finance leases

Group	Minimum lease payments		Present value of minimum lease payments	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Amounts payable under finance leases				
Within one year	121	72	121	64
In second and third years	76	100	67	89
	197	172	188	153
Less: future finance charges	(9)	(19)		
Present value of lease obligations	188	153		
Less: amount due for settlement within 12 months	(121)	(64)	(121)	(64)
Amount due for settlement after 12 months	67	89	67	89

Company	Minimum lease payments		Present value of minimum lease payments	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Amounts payable under finance leases				
Within one year	121	72	121	64
In second and third years	76	100	67	89
	197	172	188	153
Less: future finance charges	(9)	(19)		
Present value of lease obligations	188	153		
Less: amount due for settlement within 12 months	(121)	(64)	(121)	(64)
Amount due for settlement after 12 months	67	89	67	89

It is the Group's policy to lease certain of its plant and machinery under finance leases. The average lease term is 2.5 years (2010: 3 years). For the current period the average effective borrowing rate was 4.1% (2010: 4.1%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The fair value of the Group's lease obligations approximates their carrying amount. The Group's obligations under finance leases are secured by the lessors' rights over the leased assets.

21. Trade and other payables

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Trade payables	56,881	45,173	1,172	1,098
Amounts owed to Group undertakings	–	–	66,206	113,207
Other taxes and social security	1,804	2,492	534	317
Accruals and deferred income	20,239	14,284	1,393	2,309
	78,924	61,949	69,305	116,931

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Due for settlement within 12 months	78,924	61,949	32,680	69,313
Due for settlement after 12 months	–	–	36,625	47,618
	78,924	61,949	69,305	116,931

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 90 days (2010 79 days). The Group has financial risk policies in place to ensure that all payables are paid within the credit time frame.

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

22 Deferred tax

Group

The following are the major deferred tax liabilities and (assets) recognised by the Group and movements thereon during the current and prior reporting period.

	Unremitted earnings £'000	Trading losses £'000	Accelerated tax depreciation £'000	Other short-term timing differences £'000	Total £'000
At 5 April 2009	–	–	(178)	(514)	(692)
Charge/(credit) to income	–	(117)	126	451	460
Exchange differences	–	–	14	15	29
At 4 April 2010	–	(117)	(38)	(48)	(203)
Charge/(credit) to income	1,352	(1,053)	163	(198)	264
Exchange differences	–	32	(2)	4	34
At 3 April 2011	1,352	(1,138)	123	(242)	95

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes.

	2011 £'000	2010 £'000
Deferred tax liabilities	1,433	65
Deferred tax assets	(1,338)	(268)
	95	(203)

At the balance sheet date, the Group had unused tax losses of £58,000,000 (2010 £54,000,000) available for offset against future profits. The Group has recognised £1,138,000 (2010 £117,000) of deferred tax asset in respect of these unused tax losses, following the implementation of a global supply chain optimisation project and improved trading performance. The Group expects to increase the recognition of deferred tax assets relating to tax losses over the next few years as trading further improves and the benefits anticipated from the global supply chain project accrue with greater certainty. Included in unrecognised tax losses are losses of £18,000,000 (2010 £22,000,000) that cannot be carried forward indefinitely. Of this amount, £300,000 (2010 £500,000) expires during the next five accounting periods. Other losses may be carried forward indefinitely.

At the balance sheet date, a deferred tax liability of £1,352,000 (2010 £nil) has been recognised on temporary differences of £14,000,000 (2010 £14,000,000) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will reverse in the foreseeable future. The temporary differences at 3 April 2011 represent only the unremitted earnings of those overseas subsidiaries where remittance to the UK of those earnings may still result in a tax liability, principally as a result of dividend withholding taxes levied by the overseas tax jurisdictions in which these subsidiaries operate.

The effect of the Finance Act 2011 proposal to reduce the corporation tax rate from 26% to 25% with effect from 1 April 2012 would be to reduce the net deferred tax liability provided at the balance sheet date by £3,500. This £3,500 decrease in the net deferred tax liability would increase profit by £3,500.

The proposed reductions of the main rate of corporation tax by 1% per year to 23% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 25% to 23%, if these reductions were applied to the deferred tax balance at the balance sheet date, would be to reduce the net deferred tax liability by £7,000 (being £3,500 recognised in 2013 and £3,500 recognised in 2014).

Company

At the balance sheet date, the Company had unused tax losses of £26,000,000 (2010 £18,000,000) available for offset against future profits. The Company has recognised £460,000 (2010 £nil) of deferred tax asset in respect of these unused tax losses, following the implementation of a global supply chain optimisation project. The Company expects to increase the recognition of deferred tax assets relating to tax losses over the next few years as the benefits anticipated from the global supply chain project accrue with greater certainty. The losses may be carried forward indefinitely.

The effect of the Finance Act 2011 proposal to reduce the corporation tax rate from 26% to 25% with effect from 1 April 2012 would be to reduce the net deferred tax asset provided at the balance sheet date by £18,000. This £18,000 decrease in the net deferred tax asset would decrease profit by £18,000.

Notes to the financial statements continued

For the 52 weeks ended 3 April 2011 (52 weeks ended 4 April 2010)

82

22 Deferred tax continued

The proposed reductions of the main rate of corporation tax by 1% per year to 23% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 25% to 23%, if these reductions were applied to the deferred tax balance at the balance sheet date, would be to reduce the net deferred tax asset by £36,000 (being £18,000 recognised in 2013 and £18,000 recognised in 2014).

23 Provisions

Group	Property £'000	Corporate restructuring £'000	Other £'000	Total £'000
At 4 April 2010	6,804	611	704	8,119
Charge/(credit) in the year	156	–	(214)	(58)
Utilisation of provision	(1,953)	(550)	(295)	(2,798)
Unwinding of discount (Note 6)	203	32	–	235
Exchange differences	(108)	(2)	2	(108)
At 3 April 2011	5,102	91	197	5,390
Less: included in current liabilities	(1,537)	(91)	(197)	(1,825)
Non-current liabilities	3,565	–	–	3,565

Company	Property £'000	Corporate restructuring £'000	Total £'000
At 4 April 2010	4,465	585	5,050
Charge in the year	186	–	186
Utilisation of provision	(1,224)	(585)	(1,809)
Unwinding of discount	138	–	138
Transfers	90	–	90
Exchange differences	23	–	23
At 3 April 2011	3,678	–	3,678
Less: included in current liabilities	(639)	–	(639)
Non-current liabilities	3,039	–	3,039

Property provisions

Property provisions represent the anticipated net costs of onerous leases. The provisions have been recorded taking into account management's best estimate, following appropriate advice, of the anticipated net cost of the lease over the remaining lease term and the level of sub-lease rental income, if any, that can be obtained from sub-tenants. This provision will be utilised as the rental payments, net of any sub-lease income, fall due through to 2020.

Corporate restructuring

The provision at 4 April 2010 of £611,000 included an amount relating to the compensation for loss of office payable to the former CEO of the Group, who left the Group on 9 March 2009. During the year full and final settlement was made and the provision fully utilised.

Other

Other provisions include the Directors' best estimate, based upon past experience, of the Group's liability under specific product warranties and legal claims. The timing of the cash out-flow with respect to these claims is uncertain.

24 Share capital

	2011 £'000	2010 £'000
Authorised		
75,000,000 (2010: 75,000,000) Ordinary shares of 25p each	18,750	18,750
Issued and fully paid		
62,493,578 (2010: 56,821,563) Ordinary shares of 25p each	15,623	14,205

During the year, the Company issued 5,672,015 shares to employee share trusts in order to fulfil future employee share option exercises. For further details see Note 27.

Under the terms of the Group's various share schemes, the following rights to subscribe for Ordinary shares are outstanding

Date of grant	Option price (p)	Exercise period	Number of shares	
			2011	2010
Discretionary Share Option Schemes				
3 July 2000	1,475	July 2003 – July 2010	–	13,500
18 June 2001	788	June 2004 – June 2011	–	13,500
20 June 2003	87	June 2007 – June 2013	–	45,000
Long-Term Incentive Plan				
15 June 2007	25	June 2010 – Dec 2010	–	140,736
9 July 2008	25	July 2011 – Jan 2012	581,646	591,646
Performance Share Plan				
7 September 2009	25	Sept 2012 – Mar 2013	1,302,945	1,407,945
3 November 2009	25	Nov 2012 – May 2013	90,000	90,000
11 January 2010	25	Jan 2013 – July 2013	90,000	90,000
31 August 2010	25	Aug 2013 – Aug 2020	2,045,000	–
31 August 2010	25	Aug 2014 – Aug 2020	1,225,000	–
1 December 2010	25	Aug 2013 – Aug 2020	30,000	–
Restricted share scheme				
6 September 2010	–	Sept 2013 – Mar 2014	42,016	–
Non-Executive Director long-term incentive scheme				
1 October 2010	–	Mar 2012 – Mar 2017	266,667	–
1 October 2010	–	Mar 2013 – Mar 2018	266,667	–
1 October 2010	–	Mar 2014 – Mar 2019	266,666	–
			6,206,607	2,392 327

For further details of the Group's share option schemes see Note 31

25 Non-equity preference shares

The Company has authorised and issued 80,000 cumulative preference shares of £1 each with the rights to a fixed cumulative preference dividend payable, at the rate of 7% per annum, 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. The preference shares confer the right on a winding up to have the capital paid or credited as paid up, including all arrears of dividend whether declared or not up to the commencement of the winding up, paid in priority to any payment of capital on the Ordinary shares but without any further right to participate in profits or assets. There is no fixed repayment date.

Since the dividends are in arrears for more than three months, the preference shares currently confer on the holders the right to have notice and to attend and vote, either in person or by proxy, at any General Meeting.

These preference shares are recorded as non-current liabilities.

26 Non-distributable special reserve

On 6 December 2010, the Company applied and was granted a Court Order releasing it from its undertaking to maintain a special reserve created in connection with a capital reduction carried out by the Company on 18 October 2005. As a result the balance of £18,125,000 in the non-distributable reserve account was transferred to the accumulated losses reserve.

27 Own shares

	Own shares £ 000
At 4 April 2010	–
Issued in the period	1,418
At 3 April 2011	1,418

The own shares reserve represents the nominal share capital of shares in the Company issued to the Volex Group plc Employee Share Trust and the Volex Group Guernsey Purpose Trust to satisfy future share option exercises under the Group's share option schemes (see Note 31).

The number of Ordinary shares held by the Volex Group plc Employee Share Trust at 3 April 2011 was 4,667,015 (2010: nil) and the Volex Group Guernsey Purpose Trust was 1,005,000 (2010: nil). The market value of the shares as at 3 April 2011 was £17,583,000 (2010: £nil).

Notes to the financial statements continued

For the 52 weeks ended 3 April 2011 (52 weeks ended 4 April 2010)

27. Own shares continued

Unless and until the Company notifies a trustee of either trust to the contrary, and in the case of the Volex Group plc Employee Share Trust, in respect to shares held in the trust in which a beneficial interest has not vested, rights to dividends in respect to the shares held in the trust are waived

28. Analysis of net debt

84

Group	4 April 2010 £ 000	Cash flow £ 000	Exchange movement £ 000	Other non cash changes £ 000	3 April 2011 £'000
Cash and cash equivalents	17,938	(5,827)	(613)	–	11,498
Bank loans	(26,347)	9,190	719	–	(16,438)
Finance leases	(153)	93	–	(128)	(188)
Debt issue costs	991	16	–	(502)	505
Net debt	(7,571)	3,472	106	(630)	(4,623)

Debt issue costs relate to bank facility arrangement fees. Amortisation of debt issue costs in the year amounted to £502,000 (2010 £622,000)

29. Notes to the cash flow statement

	Group		Company	
	2011 £'000	2010 £ 000	2011 £'000	2010 £'000
Profit for the period	10,712	5,279	27,348	533
Adjustments for:				
Finance income	(149)	(71)	(219)	(1,947)
Finance costs	2,205	3,410	1,343	1,980
Dividends received from subsidiary undertakings	–	–	(29,000)	–
Income tax expense	2,373	1,631	35	311
Depreciation on property, plant and equipment	1,972	2,200	73	18
Amortisation of intangible assets	242	92	94	57
Loss on disposal of property, plant and equipment	17	6	–	–
Share option charge	1,677	9	1,677	9
Effects of foreign exchange rate changes	–	–	(577)	(208)
(Decrease)/increase in provisions	(2,798)	(1,301)	(1,624)	(598)
Operating cash flow before movement in working capital	16,251	11,255	(850)	155
(Increase)/decrease in inventories	(6,354)	(3,354)	1,184	(459)
(Increase)/decrease in receivables	(17,601)	(523)	29,163	(6,643)
Increase/(decrease) in payables	20,838	8,528	(21,559)	18,920
Movement in working capital	(3,117)	4,651	8,778	11,818
Cash generated from operations	13,134	15,906	7,938	11,973
Cash generated by operations before non-recurring items	13,134	18,561	7,938	13,542
Cash utilised by non-recurring items	–	(2,655)	–	(1,569)
Taxation paid	(4,349)	(1,840)	(378)	–
Interest paid	(1,785)	(2,198)	(666)	(1,383)
Net cash generated from/(used in) operating activities	7,000	11,868	6,894	10,590

Cash outflow arising on disposals

	Group		Company	
	2011 £'000	2010 £ 000	2011 £'000	2010 £ 000
Net cash outflows arising on disposal				
Settlement of deferred contribution	(159)	(1,619)	(159)	(1,619)
Costs of disposal	–	(360)	–	(360)
	(159)	(1,979)	(159)	(1,979)

In the 53 weeks ended 5 April 2009, the Group disposed of its Wiring Harness division. In the prior year, the Group reached final agreement with the purchaser with respect to all outstanding issues associated with this sale. In the current year, £159,000 was paid to the purchaser under this agreement, representing full and final settlement of all amounts due.

In the prior year, the settlement of deferred contribution included £561,000 paid in respect of a working capital adjustment, £462,000 in respect of agreed restructuring expenditure incurred between the date of the disposal agreement and completion of the sale contract and £596,000 in relation to a specific trade receivable indemnity given to the acquirer.

Cash and cash equivalents

	Group		Company	
	2011 £'000	2010 £ 000	2011 £'000	2010 £ 000
Cash and bank balances	12,660	18 220	2,536	3,049
Bank overdrafts	(1,162)	(282)	-	-
	11,498	17,938	2,536	3,049

Cash and cash equivalents comprise cash held by the Group, short-term bank deposits with an original maturity of three months or less and bank overdrafts. The carrying amount of these assets approximates their fair value.

30. Operating lease arrangements

	Group		Company	
	2011 £'000	2010 £ 000	2011 £'000	2010 £ 000
The following have been recognised during the year				
Minimum lease payments made under operating leases				
Paid	6,398	5,562	1,082	1,038
Recognised in operating profit	4,663	3,098	116	103

Payments made under operating leases net of sub-lease receipts and charged against the onerous lease provision in the year was £1,735,000 (2010: £1,681,000) for the Group and £967,000 (2010: £919,000) for the Company.

At the balance sheet date, the Group and Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2011 £'000	2010 £ 000	2011 £'000	2010 £ 000
Within one year	3,944	5,510	1,087	1,088
In the second to fifth years inclusive	7,061	7,493	3,309	3 836
After five years	4,087	4,944	1,860	2,471
	15,092	17,947	6,256	7,395

Operating lease payments primarily represent rentals payable by the Group for its office and manufacturing properties. Leases are negotiated for an average term of five years.

At the balance sheet date, the Group had contracted with tenants under non-cancellable sub-leases for the following future minimum lease payments:

	Group		Company	
	2011 £'000	2010 £ 000	2011 £'000	2010 £ 000
Within one year	516	1,263	210	110
In the second to fifth years inclusive	675	959	617	840
After five years	-	-	-	-
	1,191	2,222	827	950

31 Share-based payments

	Group	
	2011 £'000	2010 £ 000
Share-based payment charge	1,257	9
National insurance charge in relation to share awards	420	-
	1,677	9

During the period the Group had four types of equity-settled share option schemes in operation, Discretionary Share Option Schemes ('DSOS'), a Long-term Incentive plan ('LTIP'), a Performance Share Plan ('PSP') and a Non-Executive Long-term Incentive Scheme ('NED-LTIS'). In addition, during the period the Group issued Restricted Share Awards ('RSAs') under the Restricted Share Scheme.

Options previously issued under the DSOS were exercisable between three and ten years from the date of the grant and were subject to the continued employment of the participant and the achievement of earnings per share and share price based performance targets. The exercise price was determined based on the market share price at date of grant. During the current year, all options lapsed as a result of the performance conditions not being met. Further details of the scheme are given on page 46 of the Directors' Remuneration Report.

Notes to the financial statements continued

For the 52 weeks ended 3 April 2011 (52 weeks ended 4 April 2010)

31 Share-based payments *continued*

Options issued under the LTIP are exercisable between three years and ten years from the date of grant subject to the continued employment of the participant and achievement of earnings per share and share price performance targets. All awards under the LTIP have an exercise price of 25p, which is equivalent to the nominal value of the underlying Ordinary share. Full details of how the scheme operates are explained on page 45 of the Directors' Remuneration Report.

86

Options issued under the PSP are exercisable between three years and ten years from the date of grant subject to the continued employment of the participant and achievement of share price performance targets. All awards under the PSP have an exercise price of 25p, which is equivalent to the nominal value of the underlying Ordinary share. Full details of how the scheme operates are explained on pages 44 to 45 of the Directors' Remuneration Report.

The NED-LTIS seeks to reward certain Non-Executive Directors subject to their continued employment and certain share price targets as at 25 March 2012. The awards vest in equal tranches at 25 March 2012, 25 March 2013 and 25 March 2014 and are exercisable for 5 years from the vesting date. The Group has the option to provide the award in shares of the Company or cash equivalent to the number of shares that would be awarded multiplied by the market price of the Company's shares at the date of exercise. Full details of how the scheme operates are explained on pages 47 to 48 of the Directors' Remuneration Report.

The RSAs are nil cost options that vest, subject to continued employment, after three years from the date of grant. RSA awards have an exercise price of £nil.

Details of the share awards outstanding and the weighted average exercise price of those awards are as follows:

	2011		2010	
	Number of share awards	Weighted average exercise price (p)	Number of share awards	Weighted average exercise price (p)
Outstanding at beginning of period	2,392,327	39	1,945,548	48
Granted during the period	4,147,016*	20	1,672,945	25
Expired during the period	(332,736)	123	(1,226,166)	79
Outstanding at the end of the period	6,206,607	22	2,392,327	39
Exercisable at the end of the period	—	—	—	—

The awards granted in the year include 800,000 NED-LTIS awards which were issued in replacement of an existing right to a cash award. For details of the amendment, see pages 47 to 48 of the Directors' Remuneration Report.

Of the share awards that expired during the period, 212,736 options expired due to failure to meet performance conditions and 120,000 lapsed in respect of leavers.

The awards outstanding at 3 April 2011 had a weighted average remaining contractual life of 7 years (2010: 2.5 years).

Of the 6,206,607 awards outstanding at 3 April 2011, 5,364,591 had an exercise price of £0.25 and 842,016 had an exercise price of £nil.

In 2011, the aggregate of the estimated fair values of the options granted during the year was £5,624,000 (2010: £559,000).

With the exception of the RSAs, the fair values of the awards granted in the year were calculated at the date of grant using a stochastic (Monte Carlo binomial) model. The inputs into the valuation models were as follows:

	2011	2010
Weighted average share price	£2.46	£0.80
Weighted average exercise price	£0.20	£0.25
Expected volatility	50%	50%
Expected life	6.36 years	3.25 years
Risk-free rate	1.95%	1.98%
Expected dividends	—	—

Expected volatility was determined with reference to historical volatility of the Group's share price over the previous three years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The RSAs were valued at their market price of £2.39 on day of grant.

32 Retirement benefit schemes

Defined contribution schemes

The Company operates two Inland Revenue approved defined contribution schemes and makes contributions to a Group pension plan. Overseas the Group operates two defined contribution schemes, one in the USA and one in Ireland.

The total cost charged to the Group's income statement in the year was £1,611,000 (2010: £1,446,000). The total cost charged to the Company's income statement in the year was £331,000 (2010: £308,000).

Defined benefit schemes

In September 2010 the Company's two Inland Revenue approved defined benefit pension schemes were merged, after appropriate approval had been obtained from the members and trustees of both schemes. The assets and liabilities of the Volex No. 1 Pension Scheme were transferred into the Volex Executive Pension Scheme, with the latter scheme intended to be the sole vehicle for the provision of accrued pension rights in the future. Wind-up proceedings have been commenced for the Volex No. 1 Pension Scheme. This transfer did not impact the aggregate value of assets and liabilities previously held by the schemes, nor did it affect the accrued pension rights of any of the members of either scheme.

Future accrual of retirement benefits under the scheme(s) ceased on 31 March 2003 when the scheme(s) were replaced with defined contribution arrangements. The last full actuarial valuation of the scheme(s) was carried out by a qualified independent actuary on 31 July 2010, although the assumptions used in, and results from, this recent valuation are still being discussed by the Company and the Trustees and have yet to be finalised. This valuation has been updated on an approximate basis to 3 April 2011 and utilises the projected unit credit valuation method.

The key assumptions utilised are

	Valuation at	
	2011	2010
Discount rate	5.5%	5.5%
Expected return on scheme assets	6.4%	6.3%
Future pension increases*	2.9%	3.6%
Price inflation	3.7%	3.8%

* This reduction is as a result of the Government's recent announcement of its intention to adopt the Consumer Price Index (CPI) as the measure for statutory pension increases rather than Retail Price Index (RPI) in revaluing pension benefits in line with inflation.

The following mortality assumptions have been made

	2011	2010
Future life expectancy for a pensioner currently aged 65 (years)		
– Male	23.2	22.1
– Female	24.3	25.0
Future life expectancy at age 65 for a non-pensioner currently aged 55 (years)		
– Male	24.0	22.7
– Female	25.3	25.5

	2011 £'000	2010 £'000
Amounts recognised in income statement (Note 6)		
Interest cost	(728)	(719)
Expected return on scheme assets	700	536
Finance costs	(28)	(183)

No other amounts have been recognised in the income statement (2010: £nil).

Actuarial gains of £933,000 (2010: £516,000 loss) have been reported in the statement of comprehensive income.

	2011 £'000	2010 £'000
Amounts recognised in balance sheet		
Fair value of scheme assets	11,582	11,067
Present value of defined benefit obligations	(12,907)	(13,453)
Deficit in scheme recognised in the balance sheet	(1,325)	(2,386)
Current liabilities	156	155
Non-current liabilities	1,169	2,231
	1,325	2,386

Notes to the financial statements continued

For the 52 weeks ended 3 April 2011 (52 weeks ended 4 April 2010)

32. Retirement benefit schemes *continued*

The Company has contributed £156,000 to its defined benefit pension plans in the period ended 3 April 2011 (2010 £149,000)

	2011 £'000	2010 £'000
Movements in the present value of defined benefit obligations		
At beginning of period	(13,453)	(11,053)
Interest cost	(728)	(719)
Actuarial gains/(losses)	853	(3,247)
Benefits paid	421	1,566
At end of period	(12,907)	(13,453)
Movements in the fair value of scheme assets		
At beginning of period	11,067	9,217
Expected return on scheme assets	700	536
Actuarial gains	80	2,731
Contributions from the sponsoring company	156	149
Benefits paid	(421)	(1,566)
At end of period	11,582	11,067
Composition of assets		
Equity instruments	8,248	7,833
Debt instruments	3,011	3,043
Property	323	191
	11,582	11,067

None of the fair values of the assets shown above include any of the Company's own financial instruments or any property occupied or other assets used by the Company (2010 £nil)

Expected long-term rates of return

To develop the expected long-term rate of return on assets assumption, the Company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the asset allocation to develop the expected long-term rate of return on assets assumptions for the portfolio.

The expected long-term rates of return are as follows

	2011 %	2010 %
Equity instruments	7.0	6.8
Debt instruments	5.2	5.7
Property	7.0	6.8
	6.4	6.3

The actual return on scheme assets for the year was a gain of £780,000 (2010 £3,267,000)

	2011 £'000	2010 £'000
Cumulative actuarial gains/(losses) recognised in equity		
At beginning of the year	203	719
Net actuarial gains/(losses) recognised in the year	933	(516)
At end of the year	1,136	203
Five year history of experience adjustments	2011	2010
Fair value of scheme assets	11,582	11,067
Present value of defined benefit obligations	(12,907)	(13,453)
Deficit in scheme	(1,325)	(2,386)
Experience adjustments on scheme liabilities		
£'000	14	55
% scheme liabilities	-	0.5%
Experience adjustments on scheme assets		
£'000	80	2,731
% scheme assets	1%	25%

The estimated amount of contributions expected to be paid to the scheme during the 52 weeks to 2 April 2012 is £156,000

33. Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 19, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as contained in the statement of changes in equity

The Board reviews the capital structure on a regular basis including facility headroom, forecast working capital and capital expenditure requirements

The Group has a revolving credit facility ('RCF'), which after amortisation had an available limit of US\$42,100,000 as at 3 April 2011 (2010 US\$57,700,000), comprising both a US Dollar and a Euro component. At 3 April 2011 the amounts drawn under this facility were US\$7,300,000 and €13,500,000 (2010 US\$21,700,000 and €13,500,000) respectively. The average combined utilisation during the year was US\$32,800,000 (2010 US\$45,600,000). In addition, the Group has a further €6,800,000 of undrawn committed facilities available at 3 April 2011 (2010 €6,800,000)

At 3 April 2011 the Group had undrawn committed borrowing facilities of £12,900,000 (2010 £14,000,000)

The existing RCF was due to mature in March 2012. Post year end, on 31 May 2011, the Group signed and entered into a new US\$75,000,000 multi currency RCF agreement with a syndicate of three banks which replaces the existing RCF and provides greater flexibility and improved terms. The principal terms of this new financing facility are given in Note 19

Based on the Group's projected financial performance the Board are confident that the combination of the above facilities provides adequate liquidity headroom for the successful execution of the Group's operations and the Group will be able to operate in agreement with the required covenant levels

The Group is not subject to externally imposed capital requirements

Financial instruments

The Group's principal financial instruments comprise bank borrowings and overdrafts, finance leases, cash and short-term deposits. The Group also enters into derivative transactions, principally interest rate swaps to manage the interest rate risk arising from its borrowings and forward currency contracts to manage the currency risks arising from its operations

Set out below is a comparison by category of carrying amounts and fair values of all the Group's financial instruments that are carried in the financial statements. Except as detailed below, the Directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost approximate their fair values

	Book value 2011 £'000	Book value 2010 £'000	Fair value 2011 £'000	Fair value 2010 £'000
Financial assets – loans and receivables				
Cash	12,660	18,220	12,660	18,220
Trade and other receivables	67,207	58,166	67,207	58,166
Financial liabilities – Amortised cost				
Interest-bearing loans and borrowings	17,095	25,638	17,095	25,638
Obligations under finance leases	188	153	188	153
Trade and other payables	75,263	61,949	75,263	61,949
Non-equity preference shares	128	80	172	166
Financial derivatives for which hedge accounting has not been applied				
Derivative financial instruments	183	371	183	371

The fair value of the non-equity preference shares was derived from a net present value calculation using a discount rate of 12.74%

The financial derivatives above fall into level 3, as defined by IFRS 7 Financial Instruments Disclosures. The fair value has been calculated at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates

Financial risk management

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financing, monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (interest rate risk and currency risk), credit risk and liquidity risk

Notes to the financial statements continued

For the 52 weeks ended 3 April 2011 (52 weeks ended 4 April 2010)

90

33. Financial instruments continued

The Group seeks to minimise these risks by using interest rate swaps and external borrowings denominated in currencies that match the net asset currency profile of the Group. The Board reviews and agrees policies for managing these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments. It is, and has been throughout the periods under review, the Group's policy that no trading in financial instruments shall be undertaken.

Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates and foreign currency exchange rates.

Interest rate risk

The Group's interest rate risk arises principally from borrowings issued at variable rates which expose the Group to cash flow interest-rate risk.

Management does not consider the risk arising from finance leases to be significant.

The following table sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk.

	Within 1 year £ 000	1-2 years £ 000	2-3 years £ 000	3-4 years £ 000	4-5 years £ 000	More than 5 years £ 000	Total £ 000
2011							
Fixed rate							
Obligations under finance leases	(121)	(67)	-	-	-	-	(188)
Floating rate							
Cash assets	12,660	-	-	-	-	-	12,660
Bank loans and borrowings	(17,095)	-	-	-	-	-	(17,095)
2010							
Fixed rate							
Obligations under finance leases	(64)	(51)	(38)	-	-	-	(153)
Floating rate							
Cash assets	18,220	-	-	-	-	-	18,220
Bank loans and borrowings	(282)	(26,347)	-	-	-	-	(26,629)

Interest rate swap contracts

The Group manages its exposure to interest rate risk by fixing 100% of the interest arising on its borrowings through the use of interest rate swap contracts.

Under interest rate swap contracts, the Group agrees to exchange differences between fixed and floating interest rate amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of the interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the reporting date.

	Average contract fixed interest		Notional principal amount	
	2011 %	2010 %	2011 £'000	2010 £ 000
Outstanding receive floating pay fixed contracts				
Less than one year	2.2	2.2	19,105	29,841
1-2 years	2.2	2.2	9,552	19,894
2-3 years	-	2.2	-	9,947
Fair value			(183)	(371)

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is three months LIBOR. The Group will settle the difference between the fixed and floating interest rate on a net basis.

The interest rate swap contracts are not designated as either cash flow or fair value hedges and consequently the fair value adjustment of £183,000 has been reflected in the results for the year (2010: £371,000) (Note 6).

Interest rate sensitivity

During the year the Group was fully hedged against interest rate risk arising on its bank loans and borrowings through the use of interest rate swap contracts. The sensitivity analysis prepared is after including the movement in fair value on the interest rate swaps outstanding as at 3 April 2011. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at 3 April 2011 was outstanding for the whole year.

Had interest rates been 0.5% higher/lower in the year, and all other variables were held constant, Group profit before tax would have been £22,000 higher/£9,000 lower (2010: £56,000 higher/£28,000 lower). A 0.5% interest rate sensitivity test has been performed since this represents the Directors' assessment of a reasonably possible change in interest rates.

Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, Indian Rupee and Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group's policy is to hedge its related translation exposures through the designation of certain amounts of its foreign currency denominated debt as a hedging instrument.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Euro	22,566	16,685	11,695	15,311
US Dollar	54,063	51,260	54,169	44,264
Indian Rupee	2,552	8,508	4,656	13,345
Other (includes GBP)	13,676	11,738	9,347	3,466

Foreign currency sensitivity

The following table details the Group's sensitivity to a 10% increase and decrease in Sterling against the relevant foreign currencies. The 10% rate used represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes both external loans and loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

	US\$ impact		EURO impact		INR impact	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
10% depreciation in foreign currency						
(i) Profit before tax	(128)	(2,082)	(74)	(451)	–	(119)
(ii) Equity*	(6,342)	(92)	2,654	(1,834)	–	(275)
10% appreciation in foreign currency						
(i) Profit before tax	153	2,545	88	552	–	144
(ii) Equity*	7,751	113	2,654	2,241	–	336

(i) This is mainly attributable to the exposure on US\$/EURO monetary assets and liabilities in the Group at the balance sheet date.

(ii) This is mainly attributable to changes in the carrying value of external loans designated a hedge of overseas investments and of intercompany loans for which settlement is not planned.

* Excludes any deferred tax impact.

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

Bank and cash balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value. The credit risk on these assets is limited because the counterparties are predominantly financial institutions with investment grade credit ratings assigned by international credit-rating agencies.

The Group's credit risk is therefore primarily attributable to its trade receivables. The Group's customers are predominantly large blue chip OEMs, contract equipment manufacturers and distributors. The Group regularly reviews the credit worthiness of significant customers and credit references are sought for major new customers where relevant. The Board recognises that credit risk is a feature of all businesses, especially international businesses. However, it believes that all reasonable steps to mitigate any loss are taken.

Notes to the financial statements continued

For the 52 weeks ended 3 April 2011 (52 weeks ended 4 April 2010)

92

33. Financial instruments *continued*

The net amount of trade receivables reflects the maximum credit exposure to the Group. No other guarantees or security has been given. For further information on the credit risk associated with trade and other receivables, see Note 18.

Liquidity risk

The Group manages liquidity risk by maintaining adequate banking facilities, regular monitoring of forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 19 is a description of undrawn facilities as at the balance sheet date.

The following table analyses the Group's financial liabilities into relevant maturity groupings to show the timing of cash flows associated with the financial liabilities from the balance sheet date to the contracted maturity date. The amounts disclosed represent the contracted (based on the earliest date on which the Group may be required to pay) undiscounted cash flows.

	Carrying amount £'000	Contractual cash flows £'000	Within 1 year £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
2011						
Non-derivative financial liabilities						
Trade and other payables	75,263	75,263	75,263	–	–	–
Obligations under finance leases	188	197	121	76	–	–
Bank overdrafts and loans	17,095	17,095	17,095	–	–	–
Non-equity preference shares	128	–	–	–	–	–
Derivative financial liabilities						
Interest rate swaps	183	194	171	23	–	–
	Carrying amount £'000	Contractual cash flows £'000	Within 1 year £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
2010						
Non-derivative financial liabilities						
Trade and other payables	61,949	61,949	61,949	–	–	–
Obligations under finance leases	153	172	72	57	43	–
Bank overdrafts and loans	26,629	26,629	282	26,347	–	–
Non-equity preference shares	80	–	–	–	–	–
Derivative financial liabilities						
Interest rate swaps	371	381	206	175	–	–

The Group had available to it, £12,900,000 of unused financing facility as at 3 April 2011 (2010: £14,000,000).

34. Contingent liabilities

As a global group, subsidiary companies, in the normal course of business, engage in significant levels of cross-border trading. The customs, duties and sales tax regulations associated with these transactions are complex and often subject to interpretation. While the Group places considerable emphasis on compliance with such regulations, including appropriate use of external legal advisors, full compliance with all customs, duty and sales tax regulations cannot be guaranteed.

Customs and excise authorities in India and the USA are currently involved in examining customs and duty declarations made by subsidiary companies, Volex Interconnect (India) Pvt Ltd and Volex de Mexico SA de CV, across a number of years. Although the outcome of these investigations is uncertain and reliable measurement of any potential exposure not possible, the Directors are confident that any liability arising from these matters will not be material to the Group.

The Company enters into financial guarantee contracts to guarantee the indebtedness of other Group companies. The Company considers these to be insurance arrangements and treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

35. Related party transactions

Group

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

	2011 £'000	2010 £'000
Compensation of key management – Directors of Parent Company		
Short-term employee benefits	964	1,553
Post-employment benefits	88	50
Share-based payments	1,114	36
	2,166	1,639

Details of Directors' remuneration, share options, pension contributions, pension entitlements, fees for consulting services and interests for the period are provided in the audited part of the Directors' Remuneration Report on pages 48 to 50.

On 4 March 2011, Andrew Cherry received an advance of £65,505 from the Volex Group Employee Share Trust that remained outstanding as at 3 April 2011. The Volex Group Employee Share Trust is consolidated into the Group figures and therefore the amount is included within other receivables. For further details on this transaction, see the Directors' Remuneration Report on page 50.

Company

During the period the Company levied the following charges on its subsidiary undertakings

	2011 £'000	2010 £'000
Management fees	9,901	6,131
Royalty fees	2,941	2,133
Interest	120	1,947
	12,962	10,211

Amounts due to and from subsidiary undertaking are shown in Notes 18 and 21.

During the period, the Company provided an interest free loan of £1,167,000 and £251,000 to the Volex Group plc Employee Share Trust ('EST') and the Volex Group Guernsey Purpose Trust ('GPT') respectively. The EST and GPT used these funds to acquire 4,667,015 and 1,005,000 shares in the Company respectively to satisfy future employee exercises of long-term incentive awards under the Group's various incentive schemes. These loans remained outstanding as at 3 April 2011.

On 4 March 2011, the Company provided a further interest free loan of £65,505 to the EST, a related party to the Company, for the purpose of enabling the EST to make employee loans as recommended by the Company. The loan was used to advance the same amount to Andrew Cherry. This loan is payable on demand by the Company. For further details of this transaction, see the Directors' Remuneration report on page 50.

36 Subsequent events

On 31 May 2011, the Group signed and entered into a new US\$75,000,000 multi-currency revolving credit facility with a syndicate of three banks which replaces the existing facility and provides greater flexibility and improved terms. The principal terms of this new financing facility are given in Note 19.

Principal operating subsidiaries

United Kingdom

Volex Powercords Europe is a trading division of Volex Group plc

Volex Group Holdings Limited is a wholly owned subsidiary of Volex Group plc which is registered in England and Wales and which acts as a holding Company, as detailed below

94

Overseas

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

Name of entity	Note	Country of incorporation/registration and operation
Volex Pte Ltd	1	Singapore
Volex (Asia) Pte Ltd	5	Singapore
PT Volex Indonesia	2	Indonesia
PT Volex Cable Assembly	2	Indonesia
Volex Cable Assemblies (Phils) Inc	2	Philippines
Volex Japan KK	2	Japan
Volex (Taiwan) Co Ltd	2	Taiwan
Volex (Thailand) Co Ltd	2	Thailand
Volex Cable Assembly (Vietnam) Pte Ltd	2	Vietnam
Volex Cable Assemblies Sdn Bhd	3	Malaysia
Volex Cables (HK) Ltd	3	Hong Kong
Volex Interconnect (India) Pvt Ltd	3	India
Volex Interconnect Systems (Suzhou) Co Ltd	3	China
Volex Cable Assembly (Shenzhen) Co Ltd	3	China
Volex Cable Assembly (Zhongshan)	3	China
Volex Holdings Inc	1	USA
Volex Inc	6	USA
Volex Canada Inc	1	Canada
Volex de Mexico SA de CV	4	Mexico
Volex do Brasil Ltda	1	Brazil
Volex Europe Ltd	3	Ireland
Volex Poland SP z o o	1	Poland
Volex Sweden AB	1	Sweden

1 Interests held by Volex Group plc

2 Interests held by Volex (Asia) Pte Ltd

3 Interests held by Volex Group Holdings Ltd

4 Interests held by Volex Inc

5 Interest held by Volex Pte Ltd

6 Interest held by Volex Holdings Inc

Five year summary

Results	Unaudited IFRS 2011 £'000	Unaudited IFRS 2010 £'000	Unaudited IFRS 2009 £'000	Unaudited IFRS 2008 £ 000	Unaudited IFRS 2007 £ 000
Revenue – total Group	315,979	228,995	302,820	259,765	248,725
Revenue from continuing operations	315,979	228,995	265,116	223,426	214,584
Revenue from discontinued operations	–	–	37,704	36,339	34,141
Gross margin – total Group	59,409	46,161	41,368	30,703	38,239
Gross margin from continuing operations	59,409	46,161	42,153	30,792	35,748
Gross margin from discontinued operations	–	–	(785)	(89)	2,491
Operating expenses – total Group	(44,268)	(35,912)	(34,269)	(26,365)	(30,970)
Operating expenses from continuing operations	(44,268)	(35,912)	(30,978)	(23,474)	(24,548)
Operating expenses from discontinued operations	–	–	(3,291)	(2,891)	(6,422)
Operating profit ⁽ⁱ⁾ – total Group	16,818	10,258	2,359	1,682	7,552
Operating profit ⁽ⁱ⁾ from continuing operations	16,818	10,258	6,435	4,662	11,483
Operating profit ⁽ⁱ⁾ from discontinued operations	–	–	(4,076)	(2,980)	(3,931)
Operating exceptional items	–	(3,095)	(4,740)	(2,676)	(1,994)
Share-based payment (charge)/credit	(1,677)	(9)	132	132	(379)
Profit/(loss) on ordinary activities before taxation	13,085	6,910	3,583	(853)	2,816
Depreciation and amortisation – continuing operations	2,214	2,292	1,996	2,554	2,608
Depreciation and amortisation – discontinued operations	–	–	621	432	336
	Pence	Pence	Pence	Pence	Pence
Adjusted earnings/(loss) per share – total Group ⁽ⁱⁱ⁾	21.8	14.8	3.9	(1.5)	7.7
Normalised earnings/(loss) per share ⁽ⁱⁱⁱ⁾	21.8	9.3	(9.1)	(6.2)	2.0
Basic earnings/(loss) per share – total Group	18.9	9.3	(34.1)	(6.0)	1.5
Balance sheet	£'000	£ 000	£ 000	£ 000	£ 000
Non-current assets	12,521	10,570	11,228	10,287	11,550
Other assets and liabilities	15,866	9,661	9,828	33,359	24,092
	28,387	20,231	21,056	43,646	35,642
Less net debt	(4,623)	(7,571)	(14,787)	(21,010)	(9,583)
Net assets	23,764	12,660	6,269	22,636	26,059
Gearing	19%	60%	236%	93%	37%

(i) Defined as operating profit before share-based payment charges/(credits)

(ii) Defined as earnings/(loss) per share before share based payment charges, loss on disposal of operations and non-recurring items

(iii) Defined as earnings/(loss) per share before share based payment charges and loss on disposal of operations

Shareholder information

Financial calendar

2011/12

Interim results announced	November 2011
Year end	1 April 2012
Final results announced	June 2012

96

2012/13

Interim results announced	November 2012
Year end	31 March 2013
Final results announced	June 2013

Registered office and advisors

Registered office

10 Eastbourne Terrace, Paddington, London, W2 6LG, UK

www.volex.com

Registered number

158956 (Registered in England and Wales)

Registrars

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

www.capita-irg.com

Independent Auditors

PricewaterhouseCoopers LLP

Bankers

Lloyds TSB Bank plc
Clydesdale Bank plc
HSBC Bank plc

Stockbrokers

RBS Hoare Govett Limited
Charles Stanley Securities

Solicitors

Travers Smith LLP
Hogan Lovells LLP

Financial PR

Buchanan Communications Limited

Notice of Annual General Meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should seek your own advice from a stockbroker, bank manager, solicitor, accountant, or other professional adviser duly authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your shares in Volex Group plc, please pass this document together with any accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the purchaser or transferee who now holds the shares.

Volex Group plc (the 'Company')

(incorporated and registered in England and Wales under number 00158956)

NOTICE OF ANNUAL GENERAL MEETING

Notice of the Annual General Meeting of the Company to be held at 10 Eastbourne Terrace, London, W2 6LG on 25 July 2011 at 2.30 p.m. (the "**Annual General Meeting**") is set out on pages 101 to 102 of this document.

A Form of Proxy for use at the Annual General Meeting accompanies this document.

Whether or not you propose to attend the Annual General Meeting, please complete and submit the Form of Proxy in accordance with the instructions printed on it. The Form of Proxy must be deposited at the offices of the Registrar of the Company, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU by no later than 2.30 p.m. on 21 July 2011.

Notice of Annual General Meeting continued

Dear Shareholder

The 2011 Annual General Meeting of the Company will be held on 25 July 2011 in accordance with the Notice of the Meeting included on pages 101 to 102 of this document. A Form of Proxy is enclosed separately.

The meeting will consider eight items of ordinary business and seven items of special business, details of which are set out below. Resolutions 1 to 9 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolutions. Resolutions 10 to 15 are proposed as special resolutions. This means that for each of these resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolutions.

Ordinary Business

Resolution 1 – Annual Reports and Accounts

Shareholders will be asked to receive and consider the Accounts for the year ended 3 April 2011 together with the Reports of the Directors and the Auditors therein.

Resolution 2 – Approve the Directors' Remuneration Report

In accordance with section 439 of the Companies Act 2006 (the "2006 Act"), the Company is required to submit the Directors' Remuneration Report to its shareholders for approval.

Resolution 3 – Final Dividend

The Directors intend to declare an interim dividend on the 7 per cent cumulative preference shares of £1.00 each in the Company (the "Preference Shares") so as to ensure that the fixed dividend payable on such Preference Shares up to 31 March 2011 has been paid in full prior to the AGM. This interim dividend and all arrears of dividend will be paid to the holders of the Preference Shares prior to the AGM. This is so as to permit a dividend to be paid on the ordinary shares in accordance with the Company's Articles of Association.

Resolution 3 asks shareholders to approve a final dividend of 2 pence per ordinary share to be paid to the holders of ordinary shares on the register of members of the Company at the close of business on 29 July 2011.

Subject to Resolution 3 being passed by shareholders at the Annual General Meeting, the dividend will be paid on 26 August 2011.

Resolutions 4 to 6 – Election and re-election of Directors

Resolution 4 seeks the election of Paul Mountford as a Director of the Company. Paul was appointed as a Non-Executive Director of the Company with effect from 1 January 2011. As Paul was appointed after the Company's Annual General Meeting in 2010, in accordance with the Company's Articles of Association, he will retire at the AGM and is seeking election.

In accordance with the Company's Articles of Association, Resolution 5 seeks the re-election of Karen Slatford as a Director of the Company.

In accordance with the Company's Articles of Association, Resolution 6 seeks the re-election of Chris Geoghegan as a Director of the Company.

Biographical details of all the Directors, including membership of Board committees, are set out on pages 36 to 37 of this document.

Resolutions 7 and 8 – Re-appointment of Auditors

The Company is required to appoint auditors at each annual general meeting at which its accounts are presented to hold office until the next annual general meeting. Resolutions 7 and 8 propose that PricewaterhouseCoopers LLP, having indicated their willingness to continue in office, be re-appointed as auditors for the current financial year and that the Directors of the Company be authorised to determine their remuneration.

Special Business

Resolution 9 – Authority to allot shares or grant subscription or conversion rights

Paragraph (a) of Resolution 9 (in line with the guidance issued by the Association of British Insurers (the "ABI")) asks shareholders to grant the Directors authority under section 551 of the 2006 Act to allot shares or grant such subscription or conversion rights as are contemplated by sections 551(1)(a) and (b) respectively of the 2006 Act up to a maximum aggregate nominal amount of £5,207,798, which represents approximately one-third of the issued ordinary share capital of the Company as at 15 June 2011 (being the latest practicable date prior to publication of this document).

Paragraph (b) of Resolution 9 (also in line with the guidance issued by the ABI) proposes that a further authority be conferred on the Directors to allot shares or grant subscription or conversion rights in connection with a rights issue up to a maximum aggregate nominal amount of £5,207,798. This amount represents approximately one-third of the issued ordinary share capital of the Company as at 15 June 2011 (being the latest practicable date prior to publication of this document).

The authorities sought under paragraphs (a) and (b) of this resolution will expire at the earlier of the conclusion of the Annual General Meeting of the Company in 2012 or 30 September 2012. The Directors have no present intention of exercising such authority. In the event that the allotment authority under paragraph (b) of Resolution 9 is exercised, the Directors intend to follow best practice as regards its use (including as to the requirement for directors to stand for re-election) as issued by the ABI. As at 15 June 2011 (being the latest practicable date prior to publication of this document) the Company did not hold any treasury shares.

Resolution 10 – Disapplication of pre-emption rights

If the Directors wish to allot any equity securities for cash, the 2006 Act requires that such equity securities are offered first to existing shareholders in proportion to their existing holdings. Resolution 10 asks shareholders to grant the Directors authority to allot equity securities (which includes the sale of treasury shares) for cash up to an aggregate nominal amount of £781,169 which represents approximately 5% of the issued ordinary share capital of the Company as at 15 June 2011 (being the latest practicable date prior to publication of this document). The resolution also disapplies the statutory pre-emption provisions in connection with a rights issue, but only in relation to the amount permitted under Resolution 9(a) and/or 9(b), and allows the Directors, in the case of a rights issue, to make appropriate arrangements in relation to fractional entitlements or other legal or practical problems that might arise.

The Board does not intend to issue for cash more than 7.5% of the issued share capital of the Company in any rolling three year period without prior consultation with the Investment Committees of the ABI and the National Association of Pension Funds. This authority will expire at the conclusion of the next Annual General Meeting of the Company or on 30 September 2012, whichever is earlier.

Resolution 11 – Authority to purchase own shares

This resolution will allow for the renewal of the Company's authority to make market purchases of its own ordinary shares of 25p each ("**Ordinary Shares**"), up to a maximum of 6,249,358 Ordinary Shares (which is approximately 10% of the current issued ordinary share capital of the Company as at 15 June 2011 (being the latest practicable date prior to publication of this document)), such authority to expire at the conclusion of the next Annual General Meeting of the Company or on 30 September 2012, whichever is earlier. The amount paid for each Ordinary Share (exclusive of expenses) shall not be more than the higher of (i) 5% above the average market value of an Ordinary Share as derived from the Daily Official List of the London Stock Exchange for the five business days before the purchase is made, or (ii) the price of the last independent trade and current independent bid as derived from the London Stock Exchange Trading System or less than 25p per Ordinary Share (being the amount equal to the nominal value of an Ordinary Share). The Directors have no present intention of exercising this authority. The authority will only be exercised if the Directors consider that there is likely to be a beneficial impact on earnings per Ordinary Share and that it is in the best interests of the Company at the time.

Options to subscribe for up to 5,436,607 Ordinary Shares have been granted and are outstanding as at 15 June 2011 (being the latest practicable date prior to publication of this document) representing approximately 9% of the issued ordinary share capital at that date. If the Directors were to exercise in full the power for which they are seeking authority under Resolution 11, the options outstanding as at 15 June 2011 would represent approximately 10% of the ordinary share capital in issue following such exercise.

Resolution 12 – Change of Name

It is proposed in Resolution 12 to change the name of Volex Group plc to Volex plc. The Volex brand is one of our vital assets and carries with it our goodwill and years of trust and confidence that our customers, suppliers and employees have vested in us. The Company has been devoted to transforming its business over the past several years and this has included pursuing a coordinated and global strategy for Volex and all its subsidiaries and managing the Group as a single enterprise instead of a group of loosely affiliated individual companies. Our global customers expect us to engage them in a globally coordinated manner and we have deployed our sales, engineering, manufacturing, and procurement teams around the world to best serve the requirements of our customers. As a result of this transformation and the manner in which we manage the enterprise and view ourselves, the Directors now consider that the singular name "Volex" most appropriately represents the Company and emphasizes the unity of our business and will strengthen the brand.

Resolution 13 – Adoption of New Articles of Association

It is proposed in Resolution 13 to adopt new Articles of Association (the "**New Articles**") in order to update the Company's current Articles of Association (the "**Current Articles**"), primarily to take account of changes made by the Companies' (Shareholders' Rights) Regulations 2009 ("**Shareholders' Rights Regulations**") and implementation of the last parts of the Act.

The principal changes are summarised on page 104 of this document. Other changes, which are of a minor, technical or clarifying nature, and also some more minor changes which merely reflect the 2006 Act or the Shareholders' Rights Regulations, have not been noted on page 104 of this document. The New Articles showing all the changes to the Current Articles are available for inspection, as noted on page 104 of this document.

Notice of Annual General Meeting continued

Resolution 14 – Notice of general meetings

Under the 2006 Act prior to 3 August 2009, the minimum notice period to be given for general meetings other than Annual General Meetings, was 14 clear days. However, the Shareholders' Rights Regulations amended this requirement by increasing the minimum notice period for general meetings of a listed company to 21 days but with an ability for such a company to reduce this period back to 14 days provided that

100

- (a) the Company offers a facility for shareholders to vote by electronic means. This condition is met if the company has a facility enabling all shareholders to appoint a proxy by means of a website, and
- (b) on an annual basis, a shareholders' resolution approving the reduction of the minimum notice period from 21 days to 14 days is passed

Resolution 14 therefore proposes that the minimum period of notice for all general meetings of the Company other than annual general meetings be reduced to 14 days. The shorter notice period would not be used as a matter of routine for such meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole.

The approval of this resolution will be effective until the conclusion of the Annual General Meeting in 2012, when it is intended that the approval will be renewed.

Resolution 15 – Cancellation of Preference Shares

The Board considers that this is an appropriate opportunity to seek to simplify the Company's capital structure by cancelling and repaying its issued Preference Shares. It is therefore seeking shareholder approval by way of special resolution to cancel and repay the Preference Shares by means of a reduction of capital at par value, together with the accrued dividend up to and including the date on which the reduction of capital of the Preference Shares becomes effective (the "**Effective Date**"). The proposed cancellation and repayment will require the conformation of the Court and, if this resolution is approved at the AGM, the Company will then seek the Court's confirmation of the cancellation. Prior to confirming the cancellation, the Court will need to be satisfied that the proposed cancellation does not adversely affect the interests of the Company's creditors. The Company will put in place such form of creditor protection (if any) as may be required by the Court. The proposed cancellation will take effect upon the registration of the Court order by the Registrar of Companies.

In the case of certificated holdings of Preference Shares, it is intended that the payment for the Preference Shares and the accrued but unpaid dividend will be made and cheques will be despatched to the registered addresses of the holders of the Preference Shares (the "**Preference Shareholders**") at their risk, within 14 days of the Effective Date. As from the Effective Date, Preference Shares in certificated form will be cancelled and share certificates for such Preference Shares will cease to be valid and should be destroyed.

On the Effective Date, Preference Shares held in CREST will be cancelled. Preference Shareholders who hold Preference Shares in uncertificated form will, within 14 days of the Effective Date, receive payment for the Preference Shares through CREST by the Company procuring the creation of an assured payment obligation in favour of the appropriate CREST account through which the relevant Preference Shareholder holds such uncertificated Preference Shares and payment for the accrued but unpaid dividend by cheque, to be despatched to the registered addresses of the Preference Shareholders, at their risk, within 14 days of the Effective Date. The Company reserves the right to pay any amount by cheque (instead of through the CREST system) if, for any reason, it wishes to do so.

Subject to the passing of Resolution 15, the Company intends to cancel the admission of the Preference Shares to the Official List and to trading on the London Stock Exchange's market for listed securities. It is expected that the cancellation of the listing will become effective on the Effective Date.

Recommendations

The Board of Directors of the Company consider the resolutions set out in the Notice of the Annual General Meeting on pages 101 to 102 of this document to be in the best interests of the Company and the shareholders of the Company as a whole and therefore recommend that you vote in favour of these resolutions.

Yours sincerely



Mike McTighe
Chairman

NOTICE IS HEREBY GIVEN that the ninety-first Annual General Meeting of Volex Group plc (the "**Company**") will be held at 10 Eastbourne Terrace, London W2 6LG on 25 July 2011 at 2 30 p m for the following purposes

Ordinary Business

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

- 1 To receive and consider the Reports of the Directors and the Auditors and the Accounts for the year ended 3 April 2011
- 2 To approve the Director's Remuneration Report for the year ended 3 April 2011, which is set out in the 2011 Annual Report and Accounts
- 3 To declare a final dividend recommended by the Directors of 2p per ordinary share for the year ended 3 April 2011, payable on 26 August 2011 to holders of ordinary shares registered at the close of business on 29 July 2011
- 4 To elect Paul Mountford, who has been appointed as a Director since the last Annual General Meeting of the Company, as a Director of the Company
- 5 To re-elect Karen Slatford as a Director of the Company
- 6 To re-elect Chris Geoghegan as a Director of the Company
- 7 To re-appoint PricewaterhouseCoopers LLP as auditors of the Company to hold office until the conclusion of the next general meeting of the Company at which the accounts are laid before the Company
- 8 To authorise the Directors of the Company to determine the auditors' remuneration

Special Business

As special business to consider and, if thought fit, to pass the following resolutions of which Resolution 9 will be proposed as an ordinary resolution and Resolutions 10 to 15 will be proposed as special resolutions

- 9 THAT the Directors be and they are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "**Act**"), in substitution for all subsisting authorities, to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company
 - (a) up to an aggregate nominal amount of £5,207,798, and
 - (b) comprising equity securities (within the meaning of section 560(1) of the Act) up to an aggregate nominal amount of £5,207,798 in connection with a rights issue in favour of the holders of equity securities and any other persons entitled to participate in such issue where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be practicable) to the respective number of equity securities held by them, subject only to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise,

and such power shall expire on the conclusion of the Annual General Meeting of the Company to be held in 2012 or on 30 September 2012, whichever is earlier, but so that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry, and the Directors may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such offer or agreement as if the power conferred by this resolution had not expired

- 10 THAT, subject to the passing of Resolution 9, the Directors be and are hereby empowered pursuant to section 570 of the Companies Act 2006 (the "**Act**") to allot equity securities (as defined in section 560 of the Act) for cash, pursuant to the general authority conferred by Resolution 9, as if section 561(1) of the Act did not apply to such allotment, provided that this power shall be limited to
 - (a) the allotment of equity securities in connection with an issue or offering in favour of holders of equity securities (but in the case of the authority granted under paragraph (b) of Resolution 9 by way of rights issue only) and any other persons entitled to participate in such issue or offering where the equity securities respectively may be attributable to the interests of such holders and persons are proportionate (as nearly as may be practicable) to the respective number of equity securities held by or deemed to be held by them on the record date of such allotment, subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory or the regulations or requirements of any regulatory authority or any stock exchange in any territory, and
 - (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £781,169,

Notice of Annual General Meeting continued

and such power shall expire on the conclusion of the Annual General Meeting of the Company to be held in 2012 or on 30 September 2012, whichever is earlier, but so that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry, and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred by this resolution had not expired

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 560(3) of the Act as if in the first paragraph of this resolution the words "pursuant to the general authority conferred by Resolution 9" were omitted

102

- 11 THAT the Company be generally and unconditionally authorised, pursuant to section 701 of the Companies Act 2006 (the "**Act**"), to make market purchases (as defined in section 693 of the Act) of up to 6,249,358 ordinary shares of 25p each in the capital of the Company ("**Ordinary Shares**") on such terms and in such manner as the Directors of the Company may from time to time determine, provided that
 - (a) the amount paid for each Ordinary Share (exclusive of expenses) shall be not more than the higher of (i) 5% above the average market value of an Ordinary Share as derived from the Daily Official List of London Stock Exchange plc for the five business days before the date on which the contract for the purchase is made, or (ii) an amount equal to the higher of the price of the last independent trade of an Ordinary Share and current independent bid for an Ordinary Share as derived from the London Stock Exchange Trading System or less than 25p per Ordinary Share, being the nominal amount thereof, and
 - (b) the authority herein contained shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2012 or on 30 September 2012, whichever is earlier, provided that the Company may, before such expiry, make a contract to purchase its own Ordinary Shares which would or might be executed wholly or partly after such expiry, and the Company may make a purchase of its own Ordinary Shares in pursuance of such contract as if the authority hereby conferred had not expired
- 12 THAT the name of the Company be changed to Volex plc
- 13 THAT
 - (a) the Articles of Association of the Company be amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Companies Act 2006, are to be treated as provisions of the Company's Articles of Association, and
 - (b) the Articles of Association of the Company produced to the meeting and initialed by the Chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association
- 14 THAT as permitted by section 307A of the Companies Act 2006 any general meeting of the Company (other than the Annual General Meeting of the Company) shall be called by notice of at least 14 clear days in accordance with the provisions of the Articles of Association of the Company provided that the authority of this resolution shall expire on the conclusion of the Annual General Meeting of the Company to be held in 2012
- 15 THAT the capital of the Company be reduced by cancelling and extinguishing all of the issued 7% cumulative preference shares of £1.00 each in the Company (the "**Preference Shares**") in consideration for which there shall be repaid to the holders of such Preference Shares, whose names appear on the register of members as such at the close of business on the day immediately preceding the effective date of the said reduction of capital, the nominal value of such preference shares together with an amount equal to any arrears or deficiency of the fixed dividend thereon

By order of the Board



Matt Nydell
Company Secretary
20 June 2011

Notes of the Notice of Annual General Meeting

1 Holders of ordinary shares in the Company are entitled to attend, speak and vote at the Annual General Meeting convened by this Notice. Any member or his proxy attending the meeting has the right to ask any question at the meeting relating to the business of the meeting. Subject to the expected payment of the fixed dividend arrears on the preference shares having taken place prior to the AGM, holders of preference share in the Company are in accordance with the Company's Articles of Association only entitled to attend and vote at the AGM in respect of the special resolution to cancel the preference shares (Resolution 15). Any instruction in the form of proxy will be invalid save to the extent it relates to Resolution 15. If the fixed dividend arrears are not paid prior to the Annual General Meeting, the holders of the preference shares in the Company will be entitled to attend, speak and vote at the Annual General Meeting convened by this notice.

2 A member entitled to attend, speak and vote at the above meeting may appoint another person as his proxy to exercise all or any of his rights to attend, speak and vote on his behalf. A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company.

To appoint more than one proxy you may photocopy the form of proxy. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate in the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

3 To be valid any proxy form together with any power of attorney or any authority under which the form of proxy is signed (or a duly certified copy of such power or authority) or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at the Company's Registrars, Proxy Department, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, no later than 48 hours (excluding any part of a day that is not a business day) before the time appointed for holding the meeting. If you submit more than one valid proxy for the Annual General Meeting, the appointment received last before latest time for receipt will take preference.

4 Completion and return of a form of proxy, other such instrument or any CREST Proxy Instruction (as described in paragraph 10 below) will not preclude a member from attending and voting in person, should he subsequently decide to do so.

5 Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the "Act") to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

6 The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 2 and 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

7 In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended) and section 360B of the Act, only the holders of ordinary shares or preference shares (as appropriate) entered on the register of members of the Company as at 6.00 p.m. on 21 July 2011 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting) shall be entitled to attend either in person or by proxy, and the number of ordinary shares or preference shares (as appropriate) then registered in their respective names shall determine the number of votes such persons are entitled to cast at the meeting. Changes to entries on the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend or vote at the meeting.

8 As at 15 June 2011 (being the latest practicable date prior to the publication of this document) the Company's issued share capital consisted of 62,493,578 ordinary shares of 25p each, carrying one vote each, and 80,000 7% cumulative preference shares of £1. Where the preference shares can vote, the total voting rights in the Company as at 15 June 2011 are 62,573,578. Where the preference shares cannot vote, the total voting rights in the Company as at 15 June 2011 are 62,493,578. The total voting rights in the Company as at 15 June 2011 are 62,493,578.

9 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

Notice of Annual General Meeting continued

104

Notes of the Notice of Annual General Meeting continued

- 10 In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK and Ireland Limited's ("EUROCLEAR") specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID RA 10) by 2.30 p.m. on 21 July 2011. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
- 11 CREST members and, where applicable, their CREST sponsors, or voting service providers should note that EUROCLEAR does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- 12 The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertified Securities Regulations 2001.
- 13 Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under section 527 of the Act, the Company may be required to publish on a website a statement setting out any matter relating to
 - (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting, or
 - (b) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.
- 14 A copy of this notice and the information required to be published by section 311(A) of the Act can be found at www.volex.com.
- 15 Copies of the terms and conditions of appointment of the Non-Executive Directors and the service contracts of the Executive Directors will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) and at the place of the Annual General Meeting from at least 15 minutes prior to and until the conclusion of the Annual General Meeting.
- 16 A copy of the new Articles of Association showing all the changes to the current Articles of Association of the Company will also be available for inspection at the registered office of the Company and at the offices of Travers Smith LLP at 10 Snow Hill, London EC1A 2AL during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of the Notice of the Annual General Meeting until the close of the Annual General Meeting and at the place of the Annual General Meeting itself from at least 15 minutes prior to, and until the conclusion of, the Annual General Meeting.

Explanatory notes of principal changes to the company's articles of association

1 The Company's objects

The provisions regulating the operations of the Company are currently set out in the Company's Memorandum and Articles of Association (the "Current Articles"). The Company's Memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The Companies Act 2006 (the "2006 Act") significantly reduces the constitutional significance of a company's memorandum. The 2006 Act provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the 2006 Act, the objects clause and all other provisions which are contained in a company's memorandum, for existing companies at 1 October 2009, were deemed to be contained in the company's articles of association but the company can remove these provisions by special resolution.

Further, the 2006 Act states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason, the Company is proposing to remove its objects clause together with all other provisions of its Memorandum which, by virtue of the 2006 Act, have been treated as forming part of the Company's Articles of Association since 1 October 2009. Resolution 13(a) confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's Memorandum of Association regarding limited liability, the proposed Articles of Association of the Company (the "**New Articles**") also contain an express statement regarding the limited liability of shareholders.

2 Articles that duplicate statutory provisions

Provisions in the Current Articles that replicate provisions contained in the 2006 Act are in the main to be removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution.

3 Authorised share capital and unissued shares

The 2006 Act abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required, save in respect of employee share schemes.

4 Redeemable shares

Under the Companies Act 1985 (the "**1985 Act**"), if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The 2006 Act enables Directors to determine such matters instead provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the Directors would need shareholders' authority to issue new shares in the usual way.

5 Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital

Under the 1985 Act, a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the 2006 Act a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly, the relevant enabling provisions have been removed in the New Articles.

6 Suspension of registration of share transfers

The Current Articles permit the Directors to suspend the registration of transfers. Under the 2006 Act share transfers must be registered as soon as practicable. The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power has been removed in the New Articles.

7 Vacation of office by Directors

The Current Articles specify the circumstances in which a Director must vacate office. The New Articles update these provisions to reflect the approach taken on mental and physical incapacity in the model articles for public companies produced by the Department for Business, Innovation and Skills.

8 Chairman's casting vote

The New Articles remove the provision giving the Chairman a casting vote in the event of an equality of votes as this is no longer permitted under the 2006 Act.

9 General Meetings

References to "Extraordinary General Meetings" have been removed in the New Articles as this term is no longer used in the 2006 Act.

10 Adjournments for lack of quorum

Under the 2006 Act as amended by the Shareholders' Rights Regulations, general meetings adjourned for lack of quorum must be held at least ten clear days after the original meeting. The Current Articles have been changed to reflect this requirement.

11 Borrowing Powers

The opportunity has been taken in the New Articles to simplify the provisions dealing with the borrowing powers of the Company and the limit on borrowing has been changed from two times the Adjusted Capital and Reserves (as defined in the Current Articles) to three times the Capital and Reserves (as defined in the New Articles).

12 General

Generally the opportunity has been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills.

Volex Group plc
10 Eastbourne Terrace
London W2 6LG
United Kingdom

T +44 (0)20 3370 8830
F +44 (0)20 3370 8831

www.volex.com
