

Volex plc

Annual Report & Accounts 2012

The Power behind the Power



In this year's report

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What we do

In this day and age, simply flipping a switch or pressing a button unleashes extraordinary new ways to communicate with others, entertain ourselves, collaborate with co-workers, care for our health – even drive a car.

These new products have a powerful impact on our lives. But they demand increasingly sophisticated means of connectivity and power themselves. In fact, how you engineer the data connection and power supply can influence just how much innovation and performance these products can offer.

This is why Volex works so closely with our customers. It's why we have brought on first-class design and application engineers and are re-tooling our production facilities. Because, without our engineering innovation and manufacturing prowess, all these "next big things" don't even get off the ground.



Consumer

Great design has become pervasive

Consumers are putting a premium on design. They're willing to pay more for good looks, as well as for greater performance or functionality. And nowhere is this truer than in mobile devices – or pervasive computing, as it's called – where your device speaks volumes about you. Of course, if that mobile device doesn't stay put for a while and get powered up, it's going nowhere. And that's where Volex-engineered solutions come in.

Telecoms/Datacoms

Sending a clear message

It's all about how good a connection you have. How much traffic can you handle? How fast can you transmit it? How clean is the signal at maximum speeds? Convergence and "the cloud" are creating an entirely new world in the Telecoms/Datacoms sector, but the common denominator is high signal integrity at high speeds – and the interconnects to support this performance come from some of the best signal-integrity engineers in the business.





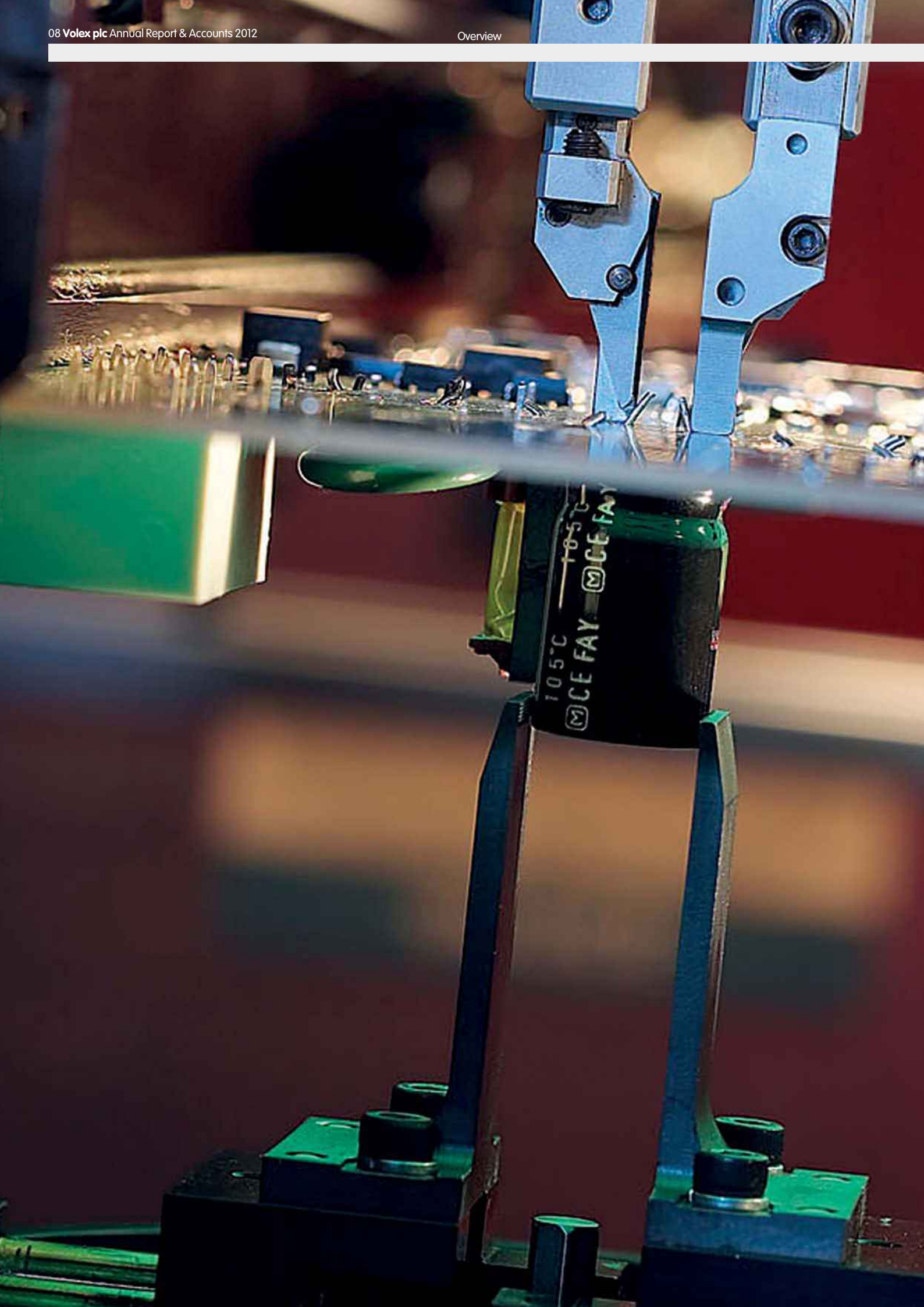


Healthcare

Get the picture?

The MRI machine has been around for 40 years. But not this MRI machine. This is a digital MRI, introduced in late 2010. Its image quality is profoundly improved, aiding accurate diagnosis. Its speed is enhanced, reducing the amount of time a patient is confined inside. It is a major innovation in magnetic resonance imaging and patient care – but without the high-quality interconnect components, there would be no images at all.





Industrial

Getting it spot-on

Do you have any idea how precise this machine has to be? How many times per minute it has to place a small object in exactly the right spot – one micron off point and it's a failure? This is here rugged-yet-flexible fabrication meets meticulous engineering. And how many times have we delivered for this customer? Enough that they have now standardised their designs on Volex-engineered solutions.

Highlights

Financial highlights

Revenue

\$517.8m ^{+6%}

2011: \$490.0m

Normalised⁽ⁱ⁾ gross margin

19.8% ^{+1%}

2011: 18.8%

Normalised⁽ⁱ⁾ operating profit

\$32.0m ^{+23%}

2011: \$26.1m

Statutory operating profit of \$23.0m
(FY2011: \$23.5m)

Normalised⁽ⁱ⁾ diluted earnings per share (EPS)

42.4 cents ^{+31%}

2011: 32.4 cents

Basic EPS of 30.4 cents, up 4%
(FY2011: 29.3 cents)

Free cash flow⁽ⁱⁱ⁾

\$18.3m ^{+\$12.5m}

2011: \$5.8m

Net cash

\$3.6m ^{+\$11.0m}

at 1st April 2012

3 April 2011: net debt of \$7.4m

Return on capital employed⁽ⁱⁱⁱ⁾

58% ^{+13%}

2011: 45%

Dividend

4.5 cents

final dividend of 3.0 cents proposed
2011: 2.0 pence

(i) Normalising for non-recurring items and share-based payments.

(ii) Free cash flow defined as net cash flow before dividends, payments to acquire own shares, refinancing costs paid and cash flows arising on disposal of operations.

(iii) Return on capital employed defined as normalised operating profit divided by net trading assets, where net trading assets is the aggregate of intangible assets (excluding goodwill), tangible fixed assets, inventory and trade and other receivables less trade and other payables.

Operational highlights

Further strengthened sales, technology and operations functions and additional investment made in our manufacturing facilities. Well positioned for further growth.



Greater embedding of engineers at customer sites improving our customer solutions and enabling the development of new products, such as digital broadband MRI solutions in the Healthcare sector.



Significant progress in developing our relationship with our biggest customer, resulting in increased allocations.



Step change achieved in our continuing IT infrastructure programme, bringing benefits across all functions.



Developed enhanced thermoplastic elastomers (TPEs) and halogen-free material handling capability, for use in other commercial applications and potential new markets.



New global culture initiative launched to support the execution of our strategy.



Chairman's letter

We believe your Company is well positioned, both operationally and financially, to deliver on its future growth plans.

Mike McTighe
Chairman



I am delighted to report another year of revenue and profit growth, particularly in view of the challenging macro-economic environment. Equally pleasing is the significant progress we have made in our continuing transformation to a customer-focused and innovation-driven organisation. As a result of this, we believe your Company is well positioned, both operationally and financially, to deliver on its future growth plans.

Resilient growth

Revenue of \$518m was 6% ahead of last year (FY2011: \$490m), with normalised gross margin* up to 19.8%, from 18.8% in FY2011. This margin growth helped to increase normalised operating profit* to \$32.0m, an improvement of 23% over FY2011, despite important investments, particularly in the sales, operations and technology functions. Normalised earnings per share* increased by 31% to 42.4 cents (FY2011: 32.4 cents). The non-recurring start-up costs of \$5.0m related to the introduction of new product lines for our largest customer has advanced our competitive position with this customer and generated a substantial step-up in our engineering, manufacturing and quality control capabilities. These undertakings will support the development of a higher-margin product portfolio, one of our core corporate goals.

Investing for further growth

To achieve the foundation for continued substantial, sustainable and profitable growth, the Company has made further targeted investments in people, platforms and processes. During the year, we augmented and restructured our sales organisation, under the leadership of a new Chief Sales and Marketing Officer. We have also enhanced our technology function, in order to better support innovation, improve our new-product development capability, and to ensure we are better placed to fully exploit revenue opportunities with existing customers. The continuing roll-out of LEAN manufacturing techniques, increased capital expenditure in our factories, and advancing the global employee culture initiative are further examples of the important investments made this year that will deliver growing returns in the future.

Increased dividend

Taking into account the strength of these results and our confidence in the future prospects of the Company, the Board is proposing a final dividend of 3 cents per share, increasing the full year dividend to 4.5 cents (FY2011: 2.0 pence), to be paid after obtaining shareholder approval at the AGM on 26 July 2012.

People

We continue to recognise that people will be the biggest determinant of our success. In addition to the vital new hires referenced above, the Company has made a significant commitment to a global cultural transformation programme that we hope will not only deliver better customer outcomes, but also help to make the organisation a more rewarding place to work.

On 2 May 2012, we were pleased to invite David McKinney to join the Board as Chief Operating Officer, a new Executive Director position. David was Chief Operating Officer of Pace plc from 2005 to 2012, and brings a wealth of operational and business experience which will be of great value to the Board in this next phase of the Company's development. On the same day, Paul Mountford resigned from the Board of Directors, due to the demanding time commitments of his primary role at Cisco Systems, Inc. The Board will miss the insights that he provided and we thank him for the contributions he made during his time with the Company.

Again, it is our pleasure to acknowledge the skills and dedication of employees throughout the Company, who have once more produced an exceptional performance. Their skills are the real assets of our Company and we would like to thank them for their valued contributions.

Outlook

The Board is pleased to have reported another year of very good results. It is particularly encouraging that the Company has delivered this strong financial performance while making substantial investments for the future and at a time of economic uncertainty. We are confident that our strategy of unwavering customer focus, greater innovation, and operational excellence will deliver significant returns for shareholders.

We enter FY2013 with positive momentum and are well-positioned to generate continued growth in revenues, margins and profit, in line with management's expectations.

Mike McTighe
Chairman

*Before non-recurring items and share based payments (see note 7 to the Financial Statements)

Volex at a glance

Volex 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: Consumer, Telecoms/Datacoms, Healthcare and Industrial.

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, PCs and tablets, printers, TVs, DVDs, games consoles, power tools, kitchen appliances and floor cleaning equipment.

Contribution to Group Revenue %



+9%

\$330.4m
(2011: \$304.3m)

Market drivers

- 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.

Key products

- Halogen-free power cords.
- 2nd-generation duck-head plugs.
- Customer joint designed power cords.
- Customer joint designed duck heads.

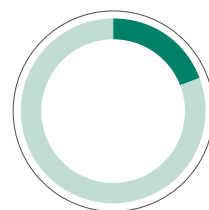
Customer successes

- Succeeded in supplying halogen-free power cords to a leading consumer brand for their new touch-screen tablet products.
- Involving the customer in joint product development to ensure business longevity and loyalty.
- Succeeded in supplying jointly developed power cords to a leading domestic appliance company in its new fan and heater products.

Telecoms/Datacoms

Our customers are manufacturers of vital equipment used in telecoms networks, 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 roll-out of infrastructure in many countries.

Contribution to Group Revenue %



–10%

\$99.4m
(2011: \$109.9m)

Market drivers

- Smartphone-led demand for internet services accessed over mobile-phone networks – leading to deployment of 3G and 4G/LTE networks.
- Ongoing build out of 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 'cloud'.

Key products

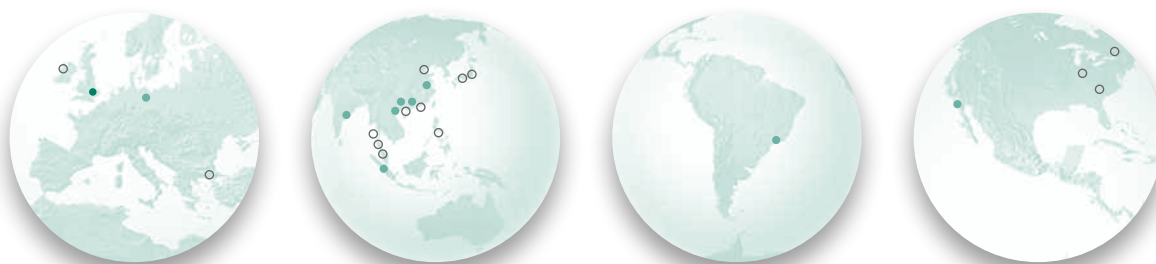
- High-speed copper cable assemblies.
- QSFP-FDR data rate.

- High-density miniSAS.
- Industry-standard input/output (I/O) cable assemblies.

Customer successes

- Brought on-stream a supply-centre in Mexico for a major Chinese telecoms-infrastructure manufacturer.
- Won new business supplying QSFP-FDR and fan-out cable assemblies to a leading US internet services provider.
- Engaged with the Chinese R&D-centre for a leading European telecoms infrastructure manufacturer to design cables for TD-LTE network equipment.





● **Global headquarters**
London
United Kingdom

● **Manufacturing units**
Brazil Jacarei
China Shenzhen,
Zhongshan, Suzhou
India Chennai

Indonesia Batam
Mexico Tijuana
Poland Bydgoszcz
Vietnam Ha Noi

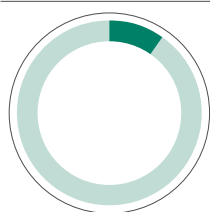
○ **Sales/Engineering units**
Canada Ottawa
China Hong Kong,
Beijing
Ireland Castlebar
Japan Yokohama,
Osaka
Malaysia Selangor

Philippines Laguna
Singapore
Taiwan Taipei
Thailand Bangkok
Turkey Istanbul
USA Hickory, NC,
Indianapolis, IN

Healthcare

Volex 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.

Contribution to Group Revenue %



+24%
\$51.7m
(2011: \$41.5m)

Market drivers

- 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.

Key products

- Complex customised medical harnesses.
- MR coil cables.

- Internal and external defibrillator paddles.
- Blood-pressure transducer cables.
- Hospital grade powercords.
- Optical fibre solutions.

Customer successes

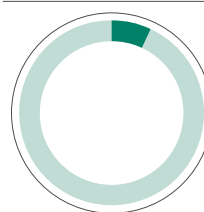
- Partnered with a global provider of kidney dialysis equipment, engaging in early design and development of cabling solutions for its new acute care platform.
- Provided on-site engineering to a leading customer to develop a complex harness solution for a new interventional X-ray system positioned as an 'economy' solution for emerging Asian markets.



Industrial

Volex supplies to customers in a range of industrial segments including vehicle telematics, solar power, agricultural equipment and manufacturing automation/robotics.

Contribution to Group Revenue %



+6%
\$36.3m
(2011: \$34.2m)

Market drivers

- 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.

Key products

- Complex cable assembly harnesses, tailored to specific types of industrial equipment.
- Standard input/output (I/O) cable assemblies.

Customer successes

- Long-term reliable, ruggedised product for OEM supplying commercial-vehicle telematics solution.
- Strengthened relationship supplying cable harnesses to OEM manufacturing test and measurement equipment used by consumer electronics manufacturers.
- Rugged cable harnesses and connectors for use with actuators and sensors, supplied to agricultural equipment manufacturer.



Our business model

Volex's business model is based on adding value to customer product lifecycles, delivered through our expertise in design and development, manufacturing and testing, and excellent service from a global footprint.

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.

Design & 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.

Customer outcomes

- High-performing interconnects enabling high performance by customer's equipment;
- Allow own engineering staff to focus on core issues.

Volex outcomes

- Positioned as technical expert for interconnects;
- Early engagement in customers' own design/ development cycles.

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.

Customer outcomes

- Best quality, cost, lead-time for interconnect components;
- Access to Volex expertise in managing interconnect supply chain.

Volex outcomes

- Deeper engagement and trust with customer;
- Best quality/cost components used, enabling price-competitiveness to our customers.

Investing in the business

Investing in assets such as manufacturing sites, tooling equipment, design software, and improved IT infrastructure. Net Capex in FY2012 was \$12.4m.

Our strategic drivers

At Volex we strive to be key partners in our clients' product development lifecycle. This is underpinned by our five strategic drivers which aim to identify and deliver valuable interconnect solutions for our customers, while increasing efficiencies and profitability across the Group.



1 Selling unique solutions

Engage strongly with customers to engineer, develop and manufacture interconnect and power cord products that solve customers' connection issues and priorities.

Example:

A new copper-based data interconnect has great appeal to customers wanting to cost-efficiently improve data-centre performance.

Benefits to Volex

- Identify and target industry-leading 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.



2 Increasing Volex content

Develop and acquire core technology competencies that can be applied to customers' business requirements.

Example:

For an MRI customer, design-in capabilities allowed us to double the Volex content in their latest model.

Benefits to Volex

- Collaborate in customers' entire product design and development process, leveraging our expertise and intellectual property.
- Align our technology roadmaps with those of the customer.
- Engage with the customers at an early stage of their product development cycles.

We aim for 'trusted partner' status with our customers whereby we can engage with their product development cycles at an early stage, to provide solutions that meet their specific requirements for product performance and quality, greater efficiency and timely delivery.

Customer outcomes

- Trusted supplier;
- Supplier who can 'add value' based on strong knowledge of business;
- Supplier aligned with customer's own objectives.

Volex outcomes

- Long-term, partnership relationship;
- New business opportunities.

Manufacturing & 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 3rd-party designs.

Our global manufacturing footprint and hubs enable localised production and effective inventory control.

Customer outcomes

- High-quality interconnects delivered at required volumes and deadlines;
- Interconnects that meet or exceed the technical performance requirements.

Volex outcomes

- Achieve the required technical performance of interconnects we deliver;
- Achieve the order volumes, dates and quality that customers demand.

Logistics & Delivery

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

Customer outcomes

- Effective supply lead-times for interconnects, delivered to sites in different regions.

Volex outcomes

- Fulfil orders on time, to different regions.

Return to Shareholders

In 2011, as a result of confidence in the Group's prospects, Volex resumed payments of dividends (2.0 pence per share). For FY2012 the Board is recommending a full-year dividend of 4.5 cents per share.

Investing in people & culture: getting the right people on board, and enabling training and development for all staff.



3 Manufacturing excellence

Exceed customer expectations for product fit, form and function 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.

Example:

Upgrading equipment, processes and training enabled the Group to meet unprecedentedly rigorous demands from our largest customer.

Benefits to Volex

- 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 process.



4 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.

Example:

A supply chain that supports just-in-time manufacturing is critical for single-sourcing customers, like the floor-care customer who gave 100% of their power cord/harness business to us.

Benefits to Volex

- 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.



5 Global manufacturing footprint

Maintain production facilities on four continents in order to be a 'local' supplier to customers and better support their own lean manufacturing and speed-to-market objectives.

Example:

When a consumer-electronics customer went through major supplier-consolidation, our global manufacturing footprint was a factor in keeping their business.

Benefits to Volex

- Positions Volex as possible supplier-of-choice to major customers who need to operate globally.
- Provides flexibility in the face of customer-demand spikes or during times of Volex facility upgrades.

Our measurements of success

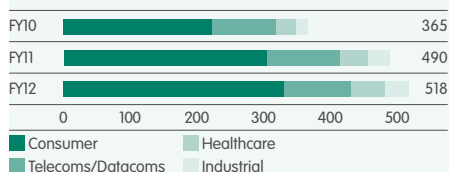
Volex has performed well during FY2012, despite the challenging macro-economic environment, delivering revenue and profit well ahead of last year. Recognising the increased investment we have made in FY2012, and will continue to make in future as we continue on our transformation programme, we have added two new financial KPIs this year, free cash flow and return on capital employed, to improve our tracking of progress against our evolving strategic objectives.

Financial KPIs

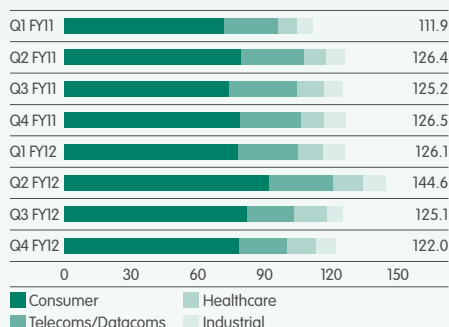
Revenue by sector annual, \$m

FY2012 vs FY2011 growth

+6%



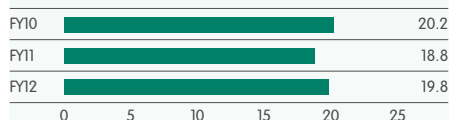
Group quarterly revenue by sector, \$m



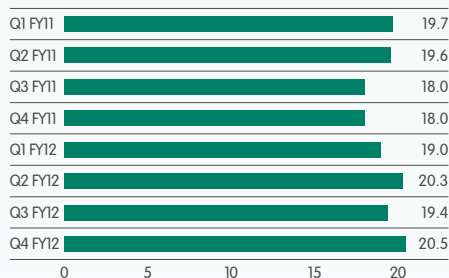
Group gross margin annual, %

FY2012 gross margin growth

+1.0%



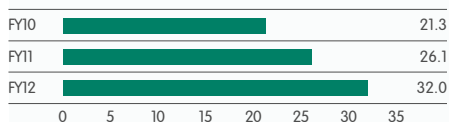
Group gross margin quarterly, %



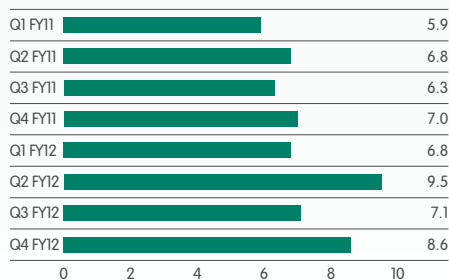
Normalised operating profit annual, \$m

FY2012 vs FY2011 growth

+23%

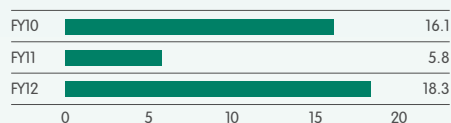


Normalised operating profit quarterly, \$m

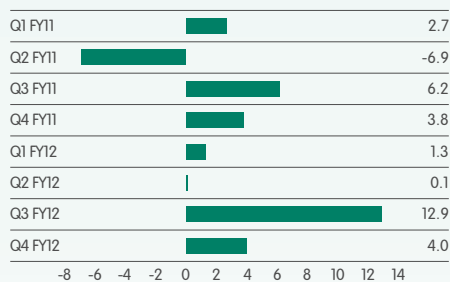


Free cash flow annual, \$m

FY2012 vs FY2011 growth

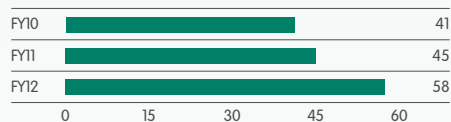
+212%

Free cash flow quarterly, \$m

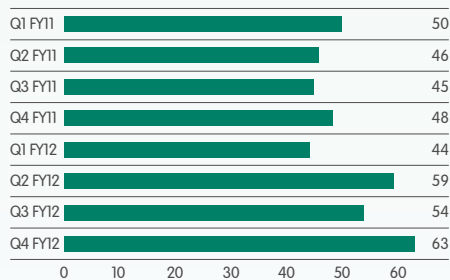


Return on capital employed (ROCE) annual, %

FY2012 ROCE growth

+13%

Return on capital employed (ROCE) quarterly, %



Non-financial KPIs

In addition, the Company has acknowledged certain non-financial areas that will become increasingly important as we seek to fulfil the Company's true potential. As a result, four new non-financial KPIs are being developed and these will be reported in our FY2013 Annual Report.

Area	Measure
Customer centricity	Satisfaction score from customer survey
Innovation	New product/customer introductions
Culture	Score from internal employee culture survey
Enterprise excellence	Quantitative operational excellence metric

Chief Executive's market and performance review

We have laid the foundation for even more robust growth.

Ray Walsh
Group Chief Executive



Our FY2011 annual report was entitled 'Building for the Future' – and we vigorously pursued that objective during the financial year. We have laid the foundation for greater growth by hiring top-level talent in operations, engineering, and sales and marketing that will maximise the potential of our enhanced capabilities, improve our IT platforms and upgrade and expand our production facilities.

Deliver on our strategy

Our primary objective is very simple and straightforward: deliver competitive advantage for our customers. For the past three years, the driving strategy for fulfilling that objective was to bridge the gap from being a price-sensitive, commodity supplier to a full-service supplier with high-end engineering expertise, a diversified product line, and the ability to help our customers succeed in their own marketplace.

This strategy demands that we add value for our customers, not simply fulfil a supplier contract. It's a very different way of thinking and working from where we were a few years ago, when we were generally a second-source supplier to the firms who owned the engineering relationship. We have improved supply assurance so our customers know what they can count on in their own manufacturing schedules. And we are driving substantial improvements in production cycle-times in order to enhance our customers' own speed-to-market.

The cultural transformation under way at Volex has been beneficial. We can't make Volex's performance transformation happen if only a few people are operating at the highest level; we need all 8,000 Volex employees focusing on the needs of the customer, on delivering higher-quality products, on continuously looking for opportunities to improve. These improvements are beginning to take hold. The cultural transformation and training at our China facilities, for instance, in combination with major upgrades in machines, tooling and plant management, will give us truly world-class capabilities in low-cost locations.

Finally, investment in technology upgrades is also playing a role, supporting new and more productive ways of working. The IT investments have Volex on the road to operating more strategically, driving more insightful decision-making and quicker, more targeted responsiveness to our customers' needs. We are moving towards greater transparency into our business, which is being driven by customers seeking strategic partners rather than order-taking suppliers. Operationally, we are working towards IT-enabled improvements across virtually every function: supply chain systems will eventually be fully integrated; processes are being re-engineered and automated; quality assurance is enhanced through more reliable testing. The technology upgrades in our production facilities, in machines, tooling and processes, are also starting to contribute to increased product quality, production speed, and our ability to meet tighter and more sophisticated specifications.

Focus on customer needs

What we're doing is more than just listening to the customer, more than just gaining an understanding of their needs. It's about establishing a fully developed strategic partnership, working side-by-side through design and development activities to co-create interconnect solutions as integral components of our customers' products.

A continuing priority for us is to engage our customers' senior executives (the 'C-suite'), moving away from our history of being considered a commodity supplier which engages only through procurement teams. We challenge C-level officers on how much they spend on internal interconnect-design engineers; on how much money is at stake if a late cable assembly delays a product launch; and on how often they have problems with the quality of products from outsourced vendors. We emphasise our strategic commitment to engaging engineer-to-engineer with our customers' own product developers, locating our staff at customer sites for extended periods.

Invest in talent

Much more can be done when you have the right people – and we're bringing in the right people all over the organisation.

- **Executive management** We've sought people with experience on a global scale, people who know what our global clients are looking for, who understand the challenges a global client faces and how they must respond to gain competitive advantage.
- **Engineering** With the design and applications engineers and material science specialists we have brought in, we're able to provide new services, develop intellectual property, and respond more quickly to customers' needs.
- **Plant management** We have invested in new plant management in several facilities, most notably our largest facility in Henggang, China.
- **Sales organisation** A transformation is afoot here as we are bringing in more sales engineers who can talk strategically about all aspects of solution development – because part of improving a customer's speed-to-market is how quickly we can put an engineer on the ground to convert our customers' concepts into design.

The cultural transformation under way at Volex has been beneficial. We can't make Volex's performance transformation happen if only a few people are operating at the highest level – we need all 8,000 Volex employees focusing on the needs of the customer, on delivering higher-quality products, on continuously looking for opportunities to improve.

Chief Executive's market and performance review continued

Our markets

We operate in four markets – and they are all in constant flux. We have to be able to anticipate those changes and provide pre-emptive solutions, not simply react. We are funding new engineers across all sectors, developing a quick-response mechanism for any emerging strategic opportunity and getting our top management more involved further down the client list.

- **Consumer** Design has become a differentiating quality in the consumer sector. It has to look good. It has to look different. No matter what sub-sector of consumer products we work in, from personal electronics to vacuum cleaners, the customer is looking for a product that does more, with higher quality, while looking better – yet is still reasonably priced. Our growing expertise and proven track record in design as well as advanced materials science are creating new opportunities for us.
- **Telecoms/Datacoms** Speed and size are primary concerns as the convergence of personal communications and content drives consolidation in the marketplace. Globalisation has also hit the sector and customers are looking for vendors with a global footprint to match their own. Meanwhile, the dominant technology that is most influencing the marketplace is cloud computing as more and more organisations put their applications and information in third-party data centres. High-speed data interconnects are a critical need, where for example there is a consistent flow of new opportunities for us in high-speed copper interconnects for the short-distance connections in data centres.
- **Healthcare** Image-guided therapies are our strong suit – and never more so than now after we brought on some very high-powered signal-integrity engineers: signal integrity is critical to accurate diagnoses from MRI or ultrasound images. Also, the healthcare marketplace continues to be promising as demographics and emerging markets drive new opportunities. Our enhanced engineering expertise and global footprint is laying the groundwork for more design-in contracts with customers looking for a single-source supplier.
- **Industrial** The industrial sector has become information-driven. Whether it's assembly-line robotics or the multitude of sensors placed on the modern truck to feed the driver and operations hub with crucial data. This has put a premium on signal integrity to ensure the accuracy of the data. Given the diversity of harsh environments in which many industrial products must operate, and the demands of rapid repetitive movements, our ruggedising capabilities and advanced materials science expertise are also in growing demand.

FY2012 Performance

	Revenue			Normalised Gross Margin		
	2012 \$'000	2011 \$'000	% Var	2012 %	2011 %	Var
Consumer	330,372	304,336	9	17.9	17.6	+0.3 pts
Telecoms/Datacoms	99,440	109,948	(10)	21.2	18.8	+2.4 pts
Healthcare	51,663	41,536	24	27.5	23.4	+4.1 pts
Industrial	36,294	34,189	6	22.6	23.6	-1.0 pts
Total	517,769	490,009	6	19.8	18.8	+1.0 pts

One way to analyse the past year is through revenue growth. We achieved a record first half delivering 14% revenue growth. The first half provided proof of concept for our strategy: this is what we can accomplish when circumstances are under our control. We faced headwinds in Europe, the US and China, due to customers exercising caution in the face of financial uncertainty, while the flooding in Thailand upset the computer hard-drive supply chain, constraining production in the consumer market. So, while revenue slowed in the second half of FY2012, we ended the year with healthy growth of 6% over last year, generating revenue of \$517.8m.

There's an additional critical indicator of the long-term promise of our strategy, however: an increase in normalised gross margin. One of the practical advantages of focusing on customer needs is that it positions us to offer more value – and when we offer more value, customers are willing to pay more for our services. Our normalised gross margins have been on a longer-term upward trend, and margins in FY2012 increased one percentage point to 19.8%. This is a trend line that we will continue to work on. In addition to our own initiatives to raise our game, the innovators among our customers have driven us to acquire capabilities that have become potent differentiators that deliver competitive advantage. These include high-precision plastic injection moulding, high-speed interconnects, medical imaging technology, and signal integrity innovation.

You can see the true impact of these new capabilities when you look at some of the sector numbers for FY2012. Take the Healthcare sector, for instance. While we have begun expanding into new sub-sectors, imaging system applications still make up the bulk of our business. When the quality and acuity of an image can be the difference between life or death, data speed and signal integrity are paramount. Our growing expertise in this area has led to an increase in design-in work. We now have more long-term partnerships, more co-creation initiatives, and have seen a jump of 4.1 percentage points in gross margin to 27.5%.

Signal integrity expertise is just one of those enhanced capabilities we have to offer, but it comes into play in each one of our four sectors. In the consumer sector, for example, where new permutations of connectivity are now increasingly important in the personal electronics segment, our profit margin increased by 0.3 percentage points to 17.9%. In the Telecoms/Datacoms sector, where high-speed data interconnects are shuttling terabytes of mission-critical data between tens of millions of users and the cloud, profit margins rose 2.4 percentage points to 21.2%. Only in the industrial sector did we see a drop-off in gross margins, down 1 percentage point to 22.6% due to lower volumes in the third quarter, with annual revenue growing by 6%.

Compounding these enhanced capabilities with applications engineering, global manufacturing footprint, high-end production in low-cost locations and attentive and insightful customer responsiveness, among other factors, and you can see that we are well positioned to continue our impressive growth and enhance our status as one of the top-level suppliers worldwide.

Outlook for FY2013

While we are working hard to climb the ladder to industry leadership, we can never feel satisfied that 'we have arrived.' We will continue to recruit more talented and experienced people. We have plans to do a comprehensive overhaul of our manufacturing processes over the next several years to continue to improve the efficiency of our facilities. We will also continue to look for new ways of working with our customers to provide greater benefit to them.

We expect, as a result, to continue to grow our role and expand our business with our existing customers, and to secure new customers who are looking for the competitive advantages we are increasingly able to give them.



Ray Walsh
Group Chief Executive

Operating review

Consumer

Behind the scenes

Sometimes the customer just wants to know you care. This was the case with the Asia-based computer giant for whom Volex had always been just another price-sensitive commodity supplier. This has changed in the last 18 months, since our global account manager, Emily Chan, began working more closely with the customer's global commodity manager and upped the ante: if Volex gave the customer the top-priority treatment it deserved, would it respond by upping the Group's allocation of business?

Through process re-engineering and intensive training on customer-centricity, Volex's focus on the customer soared, as did customer satisfaction levels. In return, so did the Group's allocation, with global allocation growing from less than 20% to more than 40%. Subsequent line additions have been made or are in the works. New, much more specialised product contracts are also on tap.

The year-on-year revenue growth in FY2012 with this customer: 97%.



Business focus

The consumer products marketplace for Volex is incredibly diverse:

- **Computers and printers** This sub-sector makes up about 50% of our sector revenue, with customers representing both design-centric and price-sensitive extremes. It also includes computing peripherals and smartphones.
- **Consumer electronics** With the increasing convergence of computing and home entertainment, the LCD televisions and DVD players in this consumer category are a natural extension for the Group.
- **Domestic appliances** Another major sub-sector, this primarily includes garment-care products like steam irons, but also includes fans, standalone room heaters, and rice-cookers.
- **Floor care** Volex makes the power cords and harnesses for vacuum cleaners and related floor-care products.
- **Power tools** These are home-construction power tools like saws and drills, for both the do-it-yourself market and the professional user.

Market drivers

Distinctive design has become a competitive advantage in the consumer sector. There is a move to higher quality that cuts across all the various sub-sectors, as design is driving the consumer experience. Customers are demanding more functionality, more portability and more aesthetic quality.

But they also want value for money. Particularly in light of the recent challenges to the global economy, cost-reduction remains an overarching influence on all markets. In the consumer sector, however, there are two distinctive trends at work:

- **Streamlining part numbers** Volex customers are streamlining the number of parts they use across their range of product models, standardising on a few basic designs rather than creating multiple variations with insignificant differences. This cuts costs – and often makes the consumer shopping experience less confusing.
- **OEM outsourcing to ODM** Another cost-cutting strategy is for original equipment manufacturers (OEMs) to outsource a greater amount of the production to original design manufacturers (ODMs) who are already doing a great deal of the product production and assembly.



FY2012 Performance

With revenues of \$330.4m, the Consumer sector achieved 9% growth over FY2011. In addition to product line extensions, benefits were realised from the move to single-sourcing. One major customer, for instance, is moving 100% of its power cord and harness business to Volex. Normalised gross margins also improved, gaining 0.3 percentage points to 17.9%. Expanding the number of design-in customers, in a sector that is increasingly putting a premium on design, is helping to drive gross margin gains.

The Group's customer-centric approach has led to new and enhanced capabilities and processes to better meet the needs of its customers. Additional factors have also come into play to better position Volex for continued growth in years to come. Here are a few of the developments of FY2012 that have created promise for the future:

- **Investment** Exceptional start-up costs of \$5.0m were incurred to enable new product introductions; specifically the migration from PVC to halogen-free power cords, combined with significantly higher technical and cosmetic standards. These new products necessitated wide-ranging improvements to our manufacturing know-how and investments in higher grade tooling and precision moulding technologies. These improvements represent a significant step-up in our engineering, manufacturing and quality control capabilities, and have served to strengthen the relationship with our largest customer.
- **Supplier consolidation** The sector team has been successful in the face of OEM's streamlining part numbers and consolidating their suppliers. For example, a large customer recently consolidated the number of its power cord suppliers from more than 10 to only 4; Volex was selected as one of those four, due to quality, engineering capabilities, global supply chain footprint, and price.
- **Relationship-building with customers and contractors** We have benefited from stronger relationships with OEM partners, which provide a competitive advantage when they pursue a strategy of outsourcing to ODMs. With one major OEM customer, for example, the Group was able to leverage its relationship, which resulted in the OEM insisting that their ODM continue to use Volex as the power cord supplier for their LCD and LED televisions after moving nearly half of their TV business to the ODM.

Outlook for FY2013

The new products developed this past year are platforms for major sector growth in FY2013. The introduction of a USB charger with a small form factor is a good example. Initially designed for a specific OEM, it provides an opportunity for Volex to break into the third-party accessory market. Qualities developed for other sectors are being applied to our consumer sector to good effect, e.g., ruggedising capabilities that were driven by the needs of the Industrial sector are now being marketed to – and bought by – floor-care customers. High-speed data cables, originally designed for the Telecoms/Datacoms sector, are now being applied to TV networking customers. Finally, there are opportunities to leverage existing OEM relationships to win new work with ODMs after they realise the benefits Volex can deliver, particularly since ODMs tend to operate as a global supplier and are looking for global sub-contractors to supply them.

Product-development and cross-sector marketing opportunities like these show great promise for FY2013.

Operating review

Telecoms/Datacoms

Business focus

The meteoric rise of data traffic has totally transformed the Telecoms/Datacoms sector in recent years – as well as the solutions required.

- **Telecommunications** The continued growth of the mobile communications industry is opening up more opportunities, both at the cell site and for the core network and the Group continues to provide product for fixed-line telecom equipment.
- **Data communications** Interconnects are being supplied for high-speed computing and data-centre environments.

Market drivers

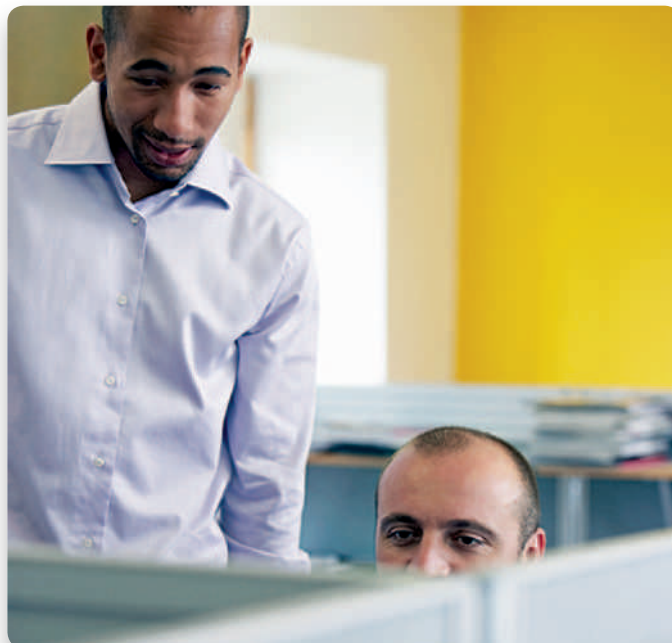
Convergence and emergence are the dynamic in this sector, as telecom and datacom continue to merge, and the rapid growth of mobile communications and cloud computing continues.

- **Industry consolidation** Telecom giants continue to merge in a chase for economies of scale and market expansion. Increasingly, however, there has also been cross-sector consolidation, as data companies seek infusions of cash and telecom companies gain access to new arenas of advanced technologies. The outcome is vendor consolidation. As global telecom companies achieve their global reach through M&A activities, they seek suppliers (such as Volex) who operate on a global scale and offer high-end capabilities and a comprehensive product line, with whom they can establish a single-source supplier partnership.

- **Convergence** Emerging platforms, driven in part by the mobile sector, are moving towards ultimately supporting a seamless integration of voice and data services, and of text, audio and video content.
- **Smaller, faster and greener** Speed and miniaturisation have become high priorities. Analogue interconnects are in decline as the switch is made to digital signals. Telecom companies are moving predominantly to fibre optics in their networks (e.g. fibre to the exchange, FTTX), elevating transmission speeds and eliminating bottlenecks. Mobile network base stations, while becoming much smaller in size, are working at orders-of-magnitude greater speeds. Finally, data-centre managers are always looking to address the dual challenges of excess heat and greenhouse-gas emissions.
- **Cloud computing** Cloud computing has become a major phenomenon in both business and consumer computing, leading to rapid growth of data centres and a co-incident demand for those smaller, faster and greener solutions.

FY2012 Performance

Geographic dynamics and macroeconomic factors played a big hand in sector revenues in the year. In the US, the AT&T acquisition proposal (for T-Mobile USA) put a great deal of prospective business on hold in the second half of the year. In Europe, uncertainty brought on by the sovereign debt crises again put the brakes on business, particularly in the second half of the year. India remained adversely impacted by continued delays in



Behind the scenes

True collaboration demands a great deal of trust. A trust that extends well beyond the formality of non-disclosure agreements to a deep belief that this particular collaborator is the single best partner to help you meet your objective. When you have that kind of trust, you realise that you don't have to rely solely on printed product specifications and conference calls to get precisely what you want.

That is the kind of trust a leading datacom provider had with Volex. They wanted to know exactly how their product would perform with the Volex solution in place. So they actually shipped their product to the Group's Chinese production facility so that Volex engineers could meticulously customise the testing process – and give them the high-performance data-transmission interconnect that has helped make them a leading datacom provider.



network infrastructure roll-out. Taken together, these factors led to a decrease in revenues of 10%, to \$99.4m. More positively, normalised gross margins increased 2.4 percentage points to 21.2% as a result of selling more of our higher-margin products, due to earlier involvement with customers enabled by the sector's growing design expertise.

There were additional developments during the year that show promise for FY2013:

- **New product** Volex's datacoms business benefited in FY2012 from the introduction of the Group's QSFP product, which exploited an interim move to high-speed copper interconnects for short-hop transmissions in data centres as customers looked for new cost-cutting measures. Riding the momentum of the QSFP wave, Volex is targeting additional major players in the data-centre space for new-business opportunities in FY2013.
- **Expertise and capabilities enhancement** The Group's continued talent development, particularly in engineering resources, will continue to create opportunities. For example, for a major Chinese telecoms OEM, Volex was selected in FY2012 as the only data-interconnect partner for this telecom company's significant overseas business.
- **Early customer involvement** Volex's move to work more closely with the customer is already showing results. There is more early involvement in the customers' strategic R&D process and product-design process. The conversations have escalated from being primarily with procurement officers, as they once were, all the way up to the customers' CTO: Volex's role as a valued partner is increasing.

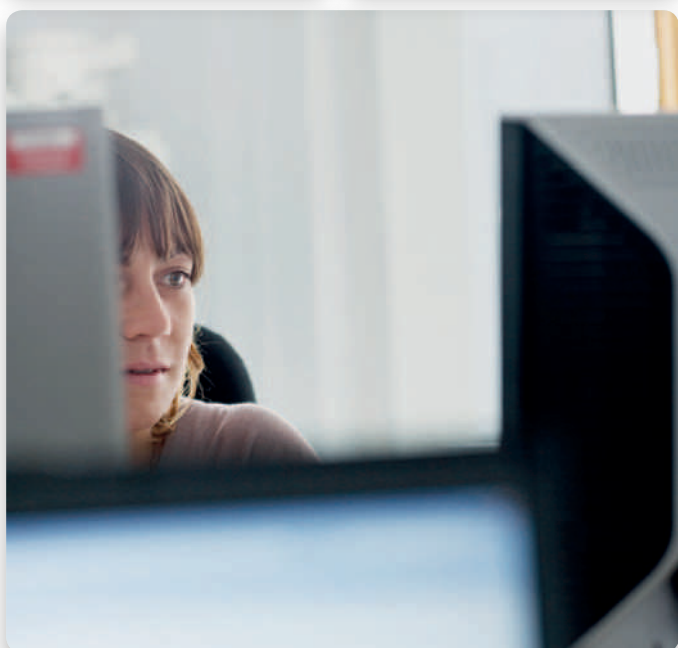
Outlook for FY2013

While uncertain market conditions are expected to continue to affect levels of investment in the telecoms industry, our sector team is well placed to build on the strategies established during the year. The high-speed QSFP datacom product will continue to be a sought-after solution as we continue to expand the Group's presence in the data-centre sector, while continuing to develop more advanced, fibre-based solutions.

As a result, the Group is winning more contracts for specialised products that are further tailored to customers' needs. In addition there are new market opportunities to explore in active optical cable assemblies and high-speed input/output cable assemblies for 100Gb/s transmission. China is expected to provide significant growth opportunities, particularly in the datacom sector.

Operating review

Healthcare



Business focus

The Group's primary focus in the Healthcare sector has traditionally been in imaging systems, such as MRIs and ultrasound machines, which represents approximately 70% of revenues for the sector. Overall, Volex's activity extends across several medical segments:

- **Imaging systems** which encompass magnetic resonance imaging (MRI), X-ray, ultrasound, nuclear medicine.
- **Clinical diagnostics** such as blood analysis, magnetic resonance imaging, immunoassay, and screening and monitoring systems for cancer, cholesterol and diabetes.
- **Medical therapy systems** which range from defibrillators and ventilators to dialysis systems and ultrasound machines.
- **Patient care equipment** with motorised components, like hospital beds, dental chairs, wheelchairs, and gynaecological tables.
- **Surgical systems** which include electrosurgical equipment, heart-lung machines and blood-flow systems.
- **Patient monitoring equipment** which keep track of everything from heart and lungs to oxygen flow, respiration and patient body temperature.

Market drivers

In the Healthcare sector there is a constant flow of new opportunities:

- **Emerging markets** 'Middle-class' populations in China and India, in particular, are growing dramatically, with commensurate demands for an upgrade in their care. Accompanying this burgeoning middle class is continued growth of the chronic diseases that follow from the middle-class lifestyle and diet, such as type-2 diabetes and forms of heart disease.
- **Ageing population** Demographic changes are increasing the number of patients seeking treatments, spurring ever-earlier diagnoses and home healthcare solutions such as patient self-monitoring.
- **Cost-containment pressures** The push to control rising medical costs is putting a greater emphasis on preventative care, early diagnosis, less invasive procedures and greater automation in treatment. Playing into Volex's strength is an increasing reliance on image-guided therapies.
- **Globalisation** Global customers are looking for a single-source supplier who can meet their needs across a full range of price points. To that end, they want suppliers who have a global reach, with robust, globally distributed supply chains.

FY2012 Performance

Promising new wins. Vital expansion of existing customer business. Investment in emerging markets. These all drove strong business growth in the year. The recent trend of strong year-on-year growth in the Healthcare sector continued, with revenue for the Group's Healthcare sector growing 24% to \$51.7m. The increase in margins was also impressive: gross profit margin increased 4.1 percentage points to 27.5%.

Some of the same factors behind the significantly increased performance in FY2012 position Volex for continued success in the sector, specifically:

- **Growth with existing customer** Our largest healthcare customer is well up the Fortune Global 500 list; we have succeeded in winning new business with companies that have recently been acquired by this customer.
- **Expansion into new segments** New business was won in such areas as kidney dialysis machines, drug delivery systems and infection-control systems like sterilisers.
- **Leveraging the global footprint** Volex's opportunities are bolstered by the Group's global production footprint. With production facilities located worldwide, Volex is better able to support the needs of the global customer looking to single-source its suppliers, especially since recent systems-integration initiatives across the supply chain better enable the Group to provide a seamless experience for customers.

Those customers with the greatest margin-growth potential are looking for early involvement of their suppliers in the design process. Volex's continued enhancement of its engineering capabilities – particularly in providing value-adding speciality qualities, like signal integrity and advanced materials science – are providing the groundwork for long-term partnerships devoted to co-creation initiatives.

Finally, with increased regulatory controls, not to mention when human life is on the line, Volex's development of robust quality systems is raising the Group's appeal as just that kind of valued partner.

Outlook for FY2013

A perfect example of what FY2013 holds in store is a brand new kidney dialysis system that will be launched in late 2012: it's a new customer and a new segment, and Volex engineers co-created all the cable assemblies at the customer's facility. This is the model the Group is trying to emulate as it pursues new business in image-guided surgical systems, cardiac therapies, blood analysis, anaesthesia delivery and incubators, among other target areas.

Behind the scenes

Kristof Winters knows his way around an MRI machine. He's one of our field application engineers, and he'd been working on this particular project since 2008, working on-site at the OEM's facility. He was almost more their employee than ours.

It showed in the results. This groundbreaking digital MRI launched in late 2010. Due to Kristof's design-in work, Volex content in this machine's hybrid cable harness and data transmission assemblies was twice that of previous MRI models. Year-on-year revenue for the healthcare sector in that region nearly doubled.



Operating review

Industrial



Business focus

The Industrial sector presents a wide variety of opportunities for Volex:

- **Agriculture** Cable harnesses and data interconnects allow farmers to operate agricultural machinery remotely through GPS systems.
- **Transportation** The Group supports telematics with data interconnects to sensors for everything from real-time tyre pressure readings to security systems that prevent theft.
- **Manufacturing** Data transmission interconnects handle the thousands of transmissions a second required for industrial robotics, with the flexibility and durability to accommodate millions of repetitive movements in a cable's lifetime.
- **Energy** Cabling and harnesses are in use in renewable energy sectors such as wind and solar, as well as progressive energy initiatives like smart meters.
- **Industrial test and measurement** Cable harnesses are able to handle extreme conditions while providing high data-transmission speeds.

Market drivers

Some market drivers, like single-sourcing from suppliers with a global footprint, and increasingly customised design requirements, cut across all of the Group's sectors. But some are specific to this sector, such as:

- **Growing prevalence of sensors** The world is becoming sensor-dependent. CNN recently named data analytics the leading job opportunity in the year 2020. But the analytics won't be timely if data is just dribbling in. They need high-speed interconnects capable of handling the speed and size of today's data transmissions.
- **Increasing automation** Robotics on assembly lines. Testing equipment in steel furnaces. Industrial customers are moving to greater automation, even in the huge manufacturing centres of China, and particularly for conditions that are too harsh for efficient manual operations. This has put a premium on durability in extreme conditions.

FY2012 Performance

Revenue growth for the year was 6%, with total revenues of \$36.3m. Although in line with annual revenue growth of 6% for the Group as a whole, sector revenue in the second half was held back by de-stocking at one major customer. This de-stocking occurred primarily in Q3 and encouragingly revenue rebounded in Q4 to levels closer to those reported in the first half of the year.

New projects were won with anchor customers, including a manufacturing-automation customer which has standardised on Volex products. Significant development also occurred in the growing segments of renewable energy and assembly automation (robotics). Normalised gross margin of 22.6% declined one percentage point from FY2011, due principally to lower volumes in Q3.

Several developments during FY2012, aligning with some of the market drivers, bode well for future Volex performance in this sector:

- **Design-in contracts** Design agreements were signed with existing customers, with design engineers placed on-site at customer facilities. Robust testing capabilities were brought online. One customer standardised all their design around the Volex product, citing product quality, engineering expertise, and certainty of supply from our global footprint and integrated supply chain.
- **Customer-centric support** The LEAN manufacturing initiative enabled our globally distributed production facilities to better support our customers' just-in-time inventory management practices. The Group's customer managers understood the issues, were sensitive to clients' specific needs, and drove solution development that ensured those needs were met. This resulted in winning more than one 'Best Supplier' award.

Outlook for FY2013

The market is looking for complete collaborative design solutions, including the use of eco-sensitive materials, and ever-shorter design cycles to support their time-to-market mandates. Volex is well-positioned to benefit from this trend and this is an opportunity for the Group to leverage further the build-up of design engineering capabilities.

Another opportunity being developed lies in harsh-environment solutions. Since Volex customers' products are often subject to extreme conditions, they need to be ruggedised. To that end, the Group has added harsh-environment specialists. Volex is also forging new ground in materials science R&D, going so far as to develop collaborative relationships with several leading universities and testing labs.

The Group will also look to move into adjacent markets, winning new work with the suppliers to the OEMs we already do work for. In addition Volex is moving into previously untapped market opportunities such as the public sector in the USA, where Volex sees opportunities in 2013 to supply a range of our existing products to currently-contracted government suppliers and service-providers, while also targeting new framework contracts working with new distribution partners.

Behind the scenes

The transportation sub-sector has evolved dramatically for Volex in recent years. From power assembly harnesses for long-haul tractor trailers, to the data-transmission interconnects that make telematics possible and are the platform for the logistics side of the shipping industry.

Armand Romero has seen the evolution happen from the inside. He has worked for the same company in San Diego for 18 years – as an employee of Volex, servicing that San Diego customer. They see him as a subject matter expert, as a trusted advisor, as virtually their own employee since he has spent the greater part of those 18 years working at his own workspace on-site in the customer's San Diego office.

But then, it was Armand Romero's work that led the customer to name Volex as the benchmark in their strategic supplier partnerships.



Operating review

Manufacturing operations and supply chain

A great deal goes into turning a global manufacturing footprint into a truly world-class production capability. The Group continued to make substantial efforts to realise such an evolution and several new business wins during FY2012 offer proof that considerable progress has been made.

Manufacturing operations

Enhancement efforts continue to be made on two fronts: plant, machinery and tooling, and personnel. With the majority of output through the Group's Chinese facilities, the main plant upgrade efforts this past year were at the plants in Henggang and Suzhou. But work has also now begun on a major expansion and upgrade of the Volex plant in Batam, Indonesia, and Volex is planning near-term infrastructure upgrades in Brazil and reviewing options in Poland and India. These improvements will bear even greater fruit over the next two years as the manufacturing process is comprehensively redesigned in a continuation of the Group's LEAN manufacturing initiative.

The Chinese facilities were also the focus of machinery improvements, some by upgrading controller systems, some by installing new machines. More robust improvements are on tap for FY2013 when further state-of-the-art machines will be added to the production line in Henggang. Significant improvements are also being made in tooling, with upgrades that double the throughput, while providing greater precision and reliability, and reducing waste.

In FY2012, Volex upgraded personnel through both training and recruitment of new talent. At the management level, new plant managers were installed at a number of facilities. In addition, all plant managers have gone through extensive training, from behavioural training to skill and process training.

The training of production line employees has been an equivalent challenge – and opportunity. Through the acquisition of new skills and getting accustomed to new processes, the Group's production people were much better prepared to understand and align with customer needs. Some of the on-going cultural-transformation work at Volex also addressed production workers' capacity for aspiring to not only meet those customer requirements, but to exceed them.

Process changes on the plant floor went hand-in-hand with the attitude changes. Line designs were aligned to keep all workers consistently productive and in coordination with each other (which also reduced inventory build-up, consequently decreasing the opportunity for product defects and damage that can result from excessive handling), and more quality assurance measures were introduced.

While our global manufacturing footprint provides structural efficiencies for getting product to our customers, we also added ten new distribution hubs this past year to provide even greater logistical performance.

Supply chain

The issues Volex addressed with supply chain improvements in FY2012 were largely about being more responsive to customer inventory-management needs. The Group's LEAN manufacturing initiative has been devoted to aligning the entire supply chain in order to decrease inventory and reduce component lead times. Changes by our suppliers to their tooling lead times are expected to drive down the time for that part of the overall production process from six to eight weeks towards a goal of two weeks.

The LEAN initiative has had positive effects beyond Volex's own facilities as well. Volex suppliers have faced the same training and cultural issues in their plants. So several key suppliers have adopted the same measures the Group instituted, including hiring Six Sigma black belts. Getting the entire supply chain aligned, with systems integrated, will not only help to reduce inventory and lead times, but will also result in limiting waste.



Operating review

Technology



This is a strategic imperative: to be truly competitive in the marketplace today, we must combine a worldwide, multi-disciplinary engineering team to provide distinctive engineering with proprietary Volex content in our data and power transmission interconnects.

The path to competitive advantage: proactivity

There are many kinds of proactivity. For instance, there is the active gathering of customer intelligence in order to better look at opportunity through the customer's eyes. We live in a 'close to the customer' world, of course. But if Volex is to meet a customer's unique needs with tailored solutions, it calls for more than just shaking hands over the conference room table. It requires relentlessly dedicated work to develop a synchronous point of view and deep understanding of the customer's business, their design philosophy, their strategies for creating their own competitive advantage.

This has been at the heart of a major initiative continued in FY2012: holding technology reviews with key clients, so that we are better able to align our capabilities with where they see their business going – and even anticipate their needs through breakthroughs in our own R&D.

A prime opportunity

Research and development, of course, is another arena for proactivity. There has always been an OEM with a need for a power cord supplier. But competitive advantage lies in the proactivity that drives going to market with a more distinctive and broader range of products that include complex power assemblies and state-of-the-science data-signal interconnects.

In the second half of FY2011, we launched just such an initiative, looking specifically at optical interconnects: the optical cables that link computers with other computing devices and also provide internal connections. There will always be copper wire. But the size of the data streams today is demanding transmission by fibre optics. Fibre can handle higher speeds, up to 100Gb/second, and can sustain signal integrity, and even condition the signal in some situations.

In FY2012, this initiative gained momentum. The Group added technologists: Volex now has some of the best signal-integrity engineers in the business. It has put all the competencies in place. Now the work is addressing multiple optical product opportunities, like optical USB cables, and related applications.

Developing new technologies on multiple fronts

Interconnects are a \$60 billion market. But interconnect suppliers come in only two flavours: high-level specialty suppliers, capable of meeting the most rigorous specifications, and low-end, price-competitive suppliers. There is no middle ground. After you get past the handful of top-shelf speciality suppliers, you drop to the thousands of small suppliers of commodity products and support services.

Operating review

Technology continued

Volex is making the move across the gap to join the high-end speciality suppliers. But a lot of technology is required to compete with the industry leaders – and a lot of insight into what's driving product development in the Group's four key sectors is influencing the new ground being explored by Volex engineers.

For the Telecoms/Datacoms sector, the issues are miniaturisation and speed, with digital-only signals (no analogue interconnects). In the healthcare arena, Volex has typically been focused on the large imaging modalities, where image clarity is paramount, particularly with the increasing density of the data being transmitted. Speed and signal integrity, along with miniaturisation, are obviously driving forces in the consumer sector and influencing R&D in the optical-interconnect space. The Group's advanced signal-integrity expertise has provided a critical advantage there.

The Group's heightened expertise in signal integrity is also leading to new opportunities. For instance, the concerns with weight and electromagnetic interference for the aerospace industry are moving them to look to fibre optics as the solution, which is renewing an industrial opportunity for newly developed Volex products.

Innovation brought even to the process of innovation

Innovation is about pushing boundaries, not only in the product, but also in the process. For instance, in the US, several collaborative efforts in materials science are under way with major universities and testing labs. This provides unprecedented opportunities to experiment with new materials. The consequent advances made by the Group in material sciences now enables Volex engineers to bring new levels of ruggedness and flexibility to manufacturing robotics products, for example, where highly repetitive machine actions and continual vibration are significant challenges to durability.

In addition, the Group has also increased its participation on standards committees. Getting involved with such organisations as the Video Electronics Standards Association (VESA) and the Optical Fiber Communication Conference (OFC) allows the Group to stay in touch with the directions that next-generation interconnects will be taking and provides enlightened focus to product development.

In summary, strategically driven investment across a number of technological fronts in FY2012 is opening up new opportunities to be developed in FY2013.



Operating review

People, processes, platforms

The transformational drive that has fuelled Volex's growth in recent years continued in FY2012. New people. Enhanced processes. Revitalised platforms. All contributed to the continued development of capabilities and positioned the Group for fresh growth in the years ahead.

People

There was an infusion of new talent as a progressive reorganisation brought upgrades, particularly by enhancing strategic marketing and sales experience. Engineering capabilities were also strengthened, from engineering design to sales-facing application engineers focused on promising growth opportunities, e.g. halogen-free injection moulding.

As the Group moves up the value chain the approach to human capital is evolving. The focus now is on talent development as well as talent acquisition. While there was no corporate human resources function for the entire company as recently as 2009, an HR director was added in Asia in 2010 and there will soon be one in the US. These moves will allow the Group to take a more considered and proactive approach to adding new talent, driven by a better understanding of where the business is going.

Processes

Performance Management is one process that has received attention. All employees will now participate in performance appraisals that have been developed to enable objective comparisons to be made between organisation functions and across geographies. An on-line appraisal process has been introduced for the first time that covers around 200 of the most senior employees.

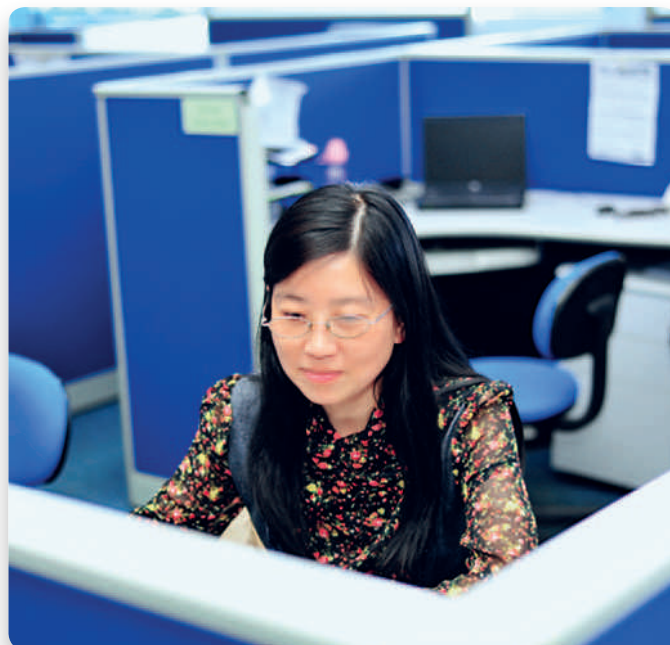
To combat an industry-wide tendency to high attrition, especially in the production facilities in China, the Group has made a number of positive changes. Every new production-line hire is assigned a mentor, who is given added incentives for developing and retaining their charges. Work flow was altered so that responsibilities were more equitable and provided opportunities for more diversified skill development. Process re-engineering in the plants has led to a multifunction-team approach, which has proven to be more personally rewarding. These changes have all contributed to a decrease in attrition, along with the increased efficiencies and performance that come with more continuity on the production lines.

There have been process improvements made across virtually all functions of the business – supply chain management, sales organisation, product development and finance. When a company wants to work differently, it needs different tools to support these new ways of working. The business process re-engineering planned as part of our 'One Volex' initiative is very much IT-enabled, which will drive the evolution of platforms for operations, infrastructure, business applications and data rationalisation.

Platforms

The results to date have fully justified the investment. In the last year, the institution of vendor reviews has enhanced accountability in the supply chain. Systems integration between Volex and its vendors has increased supply-chain stability and efficiency of operational processes, and reduced error rates. Two new global data centres have been implemented, one in Europe, the other in Asia, to provide consistent data access across all locations, while the cultural transformation is moving people to embrace technology and apply the data-driven knowledge it can provide.

The upshot is that Volex strategists, engineers and marketers are able to use information more productively, particularly for anticipating future challenges and opportunities, but also to help build and support stronger relationships with customers. For the future will be driven by client-led solutions. So platforms are being put in place to enhance collaboration and co-creation. The next year will see even greater consistency and a substantial return on investment as the Group is further able to leverage business-intelligence and reporting tools and convert knowledge into opportunity.



Financial review

Robust trading, together with confidence in the Group's prospects, have enabled us to increase the dividend.

Andrew Cherry
Group Finance Director

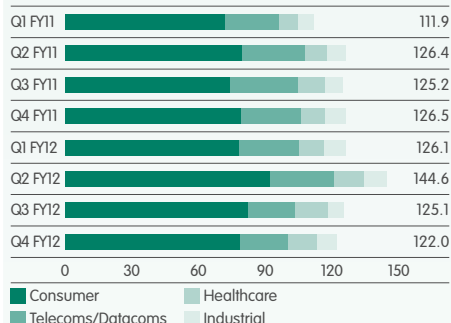


Performance indicators

Group quarterly revenue by sector, \$m

FY2012 vs FY2011 growth

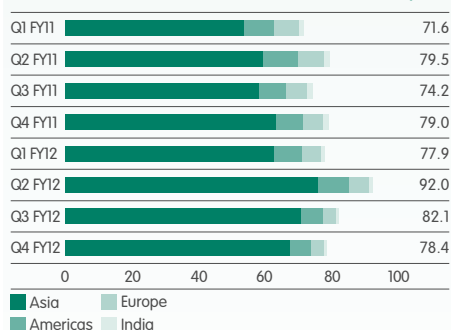
+6%



Consumer quarterly revenue by region, \$m

FY2012 vs FY2011 growth

+9%



Volex is well positioned to act on its key strategies

The Group has enjoyed another year of strong trading in FY2012, enabling it to increase significantly its investment in the business. In addition to a 135% increase in capital expenditure year-on-year, substantial further investment has been made in people, new products and improved processes. The new banking facility entered into at the start of the financial year has provided far greater flexibility to the business and at a reduced cost. This has enabled the Group to make these important investments which position the Group well, both operationally and financially as we enter FY2013.

The underlying business has remained robust throughout the year with the Consumer and Healthcare sectors performing particularly well. This performance, together with the Board's confidence in the Group's future prospects, has enabled the Group to increase the dividend payment to \$2.6m from \$1.9m in FY2011.

US Dollar reporting

As of 4 April 2011, the Group has changed its presentational currency from Pounds Sterling ('GBP') to US Dollars ('USD'). This change reflects the fact that over two thirds of the Group's revenue is now produced by Group entities with USD as their functional currency. Transition to a USD presentational currency, therefore, better reflects the underlying trading performance, reducing translation related distortions in reported results caused by exchange rate movements.

In accordance with relevant accounting standards, comparative information has been provided in USD. Please refer to Note 1 of the financial statements for further information.

Measuring financial performance

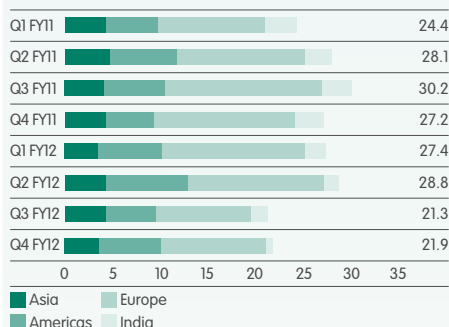
The Group continues to use a number of specific measures to assess its performance and these are referred to throughout this Annual Report in the discussion of the performance of the business. These measures are not defined in IFRS, but are used by the Board to assess the underlying operational performance of the Group, as such the Board believes these performance measures are important and should be considered alongside the IFRS measures. These measures include:

Performance Indicators

Telecoms/Datacoms quarterly revenue by region, \$m

FY2012 vs FY2011 growth

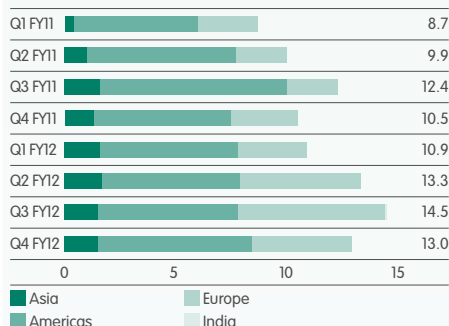
-10%



Healthcare quarterly revenue by region, \$m

FY2012 vs FY2011 growth

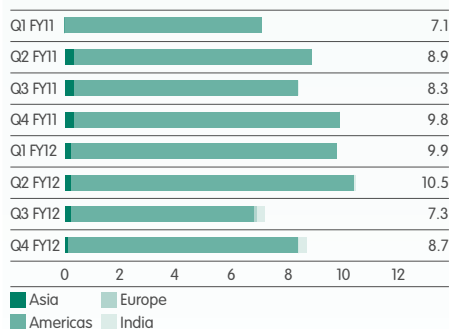
+24%



Industrial quarterly revenue by region, \$m

FY2012 vs FY2011 growth

+6%



Measure	Definition
Normalised profit	Profit before non-recurring items and share-based payment expenses
Normalised EPS	Earnings per share adjusted for the impacts of non-recurring items and share-based payments

In addition, the Group has adopted return on capital employed (ROCE) and free cash flow (FCF) as further measures of financial performance during the year. These new ROCE and FCF measures are defined and discussed in more detail on pages 38 and 39 respectively.

Trading performance

Financial performance by sector

	2010 \$'000	2011 \$'000	2012 \$'000
Consumer			
Revenue	222,379	304,336	330,372
Normalised gross profit	49,053	53,609	59,113
Normalised gross margin	22.1%	17.6%	17.9%

	2010 \$'000	2011 \$'000	2012 \$'000
Telecoms/Datacoms			
Revenue	94,766	109,948	99,440
Normalised gross profit	13,994	20,653	21,034
Normalised gross margin	14.8%	18.8%	21.2%

	2010 \$'000	2011 \$'000	2012 \$'000
Healthcare			
Revenue	30,770	41,536	51,663
Normalised gross profit	6,649	9,735	14,186
Normalised gross margin	21.6%	23.4%	27.5%

	2010 \$'000	2011 \$'000	2012 \$'000
Industrial			
Revenue	17,522	34,189	36,294
Normalised gross profit	3,969	8,072	8,186
Normalised gross margin	22.7%	23.6%	22.6%

Group revenue for the year increased by 6% from \$490.0m in FY2011 to \$517.8m in FY2012, primarily driven by the Consumer and Healthcare sectors.

The Group's normalised gross profit for FY2012 was \$102.5m, yielding a normalised gross margin of 19.8%. This compared to a FY2011 gross profit of \$92.1m and a normalised gross margin of 18.8%. Although operating leverage (the impact of absorbing fixed production costs over an increased revenue base) contributed to the 1% increase in normalised gross margin, the principal driver was an improvement in mix, with increased Volex content more of a feature in our FY2012 product range, consistent with the Group's strategy of moving up the value chain.

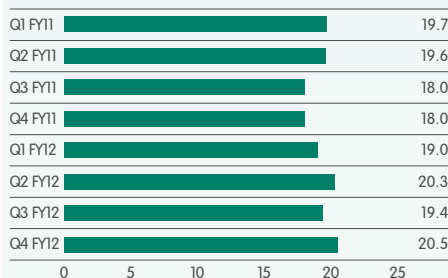
Financial review continued

Performance Indicators

Group quarterly gross margin, %

FY2012 vs FY2011 growth

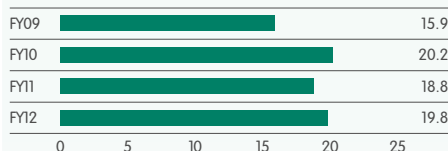
+1%



Group gross margin by year, %

FY2012 vs FY2011 growth

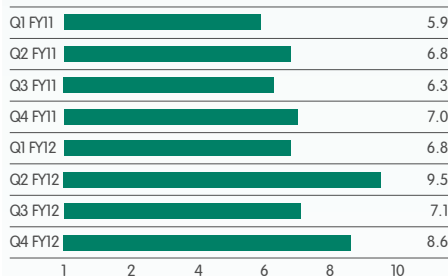
+1%



Group normalised operating profit quarterly, \$m

FY2012 vs FY2011 growth

+23%



The Consumer sector saw strong revenue growth in the year, up 9% from \$304.3m in FY2011 to \$330.4m in FY2012, with the growth mainly generated by increased sales to our major customer. The Consumer normalised gross margin of 17.9% was marginally up on the prior year with improved mix and manufacturing efficiencies outweighing labour rate increases.

Telecoms/Datacoms revenue was down 10% from \$109.9m in FY2011 to \$99.4m in FY2012. The reasons for this reduction are largely twofold: firstly reduced global spend by Telecoms operators as the continuing economic uncertainty restricts their appetite for investment projects and secondly an active decision by the Group to move away from lower margin products. As a consequence, normalised gross margin increased from 18.8% in FY2011 to 21.2% in FY2012.

The Healthcare sector saw very strong demand with a 24% increase in revenue from \$41.5m in FY2011 to \$51.7m in FY2012. This increased demand has been driven by the Europe and Asia regions where the Group has achieved strong growth supplying connectivity solutions to the magnetic resonance imaging (MRI) market. This revenue growth has also been coupled with an increase in the Healthcare normalised gross margin, from 23.4% in FY2011 to 27.5% in FY2012. This margin growth is a direct result of two of the Group's key strategies, greater customer engagement (where we have continued to invest in placing engineers on customer sites) and higher design content within our products.

The Industrial sector saw 6% growth in revenue from \$34.2m in FY2011 to \$36.3m in FY2012. The strong growth seen in this sector in the first six months of the year was reduced in the second half of the year as one key customer went through a process of de-stocking, which has now been concluded.

Industrial normalised gross margin decreased from 23.6% in FY2011 to 22.6% in FY2012. This is primarily due to lower volumes in the third quarter of the year, with fourth quarter normalised gross margin returning to levels observed in the first half of the year.

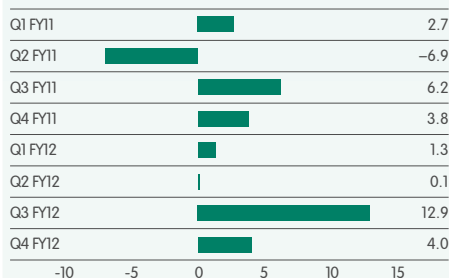
Group operating costs excluding share-based payment expenses have increased by \$4.5m from \$66.0m to \$70.5m. This increase in part reflects the growth of the business but also an active decision by the Board to invest in people and processes to provide an environment of excellence throughout the Group. As a percentage of sales, however, operating expenses were held flat.

Performance Indicators

Group free cash flow by quarter, \$m

FY2012 vs FY2011 growth

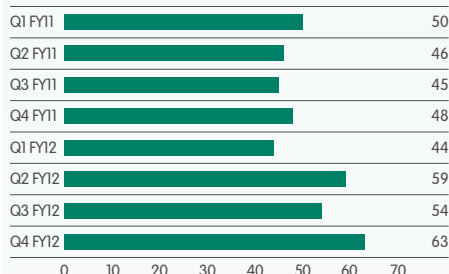
+212%



Group return on capital employed (ROCE) by quarter, %

FY2012 vs FY2011 growth

+13%



Non-recurring items and share-based payments

During the year, the Consumer sector incurred exceptional start-up costs of \$5.0m in relation to new product introductions, specifically the migration from PVC to halogen-free power cords, coupled with a requirement for significantly higher technical and cosmetic standards.

As a result, these new products necessitated wide ranging improvements to our manufacturing processes and investments in higher grade tooling and precision moulding technologies. While these changes were being introduced, there was a significant temporary increase in scrap rates and labour inefficiency. The \$5.0m exceptional cost represents the non-recurring cost of this scrap and labour inefficiency during the transition period.

The investment represents a significant step-up in our engineering, manufacturing know-how and quality control capabilities, and has served to strengthen the relationship with our largest customer. The benefits of this investment are already evident in the Consumer sector. Moreover, this sustainable competitive advantage enhances our ability to offer new and different products and to attract a wider range of customers.

The share-based payments charge of \$4.0m in FY2012 has increased by \$1.4m from \$2.6m in FY2011. This increase is primarily due to the full year impact of the FY2011 option grants, which year-on-year yielded an additional \$1.1m of charge. Options granted in FY2012 generated a share option charge of \$0.4m.

Research and development

Group expenditure on research and development, of which the most significant component is employment costs in respect of design engineers, increased 19% to \$4.6m from \$3.8m in FY2011. The year-on-year increase is due to greater investment in people and consultancy services 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.

Finance costs

Total net finance costs in FY2012 increased by 21% to \$3.8m (FY2011: \$3.2m). The principal reasons for this increase were the write-off of \$0.8m of capitalised debt issue costs associated with the financing facility replaced in the period and a \$0.8m charge associated with copper commodity contracts which failed to meet the hedging requirements of IAS 39. Partly off-setting these increases was a reduction in the interest charged on the senior credit facility, with the new facility incurring interest at a margin of 1.75%–2.00% above LIBOR compared with 2.75% on the old facility.

Financial review continued

Tax

The Group incurred a tax charge of \$2.0m (FY2011: \$3.7m) representing an effective tax rate (ETR) of 11% (FY2011: 18%). The principal reason for the reduction in ETR was an increase in the recognition of deferred tax assets in respect of the Group's trading losses.

During FY2012 we recognised \$3.2m of deferred tax assets related to these losses, an increase of \$1.5m compared to last year. The increase is as a result of improved profitability in the territories with brought forward losses and greater certainty over the benefits accruing from the global supply chain optimisation project, initiated in FY2010. Total losses at 1 April 2012 were \$86m (FY2011: \$93m). On a full recognition basis this represents a potential deferred tax asset of \$24m (FY2011: \$25m). For future years we expect the ETR to return to a level similar to that reported in FY2011.

Earnings per share

Basic earnings per share for the year was 30.4 cents (FY2011: 29.3 cents), a 4% increase on the prior year despite the impact of the exceptional start-up costs and higher share-based payments charge. Adjusting for these items the normalised basic earnings per share figure was 43.7 cents, a 30% increase on the prior year. Normalised diluted earnings per share increased by 31% in the year to 42.4 cents (FY2011: 32.4 cents).

Dividends

During the year, the Group resumed the payment of dividends. At the Volex plc Annual General Meeting, shareholders approved the proposed FY2011 final dividend of 2.0p per share. This was paid in August 2011 resulting in a dividend cash outflow of \$1.9m.

An interim dividend of 1.5 cents per share for FY2012 was paid in February 2012 resulting in a dividend cash outflow of \$0.9m.

The Board is proposing a final dividend for FY2012 of 3 cents per share, representing a 40% year-on-year increase in dividend. Subject to shareholder approval at the forthcoming Annual General Meeting, this dividend will be paid on 24 August 2012 to shareholders on the register at the close of business on 27 July 2012.

Return on capital employed

As noted on page 35, in light of the increased capital investment in the business, the Board has adopted return on capital employed ('ROCE') as a key performance indicator. For FY2012, ROCE was 58%, up from 45% in FY2011. The following table defines how the Group calculates ROCE:

	FY10 \$m	FY11 \$m	FY12 \$m
Normalised operating profit	21.3	26.1	32.0
Capital employed:			
Intangible assets (excluding goodwill)	1.0	2.1	2.9
Property, plant and equipment	11.4	12.5	20.0
Inventories	41.7	51.9	49.8
Trade and other receivables	91.6	118.4	106.2
Trade and other payables	(94.0)	(127.2)	(123.8)
	51.7	57.7	55.1
Return on Capital Employed	41%	45%	58%

Cash flows and net funds

Operating cash flow before movements in working capital in the year was \$27.5m (FY2011: \$25.2m).

Movements in working capital have yielded a further \$8.8m of cash inflow (FY2011: \$4.5m cash outflow) with FY2012 benefiting from the implementation of a non-recourse invoice discounting facility. Under the terms of the arrangement, the Group can sell up to \$10m of trade receivables associated with a specific customer. As at 1 April 2012, the Group had utilised \$9.5m of this facility.

After aggregate outflows for tax and interest of \$6.0m (FY2011: \$9.5m), net cash generated from operating activities was \$30.4m (FY2011: \$11.1m).

In line with the Group's strategy of investment in the business, expenditure on tangible fixed assets has increased by 135% from \$4.4m in FY2011 to \$10.3m in FY2012. This expenditure has been targeted at upgrading both the manufacturing and information technology systems infrastructure of the Group.

During the year, the Group, through its employee share trust, acquired 769,800 shares in Volex plc at a cost of \$3.3m. These shares are held for the benefit of Volex employees and directors to facilitate participation in the Company's share option schemes. 570,000 such options were exercised in the period yielding a cash inflow of \$0.3m.

The full year dividend for FY2011 of 2.0 pence per share was paid out in the year, generating a cash outflow of \$1.9m. Similarly the interim dividend of 1.5 cents per share for FY2012 led to a further cash outflow of \$0.9m.

As discussed further below, during the year the Group entered into a new financing facility. As a result of this \$26.4m was paid out by the Group to close out the pre-existing facility and \$39.5m was drawn down under the new arrangement. In securing the new facility, the Company incurred \$1.7m in arrangement and professional fees.

In the year, 80,000 cumulative preference shares of £1 each were cancelled at a cost of \$0.1m. The interest that had accrued on these shares was also paid and has been included in the interest paid cash outflow category.

As a result of the above cash flows, the Group generated a \$23.7m cash inflow for the year (FY2011: \$9.0m cash outflow). As at 1 April 2012, the Group held net cash of \$3.6m compared with a \$7.4m net debt position as at 3 April 2011.

In addition to the adoption of ROCE as a key performance indicator (KPI) noted above, the Board has also adopted free cash flow (FCF) as a new KPI, recognising that the Group's ability to generate cash, either to return to shareholders in the form of dividends or to reinvest in the business, is a key financial metric. At the same time, as a result of the Group's success in de-leveraging over the last three to four years, the Group intends to de-emphasise absolute net debt as a key performance indicator.

The following table defines how the Group calculates FCF:

Annual free cash flow	FY10 \$'m	FY11 \$'m	FY12 \$'m
Net cash generated from operating activities	18.8	11.1	30.4
Cash flow from investing activities	(5.7)	(5.5)	(15.1)
	13.1	5.6	15.3
Add back:			
Acquisition of own shares	0.0	0.0	3.0
Cash flow on disposal of operations	3.0	0.2	0.0
Free cash flow	16.1	5.8	18.3

Banking facilities

On 31 May 2011, the Group entered into a new \$75m multi-currency combined revolving credit, overdraft and guarantee facility ('RCF') with a syndicate of three banks (Lloyds Banking Group plc, HSBC Bank plc and Clydesdale Bank plc) which replaced the pre-existing facility.

The new facility provides greater flexibility and improved terms as follows;

- 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 which reduced to 1.75% by year end;
- interest cover and net debt:EBITDA leverage covenants; and
- further \$150m pre-negotiated facility agreed to fund future, as yet unidentified, acquisitions.

At 1 April 2012, amounts drawn under this facility totalled \$41.0m (FY2011: \$28.4m). After accounting for bonds, guarantees and letters of credit, the remaining headroom as at 1 April 2012 was \$31.0m (FY2011: \$20.8m).

Financial Instruments

During the year, the Group entered into a number of contracts with financial institutions which were linked to the average copper price as published by the London Metal Exchange ('LME'). The purpose of these contracts was to mitigate the Group's exposure to copper price volatility observed in the Group's cost of sales (see page 43 where rising commodity prices has been identified as a key risk).

Whilst the contracts acted as an economic hedge against the impact of copper price movements, the initial contracts did not meet the technical requirements of IAS 39 and therefore could not be accounted for as hedge contracts. As a result the losses on such contracts were recognised immediately in the income statement. This resulted in a \$0.8m loss being recognised within finance costs in the year.

In January 2012, following a change in our key supplier contracts, the Group has achieved hedge accounting under IAS 39 for all open contracts. The contracts have been deemed cash flow hedges of forecast future purchases of copper. As at 1 April 2012, an asset of \$1.5m has been recognised in respect of the fair value of open copper contracts with a corresponding \$1.5m credit recognised in reserves. This credit shall be retained in reserves until such time as the forecast copper purchase takes place.

Defined benefit pension scheme

The Group's net pension deficit under IAS 19 increased by \$1.5m from \$2.1m at 3 April 2011 to \$3.6m at 1 April 2012. The primary reason for this was a \$1.0m increase in the pension liability arising from a reduction in the discount rate (linked to the 15 year corporate bond yield) applied to forecast future cash outflows.



Andrew Cherry
Group Finance Director

Group risk management

Risk management is an essential element of how we run our business. We continuously identify and manage those risks and opportunities that could affect the achievement of our business plans and strategic objectives, our shareholder value, our reputation or the continuance of good corporate governance.

Risk management system



What is our approach to risk management?

The Board has overall accountability for ensuring that risk is effectively managed across the Volex group and, on behalf of the Board, the Audit Committee reviews the effectiveness of the Group risk process.

We have risk management processes in place at Volex and our approach is aimed at early identification of key risks, reducing or removing those risks and/or responding quickly and effectively when a risk crystallises. The Company's enterprise-wide risk management and reporting process helps management to identify, assess, prioritise and mitigate risk. The risks identified are collated and reported through functional and business unit levels to the executive management team. This culminates in the identification of the Company's key strategic, financial, operational and compliance risks with associated action plans and controls to mitigate them where appropriate (and to the extent deemed appropriate taking account of costs and benefits). The output of the Group exercise is then reviewed by the Board and relevant responsibilities assigned. The executive team are supported by senior managers with functional or business unit roles. In each instance, where appropriate, we seek to implement mitigation activities or steps to reduce risk to an acceptable level.

Key features of our system of risk management are:

- detailed monthly business and financial reviews by the executive management team and the Board;
- an established risk management framework and associated policies;
- an annual process to identify and evaluate material risks as outlined above;
- a dedicated internal Business Assurance function augmented by a programme of rolling internal audit reviews conducted by an external firm;
- periodic education programmes to ensure risk management is prominent in individuals' thinking as they discharge their management, legal and fiduciary responsibilities, and periodic self-certification of compliance therewith;
- on-going monitoring of significant risks and internal and external environmental factors that may change the Group's risk profile; and regular review of insurance cover, taking into account the availability of such cover, its cost and the likelihood and magnitude of the risks involved.

Our principal risks

The table below summarises our principal risks and 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	Description and possible impact	Mitigation activities
Non-compliance with legislation and regulation	The Group operates in diverse markets and therefore is exposed to a wide range of legal, fiscal 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 for 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. – We have completed director fiduciary duty training with all Directors of Volex subsidiary companies.
Loss of a key customer	A significant proportion of the Group's trading activity is with a relatively small number of large global accounts. Over 80% of total Group revenue is generated by the Group's top 25 customers, mostly prestigious global OEMs. 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 19% of total Group revenue in FY2012.	– The Group mitigates the risk of fluctuations in revenues from these customers by emphasising strong trading relationships with them, while diversifying into other markets and new customers. – Initiatives in place to align our capabilities and resources with customers' needs, and to improve quality systems. – Global key account managers in place for major customers. – In practice, key customers operate in many business sectors or regions, with somewhat independent trading relationships in each sector/region. Loss of business in one area would not necessarily result in the loss of all the customer's business. – The relationship with the Group's largest customer has strengthened notably during the year, aided by substantial investment by Volex.

Group risk management continued

Principal exchange rates used in the year

	Period end rate (Statement of Financial Position)		Average rate (Income statement)	
	FY2012	FY2011	FY2012	FY2011
GBP	0.626	0.621	0.626	0.645
Euro	0.750	0.704	0.721	0.756

Risk

Failure to maintain an effective system of internal control

Description and possible impact

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.

Mitigation activities

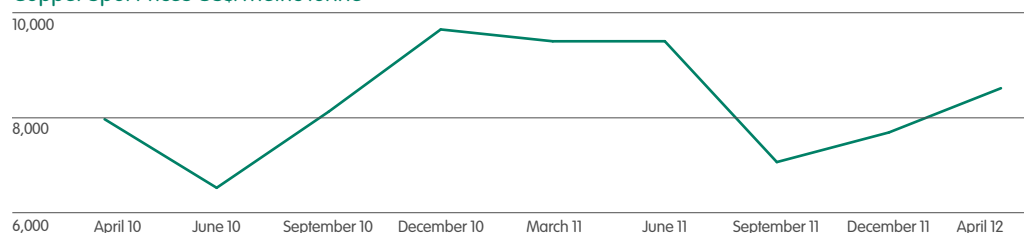
- Adoption of detailed authorisation matrices to ensure segregation of duties.
- Minimum Internal Control Standards are in place; all business units are expected to be 100% compliant.
- Detailed General, Finance, Operational, Sales and HR Policy Statements set out the required policies and procedures.
- Rolling internal audit plan: all business units are reviewed by Group Business Assurance in collaboration with external audit firms. A site that receives an unsatisfactory rating is re-audited within six months to ensure improvement.
- Group financial performance monitored with monthly Board reports and regular forecasting.
- Senior executive team undertake detailed monthly business and financial reviews.
- All senior managers are required to complete an Annual Certificate of Compliance, confirming compliance with the Group Policy Statements.
- We run a Right-to-Speak email/ phone hotlines for whistle blowing. All reported issues are investigated and appropriate actions taken, overseen by Executive Management and the Audit Committee.

Exchange rate fluctuations

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.

- Group Treasury Policy Statement sets out procedures on exchange rate risk management.
- During FY2012 the Group adopted the US Dollar as its presentation currency. Given that the substantial majority of the Group's transactions are conducted in US Dollar, or currencies tied to the US Dollar, this will significantly reduce the translation impact of exchange rate fluctuations.
- Billing currencies have been adjusted to achieve a higher level of natural hedging.
- Where there are material remaining exposures, the Company enters into financial hedging to mitigate these exposures.
- The impact of foreign exchange movements on the Consolidated Statement of Financial Position is mitigated by a natural hedge due to the Group's US Dollar and Euro denominated borrowings.

Copper Spot Prices US\$/metric tonne

**Risk****Increased competition****Description and possible impact**

The Group's markets are highly competitive and we expect this will continue.

Our competitive position results from a range of factors including the price, quality and performance of our products, technology innovation, customer service levels and lead times, and our geographic footprint.

Competition may intensify, from global competitors and/or new entrants. Increased competition may result in price reductions, increased expense or investment, or loss of contracts, any of which could adversely affect our trading performance.

Mitigation activities

- Developing 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 (e.g. by participating in standards committees) to shape, or at least gain early sight of, future product requirements.

Failure to attract, develop and retain key personnel

The knowledge, skills and performance of our employees are central to our 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.

- Remuneration policies designed to attract, retain and reward key employees.
- Talent strategy to provide opportunities for employees to develop careers.
- Formalised objective setting in place for employees.
- Bonus scheme in place for relevant employees based on business and individual objectives.
- In 2011 the Group embarked on a global cultural change initiative. This is a multi-year programme that will see all employees engaged in the development and implementation of 'One Volex' and supporting values.

Rising commodity prices

Many of the Group's products, in particular power cords which represent the majority of the sales 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 2010 to May 2012.

- 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 set quarterly with major suppliers based on the average LME rate over the prior quarter.
- Approximately a third of the revenues in our Consumer sector are covered by copper clauses which provide for quarterly adjustments to our selling prices based on our input costs.
- Occasionally, we employ back-to-back arrangements to match customer demand with cable supplier arrangements.
- Strategic relationships established with key suppliers.
- During FY2012 we initiated copper commodity derivative contracts which fix the cost for a portion of our copper purchases. These contracts extend out 12 months and are refreshed on a rolling monthly basis.

Group risk management continued

Risk	Description and possible impact	Mitigation activities
Adverse trading conditions	The Group's business and trading performance have been, and will continue to be, affected by global economic conditions. Should global economic conditions deteriorate or economic uncertainty increase, 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).
Production challenges/risks	– The volume and timing of sales to our customers may vary due to fluctuating demand for their own products; our customers' attempts to manage their inventory; design changes; changes in their manufacturing strategy etc. Partly as a result, many customers do not commit to long-term production schedules. – Our customers specify quality, performance and reliability standards. If flaws in the design or manufacture of our products were to occur, we could experience a rate of failure in our products that could result in delays in shipment and product re-work or replacement costs. – The majority of our manufacturing sites are located in China and other developing markets. Changes in these labour markets as well as the rapid economic growth and social progress have resulted in high labour turnover and considerable increases in labour costs. – Our operations and those of our suppliers and customers may be vulnerable to interruption by natural disasters or other catastrophic events. If a business interruption should occur, our business could be materially and adversely affected.	– Our operations are designed to be extremely flexible and can accommodate a degree of volume fluctuation. We work very closely with our key suppliers to minimise lead times and maintain flexibility in material supplies. – We work very closely with key customers to ensure that we understand their requirements and develop our manufacturing capabilities to meet their needs. – We have invested in new mouldings, tooling, technology and have acquired new skills as part of our quality continuous improvement programme. – We are constantly reviewing our global footprint to ensure that we are located in the most cost effective area. – We are also engaged in driving LEAN manufacturing and automation strategies to reduce our overall labour content. – The investment in our Batam factory will give better geographic coverage and reduce our exposure in China. We continue to develop our business interruption plans.

Corporate responsibility

Our corporate Code of Business Conduct, introduced in August 2010, codified that the corporation's relationships with employees, the environment, the surrounding community, and stakeholders, are paramount. In that context, corporate responsibility has been a fundamental aspect of the cultural transformation under way at Volex.

This has been the first full year under the guidance of the Group's Code of Business Conduct. There has been considerable investment in employee training, which has substantially upgraded production capabilities and reduced staff attrition. There have been decreased environmental impacts, largely through incipient reductions in waste. Commitment to the surrounding community is found not only through employee involvement in community life, but also in a new venture to provide job-transition training. Finally, the Group's responsibility to various stakeholder groups manifested on several different fronts.

Relationship with the employees

To act on the Group's corporate responsibility to employees requires having the infrastructure in place to enable those actions. In FY2012 the corporate Human Resources (HR) function has seen particular strengthening in Asia where approximately 6,000 of Volex's 8,000 employees are located, in line with the precepts of the Code of Business Conduct. This has enabled employee programmes to be tailored to the specific needs of the region. In FY2013 a HR director will be appointed in the United States to support another area with a growing representation.

Localised HR officers better enable Volex to negotiate the delicate balance between fundamental corporate mandates and the culture and customs of a region. This is a particularly crucial balance as the 'One Volex' cultural transformation continues throughout the Company, and as new processes and more rigorous customer specifications create new and often greater demands on employees. Many changes in Volex practices have been designed to provide greater job fulfilment for employees, which is critical to enabling higher performance.

Communications and training

It is a huge advantage in the labour market, especially for production workers, if they can be made to feel a part of the Company and not just doing a job. To that end, the Group is creating more extensive internal communications. In FY2012, regional newsletters were launched to communicate with our Chinese employees. Efforts will soon be under way to begin an internal newsletter that will increase our employees' appreciation of the role they play in our global company.

Training programmes were still focused primarily on the production workforce, bringing them up to speed on new processes, more advanced tooling and machinery, and quality concerns. As additional IT investments are made in FY2013, additional training across other functions will be facilitated in order to optimise the return on those investments.

Health and safety

Health and safety aren't merely a corporate responsibility. They are a core business value, a matter of protecting assets. Thus, the Company-wide commitment to health and safety resonates on both a social and a pragmatic level: Volex is a healthier Company when it looks after the health and welfare of its people.

In the second year of a codified health and safety policy, the Group has seen continued improvement, both in its ability to monitor and review health and safety performance, and in the quantifiable results of the policy as risks are more accurately identified and addressed. As risks continue to be assessed and analysed, the Group will be able to develop and implement highly targeted safety initiatives, producing more efficient and effective results.

Relationship with the environment

Volex takes its responsibility to the environment very seriously. What's more, we recognise that there are several facets to being environmentally responsible. The working conditions inside our facilities require just as much attention as the impact our operations have on the natural environment outside our locations. Thus, for instance, as we recently undertook a major expansion and renovation of the manufacturing facility in Henggang, China, we installed new air-cooling and air-cleaning technologies to provide a cleaner and more controlled working environment. The expansion also enabled the Group to meet growing China-based customer demand from a local facility, thus reducing the greenhouse gas emissions that accompany long-distance shipping.

Our policy development and implementation work continues as we drive change in operational practices throughout our system and all our production facilities. The management-practice framework adopted last year is meshing with the Group-wide transformation to a culture of continuous improvement. Every Volex facility, therefore, is continually on the lookout for opportunities to reduce environmental impact. Operations continue to evolve as our LEAN manufacturing initiative is more deeply adopted, reducing waste through more efficient production as well as reductions in defective and damaged product. The result is an holistic approach that addresses environmental concerns on multiple levels and from various angles.

Corporate responsibility continued

Compliance with a range of universally accepted environmental regulations and certifications is another part of the Volex strategy for environmental sensitivity. Through the end of FY2012, all but one of the Group's production facilities had met the requirements in the ISO 14001 Environmental Management System – and that last facility will reach ISO 14001 compliance during FY2013.

Finally, the Group is still making strides to reduce the use of hazardous materials in production. For instance, Volex has continued to develop its expertise in working with halogen-free materials in order to support the more environmentally sensitive customers who insist on its use, and looks for opportunities to move other existing clients to using halogen-free materials in their products. In the case of other materials, the Group is strenuously committed to following known legislation and regulatory requirements in every region we work in. These include the Restrictions of Hazardous Substances (RoHS) directive and the Registration, Evaluation, Authorisation and Restriction of Chemical substances (REACH) regulation. Volex also aligns operations with the Waste Electrical and Electronic Equipment (WEEE) regulations and assists our customers in achieving compliance as well.

The Board regards responsible corporate behaviour in respect of environmental, social and governance ("ESG") matters as an integral part of the overall governance framework and believes that it should be fully integrated into management structures and systems. Further information on this is included in the Corporate Governance Report (Internal controls section) in this document. Therefore the risk management policies, procedures and monitoring methods described in that section apply equally to the identification, evaluation and control of Volex's safety, ethical and environmental risks and opportunities.

Relationship with the community

Volex has always encouraged its employees to be active participants in the life of their community – sponsoring sports teams, volunteering with local organisations, contributing with their time, energy and even finances to local social causes. It is a point of corporate pride that when recruiting we employ local staff as much as possible.

This past year has seen new initiatives to support local communities. For instance, the Group's Vietnamese production facility is an active member of the Social Responsibility Committee of Thang Long Industrial Park in Hanoi. Among the activities they supported or participated in this past year were scholarships awarded to 96 students graduating from local schools, installation of kindergarten playgrounds in two communities, and the building of a road connecting one village to a national highway.

Relationship with the stakeholders

The Group's business is built on the confidence and commitment of our stakeholders. Whether they are investing in us, buying from us, or selling to us, those relationships are crucial to the success of Volex – as a business, and as a responsible corporation.

Shareholders

As Volex's business model has become more strategic and sophisticated in recent years, Investor Relations has taken on greater import. The Group sees its investor community as active partners in the transformation being undertaken and efforts are under way to engage our shareholders more regularly and routinely through an expanded communications programme.

Customers

Volex's customers are corporations, and have their own corporate responsibility positions. As vital and trusted partners of the Group, they can directly influence the approach Volex takes through their processes for awarding contracts. So it is incumbent on the Group to adopt the most rigorous corporate responsibility policies in preparation for customers who may demand a certain sustainable approach or environmental prerequisite. By being proactive around corporate responsibility issues, Volex not only is a better partner to its customers, but also modelling the behaviour of an industry leader.

Suppliers

'Supply-chain integration' has now taken on a much richer and more nuanced definition: more than mere integration of systems and processes, it now also encompasses a dovetailing of corporate values. Thus, in the same way that Volex has proactively taken on higher-level positions of corporate responsibility, it expects suppliers to also apply greater rigour to the way they do business: in part, because it is the right way to do business; and in part, because the only way Volex can meet the corporate-responsibility criteria of its own customers is to get its suppliers aligned with the Group's own corporate-responsibility positions and initiatives. To that end, Volex has continued its Supply Chain Excellence programme and carries out extensive annual audits of supplier practices, policies and processes, insisting on corrective action for those suppliers who do not meet baseline criteria.

Chairman's introduction to governance

Strong governance is crucial in helping our business deliver its strategy. My role as Chairman is to provide leadership to the Board and to ensure that we have established the right environment to enable the Directors and the Board as a whole to perform effectively for the success of the Company and the benefit of its shareholders.

We are continuing to infuse the principles of the UK Corporate Governance Code 2010 into the organisation by ensuring we have the right management structures and processes in place to support our strategies.

Achieving good governance and being a responsible company is inextricably linked with the organisational culture and the manner in which we manage our business. Equally, it is about what standards we apply in how we deal with people, whichever stakeholder group they might be. What we strive to do is to adopt and implement what is right for our business, while being open and transparent.

Our governance structure

The Company's governance structure is organised to provide clear and responsible corporate governance practices. In addition to the Board, the committees supplement and help contribute to reinforce these practices. While we believe that Volex's current governance structure is adequate to ensure compliance with the principles of the UK Corporate Governance Code, we have taken and continue to take steps to improve these structures and practices to support the overall strategy of the company.

The reports of the committees on the following pages in this section explain the structures and systems we have in place to ensure compliance with applicable corporate governance policies in the areas of board composition, assessment of board effectiveness, and accountability.

A balanced Board

We believe that the Board is appropriately balanced for the needs of the Company and the stakeholders that the Company serves. The composition of the Board has been developed to ensure that the Company can benefit from the depth of experience and knowledge of our Directors, whilst allowing the Board to discharge its duties effectively. Having a balanced Board helps to facilitate objective judgement on corporate affairs independently, in an open and honest environment. No individual or small group of individuals is in a position to dominate the Board's decision making.

The Board is comprised of three Executive Directors, three Non-Executive Directors and myself as Non-Executive Chairman. The Non-Executive Directors have all enjoyed successful business careers, and are well qualified to serve on the Board. The diversity of opinions, perspectives and insights given by the Non-Executive Directors inevitably contribute to having a balanced Board.

Skills and experience

We have a solid and experienced leadership team covering a wide combination of skills and expertise. This team of executives has been put in place to allow for significant growth of the Company, in a way that fits their extensive and diverse experiences.

We have a rigorous approach to director selection and an annual evaluation process that includes assessing a director's time commitments as well as their skills. Whilst our current practice is to use self-directed survey and questionnaire tools and personal interviews to conduct our evaluation, we will continue to evaluate and consider the use of external consultants to support this process. For both Executive and Non-Executive Directors, it is my responsibility to ensure that the Board maintains the best possible balance and that this balance is continuously reviewed in line with the Company's needs and objectives.

Board diversity

We continuously review the shape and composition of the Board for the future, ensuring that the benefits and importance of a diverse Board will be at the heart of our selection criteria and that the right mix of gender, expertise and experience is reflected on the Board.

Having the mix of Executive and Non-Executive Directors enables us to bring together a wealth of experience gained from a variety of different professional and cultural backgrounds.

Currently we have one woman director on the Board. We are in the process of developing our board diversity policy, which we plan to implement during the upcoming financial year, taking into account the principles set out in the Financial Reporting Council report on Boardroom Diversity and the guidance set out by Lord Davies in his Review on Women on Boards in February 2011. Volex recognises the importance of considering diversity when making appointments to the Board, whilst ensuring all appointments are in line with improving the effectiveness of the Board.

Succession planning

In May 2012, the Company appointed David McKinney as an Executive Director on the Board and the Chief Operating Officer of the Company. David's appointment is intended to support the next growth phase of the Company as it continues its on-going transformation. David's substantial operational experience will serve the company well as it pursues its growth strategy.

Board evaluation

Volex is committed to best practice in its governance activities. In line with best practices, last year we conducted a Board evaluation of the Full Board, our committees and individual Board Members to review the performance of the Board. In order to gauge progress with the Board on these areas, identified for development by last year's survey, we have conducted the review again this year. Further information on this can be found at page 53.

Priorities for FY2013

Volex strives to comply with and implement the principles of the UK Corporate Governance Code, with focus on monitoring the effectiveness of the Board and using the Code to help guide and shape the corporate governance of the Company as it continues to grow.

Board of Directors

Mike McTighe Chairman



Mike McTighe, 58, 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 holds the position of chairman at JJB Sports plc, WYG Group plc, and Nujira Ltd and is a board member of Ofcom. He is also a non-executive director on the boards of Belfair Group, Arran Isle Ltd and Quinn Group Holdco Ltd.

Mike was previously the chairman at Pace 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 for the 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.

Ray Walsh Group Chief Executive



Ray Walsh, 47, was appointed Group Chief Executive on 6 April 2009. He served previously as chief executive of VIA NET.WORKS Inc. serving 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.

Andrew Cherry Group Finance Director



Andrew Cherry, 45, was appointed Group Finance Director on 19 February 2009, having held the position of Interim Finance Director from 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.

David McKinney Chief Operating Officer



David McKinney, 51, was appointed to the new position of Chief Operating Officer on 2 May 2012. David most recently served as chief operating officer of Pace plc from November 2005 to January 2012 where he also served as a member of the board of directors. David brings over 20 years of experience in senior executive and operational roles, spending ten years in the semiconductor industry including NEC Semiconductors and Digital Equipment Corporation, before moving to and spending over ten years in the telecommunications sector including Motorola and Royal Philips Electronics. David is a Graduate of the Royal Society of Chemistry (hons) and holds an MBA from Heriot Watt University.

Chris Geoghegan Senior Independent Director

Chris Geoghegan, 57, 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 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.

Karen Slafford Non-Executive Director

Karen Slafford, 55, was appointed as a Non-Executive Director on 27 May 2008, and is also a member of the Nomination, Audit and Remuneration Committees. Karen holds the position of chairman of Neverfail Group, the Foundary Visionmongers, and Featurespace Limited. In addition Karen is a non-executive director of Microfocus International plc and Cambridge Broadband Network and is a member of the advisory board at Pentech Ventures LLP.

Karen was previously a non-executive director for HAL Knowledge Solutions, Portwise AB and Compel Group plc. Between 1983 and 2011 Karen was employed by Hewlett Packard Ltd and whilst working across various capacities and roles, was focused on improving the Company'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.

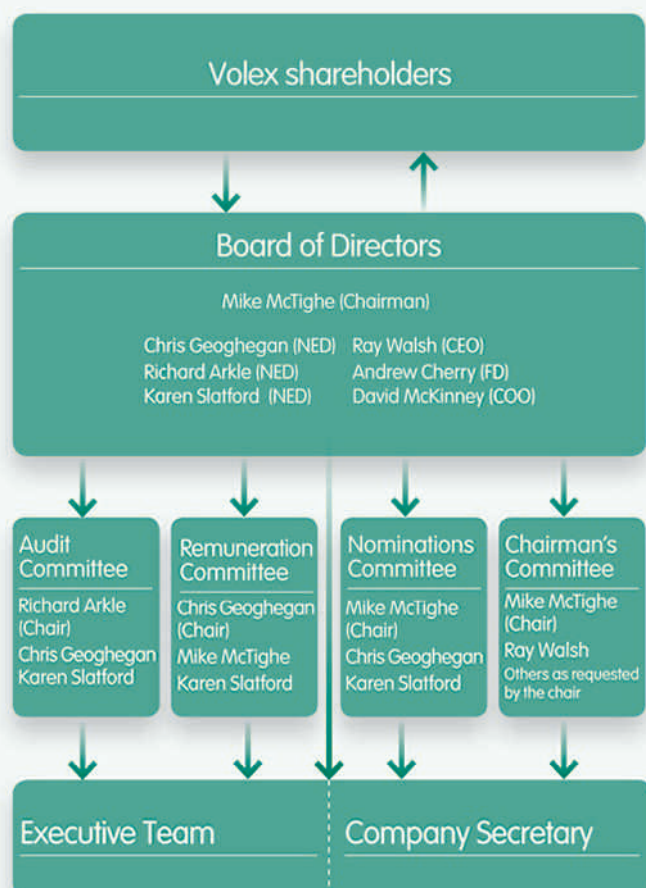
Richard Arkle Non-Executive Director

Richard Arkle, 63, 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.

Corporate governance report

Volex 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 UK Corporate Governance Code ('the Code') for which the Board is accountable to shareholders.

Governance Structure



Corporate governance structure

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's 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 of the Code throughout the 52 week period ended 1 April 2012, or FY2012, and up to the date of reporting.

In accordance with Section B.1.1 of the Code, the Board has considered whether each of the Non-Executive Directors is independent in character and judgement. After having reviewed the factors that may, from a distance, cast doubt over their independence, it has concluded that all of the Non-Executive Directors are independent.

Mike McTighe, Chris Geoghegan and Karen Slafford have held long-term incentive awards under the Volex 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 are given on pages 61 to 62 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.

Statement of how the principles of the Code have been applied

The following paragraphs together with the Directors' remuneration report set out on pages 56 to 65 and the Directors' report set out on pages 66 to 72 describe how the principles of the Code have been applied.

Board of Directors

The Board currently comprises a Non-Executive Chairman and three Non-Executive Directors, all of whom the Board consider to be independent, together with three Executive Directors. Volex satisfies the Code principle that at least half of the Board should comprise of independent Non-Executive Directors. The biographies of the Directors can be found on pages 48 to 49. Volex's Articles of Association provide that all Directors are subject to re-election every three years, which is in line with principle B.7.1 of the Code. Details of those Directors who will be offering themselves for election can be found on page 70 of the Directors' report. The Directors are in agreement that the Board is of a sufficient size in order that the requirements of the Company can be met, and will continue to review this in accordance with its needs.

The Board welcomed the publication of the Davies Review on Women on Boards in February 2011. There is currently one woman Director from a total of seven on the Board. Volex values the significant benefits of diversity, including gender diversity, among its Directors and will continue to ensure that for all new appointments, strong consideration is given to diversity and gender as key critical selection criteria.

The Financial Reporting Council is currently consulting on changes to the Code which will result in a recommendation that companies adopt a boardroom diversity policy; we plan to adopt such a policy during the course of FY2013.

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 and training for Directors is kept under review during the year. There is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board. Candidates are identified and selected on merit against objective criteria and with due regard to the benefits of diversity on the Board, including gender.

During May 2012, Volex appointed a new Executive Director, David McKinney, who also serves as Chief Operating Officer. With this addition, the Board has gained substantial factory and operational experience to support the Company's ambitious growth strategy.

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 FY2012 it met 14 times. Some meetings were called at short notice. The Board is satisfied that it meets sufficiently regularly in order to discharge its duties effectively. 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 and sought by the Company's executives in managing the affairs and strategy of the Company as well as the pace of change within the organisation. The table on page 52 summarises the attendance by Board or Committee members at meetings held during the year.

Corporate governance report continued

Board attendance record	Board 14 meetings	Audit Committee 3 meetings	Remuneration Committee 8 meetings	Nomination Committee 2 meetings	Chairman's Committee 0 meetings*
Richard Arkle	14	3	–	–	–
Andrew Cherry	14	–	–	–	–
Chris Geoghegan	13	3	8	2	–
Mike McTighe	13	–	7	2	–
Paul Mountford**	4	–	–	–	–
Karen Slatford	13	3	8	2	–
Ray Walsh	14	–	–	–	–

* 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.

** Mr. Mountford was promoted to a high level senior role within Cisco Systems shortly after his appointment to the Board of Volex. After time, he found himself incapable of devoting adequate time to his director role with the Company and accordingly submitted his resignation. The Board accepted his resignation effective 2 May 2012.

The Board is provided with regular and timely information on the financial performance of businesses within the Group, and of the Group as a whole, together with reports on trading matters, markets, research and development, health and safety, sustainability and other relevant issues. The information is provided in a form and of a quality appropriate to enable the Board to discharge its duties.

It is the Board's practice at least once a year to visit a Volex site to ensure that members are able to maintain a first-hand appreciation of local conditions and issues facing the Company 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. During the year, the Board met at the factory site in Suzhou, China. During its visit members toured the factory and also received presentations from the Company's respective heads of each of the four sectors of the Volex business. Members also visited the factories of and received presentations from a Volex customer and supplier.

Certain matters relating to the review of business performance, major strategy, policy and investment decisions affecting the Company and the development of Company policies in a number of areas including health and safety, social, ethical and environmental issues and insurance are reserved for the Board. Certain matters are delegated to the discretion of management, such as items that are included in the approved annual budget.

The Board approves the annual business plan and budget of the Company which is initially prepared by senior management of each of the Company's sectors and then adopted by the executive team. Actual sector and Company 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 is taken. If considered appropriate, the Board meets with senior operational management of the Company in order to further enhance its understanding of the Company'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 constructive engagement with executive management in particular the Executive Directors, on the key issues affecting the Company. A balance of four independent Non-Executive Directors to three Executive Directors creates a healthy environment for executive management strategy and management proposals to be challenged and scrutinised, and for reporting of performances to be monitored.

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 in order to promote a culture of openness and debate, 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 Company's business overall and leads the execution of the Company'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 Company Chief Executive and the Company 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. In accordance with the Company's Articles of Association and to the extent permitted by the laws of England and Wales, 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. Neither the insurance policy nor our indemnity provides cover in the event that a Director is proven to have acted fraudulently or dishonestly.

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 is done through the use of a series of questionnaire surveys prepared by the Company Secretary and Chairman, in consultation with corporate governance best practices. Volex is committed to ensuring that the surveys cover the relevant areas and are able to clearly reflect the opinions of the members. 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.

Last year, the Board, Board committee and Board member evaluations were conducted, with the assistance of the Company Secretary, to review the performance of the Board for the financial year ending 2011. The results of the evaluation indicated a general satisfaction of the members as to the workings of the Board and its interaction with senior management. Board members also sought further opportunities for continuing development and a more active role in the Company's strategic planning process. As a result of last year's evaluation, the Chairman has established a regular calendar of meetings between the Executive Directors, CEO and Senior Independent Non-Executive Director. The Chairman holds meetings with the Non-Executives Directors without the Executive Directors present, and vice versa. There are also meetings held with the CEO without the presence of other Executive Directors. These meetings were instituted to foster an open environment for the Group to address any issues they may have.

Once again this year the Board members have been asked to take part in an evaluation of the Board. All members of the Board were in agreement that the Board demonstrated an ethical leadership and that the Non-Executive Directors had effectively discharged their duties. There was also strong agreement by the Directors that the Chairman's performance during the financial year of 2012 was highly positive.

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 FY2011, 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, all of whom have been determined to be independent Non-Executive Directors.

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, Matt Nydell 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, Matt Nydell acts as Secretary to the Committee. The structure and business of the Remuneration Committee is summarised in the Directors' remuneration report on pages 56 to 65.

The Audit Committee

The Audit Committee is comprised of three Non-Executive Directors, 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 Company's internal financial controls and also reviews the scope and effectiveness of the internal audit function, although the Company's internal control and risk management processes

Corporate governance report continued

are considered by the Board as a whole. The Audit Committee makes recommendations to the Board in relation to the appointment, reappointment and removal 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 Company, 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 reappointment of PricewaterhouseCoopers LLP as external auditors to the Company and Group at the AGM to be held on 25 July 2011. At the 2011 AGM, the resolution was passed to reappoint PricewaterhouseCoopers LLP. During the year, the Board adopted a policy statement setting out principles for the use of the external auditors for non-audit services. The policy is intended to ensure that the Board has an adequate opportunity to review the continuing independence and objectivity of the Company's external auditors and is in line with the Code and the most recent Audit Practices Board Ethical Standards 5.

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 2010 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. This year, no Chairman's Committee meetings were held.

Internal controls

The Board has overall responsibility for the Company'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 continued to revisit 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; and
- 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 1 April 2012 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 a whistle-blowing policy ('Right-to-Speak'), which is publicised to employees via email, on the Group's Intranet 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.

The Business Assurance Director, where appropriate in consultation with the executive management team, decides on the appropriate method and level of investigation. The Audit Committee is notified of all material disclosures made and receives reports on the results of investigations and actions taken. The Audit Committee has the power to request further information, conduct its own inquiries or order additional action as it sees fit.

To ensure that the policy is properly understood, training sessions on the policy are held throughout the Group's locations. Further information regarding this policy can be found in the Corporate responsibility section on pages 45 to 46.

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 approximately 70 institutional fund managers and equity research analysts.

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 Company strategy and business model to a wider group. One result of this more active approach is that four new sell-side equity research analysts initiated coverage on the Company during FY2012.

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.

What has the Board achieved this year?

- Continued to review corporate governance process;
- Actively engaged shareholders in dialogue and consultations;
- Enhanced the executive team and Board with the addition of a new head of Sales and Marketing and a new Chief Operating Officer;
- Visited a Volex factory site in Suzhou and engaged in dialogue with a key customer and supplier of Volex;
- Reviewed effectiveness and commitment of the Board through annual Board Evaluations;
- Adopted new Terms of Reference for Audit Committee, Remuneration Committee and Chairman's Committee;
- Established a new policy for matters reserved for the Board; and
- Supervised the implementation of fiduciary training to all management and company subsidiary board members.

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 UK Corporate Governance Code 2010 (the 'Code'). A resolution to approve the Report will be proposed at the 2012 Annual General Meeting.

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 63.

UNAUDITED INFORMATION

Remuneration Committee

The members of the Remuneration Committee (the 'Committee') during the year were Chris Geoghegan, Chairman of the Committee, Mike McTighe and Karen Slafford, all of whom have been determined to be independent Non-Executive Directors. 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. The Committee held 8 meetings during the year and the attendance of each member is set out on page 52.

Key activities undertaken during FY2012

In line with the responsibilities set out in the Committee's terms of reference the following key issues were discussed during the year:

- approval of the FY2011 Directors' remuneration report;
- review of Performance Share Plan against targets set;
- review of new Performance Share Plan awards, taking into account total value and likely maturity of awards made under this plan;
- review of Executive Directors' shareholdings;
- consideration of advisory bodies' and institutional investors' current guidelines on executive compensation;
- annual review and ratification of remuneration packages for Directors, incorporating institutional investor feedback;
- establish targets for FY2012 annual cash bonuses; and
- review of the Committee's terms of reference. The revised terms of reference as adopted by the Board on 20 April 2011 can be found on the Company website.

The Committee keeps itself informed of all relevant developments and best practice in the field of remuneration and seeks advice from its appointed independent external advisers, Kepler Associates ('Kepler'). Kepler attends periodic Remuneration Committee meetings and provides advice on remuneration for executives, analysis on all elements of the remuneration policy and regular market and best practice updates. Kepler reports directly to the Remuneration Committee Chairman and complies with the Code of Conduct for Remuneration Consultants (which can be found at <http://www.remunerationconsultantsgroup.com>). Kepler is paid on a retainer basis 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 Director LTIS scheme under which one-off awards were made following approval by shareholders in December 2008. As explained on page 62, the performance period corresponding to these awards ended on 25 March 2012.

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 business, within a framework that is aligned with the interests of the Company's shareholders, external stakeholders, and our risk policies and processes.

The objective of the remuneration policy is to provide a balanced remuneration package, with the main components of Executive Director remuneration being the following:

Component	Objective	Fixed or variable	Performance period	Current policy
Basic salary	To position the role to be competitive with similar roles in comparable international manufacturing companies.	Fixed	Annual	Individual pay levels determined by reference to performance, responsibility, skills and experience in post. Consideration given to the wider pay levels and salary increases across the Group.
Annual bonus scheme	To incentivise delivery of short-term performance objectives.	Variable	Annual	Bonus payments are based on the achievement of challenging operating profit targets. Maximum bonus entitlement set at 100% of base salary. Bonus paid in cash.
Performance Share Plan	To drive performance, aid retention and align the interests of Executive Directors with shareholders.	Variable	Three or four years	Annual Performance Share awards limited to 100% of base salary per annum. Vesting of awards based on total shareholder return ('TSR'), a function of share price and dividends. Performance periods of three and four years.
Pension and other benefits	To provide competitive benefits in line with market practice.	Fixed	Ongoing	Executive Directors receive a pension contribution of 20% of salary, a car allowance, private health insurance and death in service cover.

The Company's policy is that a substantial proportion of the remuneration of the Executive Directors should be performance related and that the remuneration package should reward both individual and corporate performance. Short-term incentives are linked to challenging strategic targets, which support and reinforce the objectives of the Company. Long-term 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;
- 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.

Kepler Associates are invited annually to advise the Company in respect of general executive pay trends and specific pay comparators. The comparators are derived from companies of similar size and/or industry to Volex and specific comparisons are adjusted for market capitalisation and revenue. Salary increases for Executive Directors and executive team members for FY2012 was generally 2.3% annualised.

Salary increases for the general workforce are awarded on a geographic basis and informed by proprietary pay benchmark data provided by Mercer. These ranged from 2.3% annualised at Head Office in the UK to 34.5% in Vietnam. Overall, the Group average pay increase was approximately 7.0% annualised, part of which was the result of deliberate up-skilling of employees.

The Committee considers its policy to be appropriate for FY2013 and for subsequent financial years. The Committee is currently reviewing the performance conditions for new grants under the Performance Share Plan and in particular whether the use of total shareholder return as a single condition continues to be appropriate under the current conditions of the Company. When the Committee has determined the appropriate structure for awards going forward, it intends to consult with a range of shareholders to solicit their views on the proposal.

Directors' remuneration report continued

Basic salary and benefits

The Committee determines Executive Directors' basic salaries annually, with adjustments normally being made with effect from 1 April each year. In reviewing Executive Director base salary levels for FY2012 the Committee considered current market conditions, the Company's performance in FY2011/FY2012 and the principles applying to decisions on general salary increases across the rest of the organisation. In addition, the Committee took into account that there were no Executive Director salary increases in FY2011.

The base salary increase awarded to the Group Chief Executive and Group Finance Director was 2.3% on an annualised basis. Current annual base salaries for FY2012 for Executive Directors are shown in the Directors' emoluments table on page 63.

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 variable 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 key financial objectives set by the Board for the year in question. The bonus plan for the financial year to 1 April 2012 was structured to reward exemplary group operating profit performance. While the Company met analyst consensus expectations for operating profit, the targets for bonus rewards were not met and therefore, no bonuses were paid to Executive Directors under this scheme in respect of the year ended 1 April 2012.

Volex Group plc Performance Share Plan (PSP)

Following its approval and subsequent amendment by shareholders in December 2008 and October 2010, respectively, the Volex Group plc Performance Share Plan 2009 ('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, key senior executives and managers 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.

FY2012 PSP awards

The Executive Directors were granted two awards under the PSP in FY2011, a three-year award vesting on the third anniversary of the date of grant and a four-year award vesting on the fourth anniversary of the date of grant. Consequently, no PSP awards were made to the Executive Directors in FY2012.

For awards granted to other executives during the financial year ended 1 April 2012, the Committee determined to use three year performance period awards subject to Total Shareholder Return ('TSR') performance targets, as set out in the table below. In making these awards, the Committee believed that TSR was the most appropriate measure of long-term performance for the Company under the then-current circumstances, and provided strong alignment with shareholder interests.

TSR ¹ target	% of shares subject to award that vest
Less than or equal to 342p	Zero
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 each dealing day in the month 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 vesting date for the awards granted in FY2012 is the third anniversary of the date of grant.

FY2011 PSP awards

For PSP awards granted during the financial year ended 3 April 2011, the Committee used 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.

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 each dealing day in the month 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 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 awards were made to Executive Directors in FY2012.

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 ¹ target	% of shares subject to award that vest
Less than or equal to 90p	Zero
Greater than or equal to 170p	100%

1. TSR is defined as the aggregate of share price (average mid-market quotations for a Company share over each dealing day in the month 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 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 3 April 2011 and 1 April 2012, 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.

Directors' remuneration report continued

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).

In addition to the share price targets, these awards were subject to an EPS underpin. Accordingly, for LTIP awards granted in July 2008 to become capable of exercise fully, the EPS for the financial year ending 3 April 2011 ('Actual EPS') must equal or exceed 18p per share. As reported in the FY2011 Annual Report and Accounts, the EPS for the financial year ending 3 April 2011 was 21.8p ('Actual EPS').

Both the share price and EPS performance conditions were satisfied in full during the year and, as a result, these FY2009 LTIP awards vested in full, and were exercised, during FY2012. None of the Directors participated in the FY2009 LTIP.

At 1 April 2012 there are no remaining awards outstanding under the LTIP.

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 FY2012.

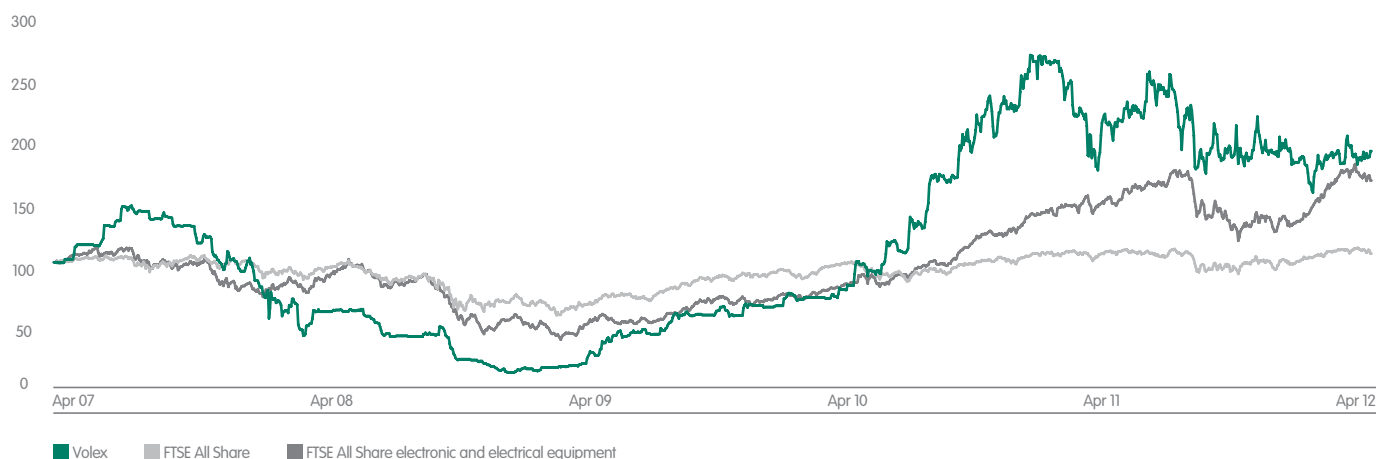
Pension arrangements

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. It is the policy of the Company that only basic salary of the Executive Directors is pensionable.

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

Executive Directors

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

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

Name of Director	Term	Effective date of service contract or letter of appointment	Notice period
Andrew Cherry	Indefinite	19.02.2009	6 months
David McKinney ¹	Indefinite	02.05.2012	12 months
Ray Walsh	Indefinite	06.04.2009	12 months

1. David McKinney was appointed as a Director of the Company after the year end, on 2 May 2012.

In accordance with the Company's policy the Directors' contracts do not include any specific provisions relating to compensation in the event of termination. In the event of 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. There were no payments for compensation of loss of office made to any Directors during the year.

Ray Walsh's service agreement provides for a payment for loss of service in the event of a change of control of the Company or similar event. This provision expired on 9 March 2012. 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 and at the 2012 AGM.

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 has (i) been appointed by the Board since the previous annual general meeting; or (ii) held office at the time of the two preceding annual general meetings and who did not retire at either of them; or (iii) has held office with the Company, other than employment or executive office, for a continuous period of nine years or more at the date of the meeting, is required to retire from office but is eligible for re-election. At the 2012 AGM, Ray Walsh, Andrew Cherry and David McKinney will be up for re-election.

External appointments

The Executive Directors do not hold any external Director appointments.

Non-Executive Directors

All Non-Executive Directors have specific terms of engagement. The Company's policy for Non-Executive Directors, including the Chairman, is to have contracts for services, documented in a Letter of Appointment. These Letters of Appointment were renewed after the year end and new rolling agreements were entered into, which remain in force until terminated by either party.

Details of the Non-Executive Directors' contracts are summarised in the table below:

Name of Director	Effective date of service contract or letter of appointment	Notice period
Non-Executive Directors		
Richard Arkle	26.04.2012	3 months
Chris Geoghegan	26.04.2012	3 months
Mike McTighe	26.04.2012	3 months
Paul Mountford ¹	03.12.2010	3 months
Karen Slatford	26.04.2012	3 months

1. Paul Mountford resigned from his role as Non-Executive Director of the Company on 2 May 2012. By mutual consent, he was not paid any termination amounts.

The fee paid to each Non-Executive Director in the year is set out in the table on page 63. 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.

Directors' remuneration report continued

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.

The terms of the LTIS were amended during FY2011, following approval by the shareholders in October 2010, with the number of LTIS awards receivable by each eligible Non-Executive Director now 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 number of units awarded under the LTIS is 800,000 units and the details of the Average Value Attained target is shown in the table below:

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%

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.

The Average Value Attained at 25 March 2012 amounted to 264.7p and all three eligible Non-Executive Directors were still in office at that date. Accordingly 266,666 units (one-third of the total 800,000 units) vested on 25 March 2012. Each holder is now entitled to exercise one third of the number of units held by the holder. At the date of this report, none of the Non-Executive Directors had exercised any portion of their award. The remaining two tranches of 266,667 units each will vest on 25 March 2013 and 25 March 2014, and each award holder will be entitled to exercise a further third of the award number on each of these dates, subject to the award holders remaining as Directors as of each such date.

Awards held by Non-Executive Directors under the LTIS are shown on page 64 of this report. The Board intends that no further awards will be made under the LTIS.

The market price of Volex plc shares, to which the PSP and LTIP awards relate, at 1 April 2012 was 257p. The highest and lowest market prices of the shares during FY2012 was 358p and 218p respectively.

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).

AUDITED INFORMATION

Directors' emoluments

Details of the emoluments of those Directors who were in office during the financial period ended 1 April 2012 are set out below:

	Fees/basic salary £	Benefits in kind £	Annual bonuses £	2012 Total £	2011 Total £
Executive Directors					
Andrew Cherry	244,152	15,438	–	259,590	289,877
David McKinney ¹	–	–	–	–	–
Ray Walsh ²	369,818	57,641	–	427,459	441,463
Non-Executive Directors					
Richard Arkle ³	35,000	–	–	35,000	35,000
Chris Geoghegan ⁴	35,000	–	–	35,000	35,000
Mike McTighe	125,000	–	–	125,000	125,000
Paul Mountford ⁵	30,000	–	–	30,000	7,500
Karen Slatford	30,000	–	–	30,000	30,000
	868,970	73,079	–	942,049	963,840

1. David McKinney was appointed a Director of the Company on 2 May 2012.

2. Included in Ray Walsh's benefits-in-kind is £31,697 received as a cash payment in lieu of pension contribution.

3. 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.

4. 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.

5. Paul Mountford resigned on 2 May 2012.

The Directors do not receive general expense allowances but are reimbursed specific reasonable expenses incurred in connection with the Company's business. There were no payments for compensation of loss of office made in the year and no payments of any kind were made to former Directors during the year.

Directors' remuneration report continued

Directors' interest in long-term incentive scheme

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

Volex Group plc Performance Share Plan (PSP)

	Number of shares subject to PSP options held at 4 April 2011	Number of shares subject to PSP options granted during FY2012	Number of shares subject to PSP options lapsed during FY2012	Number of shares subject to PSP options held at 1 April 2012	Exercise price of shares subject to PSP options (£)
Andrew Cherry	905,623	–	–	905,623	0.25
Ray Walsh	1,252,322	–	–	1,252,322	0.25

No PSP awards vested during the year ended 1 April 2012.

Long term incentive plan (LTIP)

No LTIP options or awards were held during the year ended 1 April 2012 by any of the Directors.

Non-Executive Director Long Term Incentive Scheme (LTIS)

Non-Executive Directors interests in the LTIS are as follows:

	Number of award units at 4 April 2011	Number of award units granted during FY2012	Number of award units lapsed during FY2012	Number of award units at 1 April 2012	% interest in award units at 1 April 2012
Chris Geoghegan	80,000	–	–	80,000	10%
Mike McTighe	640,000	–	–	640,000	80%
Karen Slatford	80,000	–	–	80,000	10%
Total units in Bonus Pool	800,000			800,000	

Details of the LTIS, including explanation of the vesting of the first tranche of 266,666 units, representing one-third of each Non-Executive Director's LTIS interest in the year, are set out on page 62 of this Remuneration report.

Directors' pension entitlements

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

	2012 £	2011 £
Andrew Cherry ¹	61,118	57,739
Ray Walsh ²	54,182	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 elected to take £31,697 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 63.

Directors' interest in shares of the Company

The interests in the share capital of the Company of those Directors who were in office at 1 April 2012, together with their interests at 3 April 2011, or date of appointment if later, are detailed below. The table details separately beneficial interests 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 1 April 2012	Shares held at 3 April 2011	PSP awards at 1 April 2012	PSP awards at 3 April 2011	LTIS awards at 1 April 2012	LTIS awards at 3 April 2011
Richard Arkle	184,000	184,000	–	–	–	–
Andrew Cherry	41,765	41,765	905,623	905,623	–	–
Chris Geoghegan	–	–	–	–	80,000	80,000
Mike McTighe	107,000	105,000*	–	–	640,000	640,000
Paul Mountford	–	–	–	–	–	–
Karen Slatford	–	–	–	–	80,000	80,000
Ray Walsh	57,000	42,500	1,252,322	1,252,322	–	–

* This figure has been amended from last year's Annual Report to show Mike McTighe's individual shareholdings. In previous years this figure has been the combined shareholding held by Mike and his children who were under the age of 18 and therefore were connected persons.

There have been no changes to the Directors' interests in the shares of the Company between 1 April 2012 and the date of this report.

Directors' interest in transactions with related parties

On 23 August 2011 Andrew Cherry fully repaid an advance of £65,505, that he had originally received on 4 March 2011, from the Volex Group plc Employee Share Trust, a related party of the Company. This advance, which was outstanding at the beginning of the financial year and on which interest accrued at 4% per annum, was settled in cash and there is no balance remaining outstanding at 1 April 2012.

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 29 May 2012.



Chris Geoghegan

Chairman of the Remuneration Committee

29 May 2012

Directors' report

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, and the Group and parent Company financial statements in accordance with applicable law and regulations.

Companies Act 2006 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 Companies Act 2006, 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 maintaining 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 have general responsibility for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for preparing a Directors' report, Directors' remuneration report and Corporate governance statement that comply with applicable law and regulations.

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 of Board of Directors on pages 48 and 49, 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 business review, contained in the Directors' report and the operating and financial review section in this 2012 Annual Report and Accounts, 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 that he/she ought to have taken 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
29 May 2012



Andrew Cherry
Group Finance Director
29 May 2012

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 1 April 2012.

Principal activities and business review

Volex 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 Company 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 123.

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 10 to 44 and also the Corporate responsibility statement which can be found on pages 45 to 46.

Change of name and presentation currency

On 25 July 2011 the Company changed its name from Volex Group plc to Volex plc following the passing of a special resolution at the FY2011 Annual General Meeting.

During the year, the Company changed its presentation and reporting currency from Pounds Sterling, or GBP, to US Dollars, or USD. As the Company no longer operates any manufacturing facilities in the UK and as the proportion of GBP denominated business activity carried out by the Group has been decreasing, with the Group's revenues and profits increasingly generated in USD, transitioning to a USD reporting currency, better reflects the underlying trading performance and reduces translation related distortions in reported results caused by exchange rate movements. A change in presentation currency is a change in accounting policy that is accounted for retrospectively. Statutory financial information included in the Company's Annual Report and accounts for the 52 weeks ended 3 April 2011 and 4 April 2010 previously reported in GBP has been re-stated into USD.

Principal risks and uncertainties

Included on pages 40 to 44 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.

Cancellation of preference shares and dividend

After obtaining shareholder approval at the FY2011 Annual General Meeting, the Company applied to the court to reduce the capital of the Company and cancel its 7% cumulative preference shares in order to simplify its capital structure. On 31 August 2011 a court order confirming the reduction of capital of the Company was registered by the Registrar of Companies, pursuant to which all of the 80,000 7% cumulative preference shares of £1.00 each were redeemed and cancelled. The reduction of capital was at par value together with the accrued dividend up to and including the date on which the preference shares were cancelled.

The Directors have recommended that a final dividend of 3.0 cents per share be paid to the holders of ordinary shares on the register of members of the Company at the close of business on 27 July 2012, or the record date. After taking into account the 1.5 cents per share paid as an interim dividend to shareholders on the register at 6 January 2012, the total dividend payable in respect of FY2012 is 4.5 cents. (FY2011: 2.0 pence).

Shareholders will continue to have the option to receive this dividend in either USD or GBP with the Company's Registrars providing a currency election facility. Any election made by shareholders for the FY2012 interim dividend will continue in force unless rescinded. Shareholders who prefer to receive their dividend in USD must make their election to receive their dividend in USD by 5pm on 10 August 2012. If no election is made, the dividend will be paid in GBP, the default currency for the dividend, with the GBP amount payable calculated by reference to the GBP:USD exchange rate prevailing at the record date. If you hold your ordinary shares in certificated form, you may only elect to receive your dividend in US Dollars by signing and returning a currency election form, available from Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. If you hold your ordinary shares in uncertificated form, to elect to receive your dividend in US Dollars you must input a valid Dividend Election Input Message, in accordance with the CREST procedures described in the CREST manual. Partial elections will not be permitted.

Directors' report continued

Financing and financial risk

On 31 May 2011 the Company refinanced its borrowing facilities by signing and entering into a new four year \$75m multi-currency revolving credit facility agreement with Lloyds, HSBC and Clydesdale banks. This new facility, which replaces the former revolving credit facility, provides greater financial flexibility and improved pricing and terms. Further details of this new financing facility are given in Note 19 to the accounts.

The Company remained focused on effective financial risk management and made significant progress in the year in extending its commodity hedging programme to protect the Company's margins and profits from the impact of commodity (particularly copper) price volatility.

The Company's financial risk management objectives and exposure of the Company to 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 Managing Group risk section on pages 40 to 44.

Research and development

The Company's research and development activities are focused on driving innovation throughout its product portfolio, to enable it to deliver new or enhanced customer-specific connection solutions. For example, we have developed prototype cable assemblies and connectors for a specific type of high-speed copper solution. We have continued to recruit design and development expertise to drive these activities and to build a forward-looking industry expertise that enables us to engage effectively in industry standards bodies and positions the Company well with customers for next-generation interconnect products and technologies.

Continuous improvement

The Group has continued to embed a range of management tools to promote a culture of continuous improvement across all our functions. In our manufacturing operations further LEAN management techniques have been incorporated to provide additional production efficiencies, while improved engagement with customers and suppliers has delivered benefits in our sales and supply chain functions.

Furthermore the Company has recognised the critical importance of corporate culture to underpin the continuing transformation of Volex. The Company is pursuing and already has made a significant investment in a culture transformation programme being implemented throughout the Group. In addition to helping Volex transform itself into a customer-focused and innovation driven organisation, this culture programme is intended to provide a more rewarding work environment for our employees.

Share capital

As at 1 April 2012, the Company's total issued share capital comprised 62,493,578 Ordinary shares of 25p each.

Included in the 62,493,578 Ordinary shares of 25p are 5,871,815 (FY2011: 5,672,015) Ordinary shares held by the Volex Employee Share Trust as Treasury shares to satisfy the potential future vesting of long-term incentive awards held by certain Directors and key management. During the year 570,000 (FY2011: nil) treasury shares were utilised by the Volex Employee Share Trust to satisfy the vesting of such awards and market purchases of a further 769,800 shares (FY2011: nil) were made, at a cash cost of \$3.3m, to support the Company's ability to provide appropriate long-term incentive arrangements to certain Directors and key employees within the Group. Further details of the employee share schemes can be found in the Remuneration Committee report on pages 58 to 60.

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. 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.

The Directors have the authority (on the terms set out in the Notice to the FY2011 Annual General Meeting): (i) to allot shares representing two-thirds of the issued share capital of the Company and (ii) to disapply statutory pre-emption rights for cash issues of shares representing not more than 5% of the issued share capital of the Company. These authorities are renewed annually at the Annual General Meeting. The Company also has authority, renewed annually, to purchase not more than 10% of the issued share capital of the Company. Any shares purchased will either be cancelled, and the number of Ordinary shares in issue reduced accordingly, or held in Treasury. The Directors will be seeking a new authority for the Company to purchase its Ordinary shares at the 2012 AGM.

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

	2012 \$'000	2011 \$'000
Normalised operating profit (before non-recurring items and share-based payments)	32,004	26,075
Non-recurring items	(4,990)	–
Share-based payments charge	(3,976)	(2,602)
Operating profit	23,038	23,473
Finance income	73	222
Financing costs	(3,900)	(3,383)
Profit on ordinary activities before taxation	19,211	20,312
Taxation	(2,029)	(3,660)
Profit for the period, being the retained profit for the year attributable to the equity holders of the parent	17,182	16,652

Net assets employed by the Group were:

	2012 \$'000	2011 \$'000
Non-current assets	31,645	20,173
Other assets and liabilities	16,024	25,561
	47,669	45,734
Net cash / (debt)	3,643	(7,448)
Net assets	51,312	38,286
Gearing ¹	–	19%

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, Non-Executive Director

Chris Geoghegan, Senior Independent Director

Mike McTighe, Chairman

Paul Mountford, Non-Executive Director

Karen Slatford, Non-Executive Director

Ray Walsh, Chief Executive Officer

Andrew Cherry, Group Finance Director

On 2 May 2012, Paul Mountford resigned from his role as a Director. On the same date David McKinney was appointed to the Executive Director position of Chief Operating Officer. There have been no other changes to the Board since the end of the financial year. Biographical details of the current Directors can be found on pages 48 to 49.

Directors' report continued

(b) Election of Directors

In accordance with the provisions of the Articles of Association of the Company, Ray Walsh and Andrew Cherry will retire at the 2012 AGM and being eligible, offer themselves for election by the shareholders. In addition, David McKinney, who was appointed a Director on 2 May 2012, offers himself for election by the shareholders.

It is the Company's policy that service contracts for each Executive Director continue for an indefinite term until such date as agreed between the Director and the Company or terminated earlier by either party.

(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 56 to 65.

(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. In addition, the Company has granted qualifying third-party indemnities to directors of the Company's associated companies, which remain in force.

Substantial shareholdings

Pursuant to the Disclosure and Transparency Rules, issued by the Financial Services Authority, the major shareholders of the Company are as follows:

	Number of Ordinary shares	Percentage held ¹
NR Investments Ltd	14,855,000	23.77
GoldenPeaks Active Value Master Fund	11,553,407	18.49
Volex Group plc Employee Share Trust	4,866,815	7.79
M&G Investment Management	2,464,370	3.94
Neue Helvetische Bank, Zurich	2,457,528	3.93
Legal & General Investment Management	2,071,882	3.32

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

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.

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.

As set out in the Articles of Association there are circumstances where a Director will immediately cease to hold office. These circumstances include where he or she is prohibited by law from being or acting as a Director, where a Director has been made bankrupt or is where he or she is unable to perform their duties through long-term ill health.

Charitable and political contributions

It is the Group's policy not to make political donations, accordingly there were no political donations made during the year. A charitable donation of £100 was made during the year to the Parkinson's Disease Society of the United Kingdom.

Amending Volex's Articles of Association

Companies Act 2006 requires that any alteration to Volex's Articles of Association must be approved by a special resolution of the shareholders.

Directors' 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 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 Board considers that the procedures it has in place for reporting and considering conflicts of interest are effective.

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 three 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.

Significant agreements

The Company is a party to a revolving credit facility in which the counterparties can determine whether or not to cancel the agreement where there has been a change of control of the Company.

The service agreement of Ray Walsh includes provisions for compensation for loss of office or employment as a result of a change of control, although that provision has now expired. This provision is not included in the service agreements of Andrew Cherry and David McKinney. Further details of the Directors' service contracts can be found in the Remuneration Committee report on page 61.

Directors' report continued

Supplier payment policy

The Group's policy is to pay suppliers on settlement terms agreed with each supplier. The total amount of Group trade payables falling due within one year at 1 April 2012 represents 90 days' worth (2011: 90), as a proportion of the total amount invoiced by suppliers during the year ended on that date.

Audit and auditors

In accordance with the recommendation of the Audit Committee as disclosed on page 54 and Section 489 of the Companies Act 2006, a resolution to reappoint 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 2012 AGM of the Company will be held on 26 July 2012. In accordance with the Notice of Meeting, this is included at the end of this Annual Report.

The meeting will consider items to be passed as ordinary or special resolutions. Each resolution will be proposed as a separate resolution.

By order of the Board.



Matt Nydell
Company Secretary
29 May 2012

Independent auditors' report

To the members of Volex plc

We have audited the financial statements of Volex plc for the 52 week period ended 1 April 2012 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 66, 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 1 April 2012 and of the Group's profit and Group's and parent Company's cash flows for the 52 week period 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 50-55 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Independent auditors' report continued

To the members of Volex plc

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 82, in relation to going concern;
- 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

29 May 2012

Consolidated income statement

For the 52 weeks ended 1 April 2012 (52 weeks ended 3 April 2011)

	Notes	Group					
		2012			2011 (restated)		
		Before non-recurring items and share based payments \$'000	Non-recurring items and share based payments \$'000	Total \$'000	Before non-recurring items and share based payments \$'000	Non-recurring items and share based payments \$'000	Total \$'000
Revenue	3	517,769	–	517,769	490,009	–	490,009
Cost of sales		(415,250)	(4,990)	(420,240)	(397,940)	–	(397,940)
Gross profit		102,519	(4,990)	97,529	92,069	–	92,069
Operating expenses		(70,515)	(3,976)	(74,491)	(65,994)	(2,602)	(68,596)
Operating profit/(loss)		32,004	(8,966)	23,038	26,075	(2,602)	23,473
Finance income	5	73	–	73	222	–	222
Finance costs	6	(3,900)	–	(3,900)	(3,383)	–	(3,383)
Profit/(loss) on ordinary activities before taxation		28,177	(8,966)	19,211	22,914	(2,602)	20,312
Taxation	10	(3,445)	1,416	(2,029)	(3,787)	127	(3,660)
Profit/(loss) for the period attributable to the owners of the parent	7	24,732	(7,550)	17,182	19,127	(2,475)	16,652
Earnings per share (cents)							
Basic	12	43.7		30.4	33.7		29.3
Diluted	12	42.4		29.4	32.4		28.2

Consolidated statement of comprehensive income

For the 52 weeks ended 1 April 2012 (52 weeks ended 3 April 2011)

	Notes	Group	
		2012 \$'000	2011 (restated) \$'000
Profit for the period		17,182	16,652
Other comprehensive income/(loss):			
Gain/(loss) on hedge of net investment taken to equity		(479)	827
Cash flow hedges:			
Gain/(loss) arising during the period		1,295	–
Exchange gain/(loss) on translation of foreign operations		(886)	(1,843)
Actuarial gain/(loss) on defined benefit pension schemes	32	(1,828)	1,500
Other comprehensive gain/(loss)		(1,898)	484
Tax relating to components of other comprehensive income		–	–
Other comprehensive gain/(loss) for the period		(1,898)	484
Total comprehensive income for the period attributable to the owners of the parent		15,284	17,136

Consolidated and Company statement of financial position

As at 1 April 2012 (3 April 2011, 4 April 2010)

	Notes	Group			Company		
		2012	2011	2010	2012	2011	2010
		\$'000	(restated) \$'000	(restated) \$'000	\$'000	(restated) \$'000	(restated) \$'000
Non-current assets							
Goodwill	13	3,085	3,109	2,928	-	-	-
Other intangible assets	14	2,897	2,120	998	1,955	1,795	542
Property, plant and equipment	15	20,022	12,465	11,378	426	209	291
Investments	16	-	-	-	153,197	145,534	137,534
Other receivables	18	543	322	323	320	322	301
Deferred tax asset	22	5,098	2,157	407	2,024	741	-
		31,645	20,173	16,034	157,922	148,601	138,670
Current assets							
Inventories	17	49,790	51,889	41,718	3,062	4,004	5,836
Trade receivables	18	90,612	105,200	77,929	3,349	5,104	4,959
Other receivables	18	15,092	12,927	13,306	57,061	38,318	77,524
Current tax assets		703	722	584	-	-	-
Derivative financial instruments	33	1,453	-	-	1,453	-	-
Cash and bank balances	29	43,578	20,397	27,638	-	4,086	4,625
		201,228	191,135	161,175	64,925	51,512	92,944
Total assets		232,873	211,308	177,209	222,847	200,113	231,614
Current liabilities							
Borrowings	19	2,398	27,542	428	12,572	6,499	-
Obligations under finance leases	20	117	195	97	117	195	97
Trade payables	21	88,551	91,641	68,523	1,547	1,888	1,666
Other payables	21	34,574	35,513	25,447	44,779	50,763	103,475
Current tax liabilities		5,938	4,393	8,194	-	-	-
Retirement benefit obligation	32	596	251	235	596	251	235
Provisions	23	1,078	2,940	6,151	832	1,029	2,855
Derivative financial instruments	33	54	296	563	34	215	302
		133,306	162,771	109,638	60,477	60,840	108,630
Net current assets/(liabilities)		67,922	28,364	51,537	4,448	(9,328)	(15,686)
Non-current liabilities							
Borrowings	19	37,420	-	38,463	22,757	-	20,195
Obligations under finance leases	20	-	108	135	-	108	135
Trade and other payables	21	706	-	-	58,938	59,006	72,233
Deferred tax liabilities	22	2,563	2,309	99	-	-	-
Retirement benefit obligation	32	2,976	1,883	3,384	2,976	1,883	3,384
Provisions	23	4,590	5,744	6,165	4,540	4,896	4,806
Non-equity preference shares	25	-	207	121	-	207	121
		48,255	10,251	48,367	89,211	66,100	100,874
Total liabilities		181,561	173,022	158,005	149,688	126,940	209,504
Net assets		51,312	38,286	19,204	73,159	73,173	22,110
Equity attributable to owners of the parent							
Share capital	24	28,180	28,180	25,940	28,180	28,180	25,940
Share premium account		2,586	2,586	2,586	2,586	2,586	2,586
Hedging and translation reserve		(4,252)	(4,182)	(3,166)	(8,263)	(8,050)	(9,059)
Own shares	27	(5,271)	(2,240)	-	-	-	-
Merger reserve		-	-	-	15,540	15,540	15,540
Non-distributable special reserve	26	-	-	-	-	-	33,136
Retained earnings/(losses)		30,069	13,942	(6,156)	35,116	34,917	(46,033)
Total equity		51,312	38,286	19,204	73,159	73,173	22,110

The financial statements on pages 75 to 122 were approved by the Board of Directors and authorised for issue on 29 May 2012.

They were signed on its behalf by:



Ray Walsh
Group Chief Executive



Andrew Cherry
Group Finance Director

Volex plc Company Number: 158956

Consolidated and Company statement of changes in equity

For the 52 weeks ended 1 April 2012 (52 weeks ended 3 April 2011)

Group	Share capital \$'000	Share premium account \$'000	Hedging and translation reserve \$'000	Own shares \$'000	Merger reserve \$'000	Non distributable special reserve \$'000	Retained earnings/ (losses) \$'000	Total equity \$'000
Balance at 4 April 2010 (restated)	25,940	2,586	(3,166)	–	–	–	(6,156)	19,204
Profit for the period attributable to the owners of the parent	–	–	–	–	–	–	16,652	16,652
Other comprehensive income/(loss) for the period	–	–	(1,016)	–	–	–	1,500	484
Total comprehensive income/(loss) for the period	–	–	(1,016)	–	–	–	18,152	17,136
Issue of share capital	2,240	–	–	–	–	–	–	2,240
Own shares acquired in the period	–	–	–	(2,240)	–	–	–	(2,240)
Reserve entry for share option charge	–	–	–	–	–	–	1,946	1,946
Balance at 3 April 2011 (restated)	28,180	2,586	(4,182)	(2,240)	–	–	13,942	38,286
Profit for the period attributable to the owners of the parent	–	–	–	–	–	–	17,182	17,182
Other comprehensive income/(loss) for the period	–	–	(70)	–	–	–	(1,828)	(1,898)
Total comprehensive income/(loss) for the period	–	–	(70)	–	–	–	15,354	15,284
Dividends	–	–	–	–	–	–	(2,712)	(2,712)
Own shares acquired in the period	–	–	–	(3,031)	–	–	–	(3,031)
Reserve entry for share option charge	–	–	–	–	–	–	3,485	3,485
Balance at 1 April 2012	28,180	2,586	(4,252)	(5,271)	–	–	30,069	51,312

Company	Share capital \$'000	Share premium account \$'000	Hedging and translation reserve \$'000	Own shares \$'000	Merger reserve \$'000	Non distributable special reserve \$'000	Retained earnings/ (losses) \$'000	Total equity \$'000
Balance at 4 April 2010 (restated)	25,940	2,586	(9,059)	–	15,540	33,136	(46,033)	22,110
Profit for the year attributable to the owners of the parent	–	–	–	–	–	–	44,368	44,368
Other comprehensive income/(loss) for the period	–	–	1,009	–	–	–	1,500	2,509
Total comprehensive income/(loss) for the period	–	–	1,009	–	–	–	45,868	46,877
Issue of share capital	2,240	–	–	–	–	–	–	2,240
Release of special reserve	–	–	–	–	–	(33,136)	33,136	–
Reserve entry for share option charge	–	–	–	–	–	–	1,946	1,946
Balance at 3 April 2011 (restated)	28,180	2,586	(8,050)	–	15,540	–	34,917	73,173
Profit for the year attributable to the owners of the parent	–	–	–	–	–	–	1,254	1,254
Other comprehensive income/(loss) for the period	–	–	(213)	–	–	–	(1,828)	(2,041)
Total comprehensive income/(loss) for the period	–	–	(213)	–	–	–	(574)	(787)
Dividends	–	–	–	–	–	–	(2,712)	(2,712)
Reserve entry for share option charge	–	–	–	–	–	–	3,485	3,485
Balance at 1 April 2012	28,180	2,586	(8,263)	–	15,540	–	35,116	73,159

Consolidated and Company statement of cash flows

For the 52 weeks ended 1 April 2012 (52 weeks ended 3 April 2011)

	Notes	Group		Company	
		2012 \$'000	2011 restated \$'000	2012 \$'000	2011 restated \$'000
Net cash generated from/(used in) operating activities	29	30,353	11,087	(19,014)	10,998
Cash flow generated from/(used in) investing activities					
Interest received		73	222	–	149
Proceeds on disposal of intangible assets, property, plant and equipment		79	101	–	–
Purchases of property, plant and equipment		(10,263)	(4,363)	(399)	(18)
Purchases of intangible assets		(1,986)	(1,200)	(738)	(1,113)
Acquisition of own shares (net of funds received on option exercise)		(3,031)	–	–	–
Net cash outflow arising on disposal of operations		–	(247)	–	(247)
Net cash inflow/(outflow) on intercompany funding		–	–	(8,357)	4,491
Net cash generated from/(used in) investing activities		(15,128)	(5,487)	(9,494)	3,262
Cash flows before financing activities		15,225	5,600	(28,508)	14,260
Cash generated before non-recurring items		19,932	5,847	(28,508)	14,507
Net cash outflow arising on disposal of operations	29	–	(247)	–	(247)
Cash utilised in respect of non-recurring items		(4,707)	–	–	–
Cash flow generated from/(used in) financing activities					
Dividends paid		(2,712)	–	(2,712)	–
Repayment of borrowings		(26,377)	(14,387)	(7,300)	(14,387)
Repayment of preference shares		(130)	–	(130)	–
Refinancing costs paid	28	(1,655)	(24)	(1,655)	(24)
New bank loans raised	28	39,544	–	24,000	–
Repayments of obligations under finance leases	28	(181)	(144)	(181)	(144)
Net cash generated from/(used in) financing activities		8,489	(14,555)	12,022	(14,555)
Net increase/(decrease) in cash and cash equivalents		23,714	(8,955)	(16,486)	(295)
Cash and cash equivalents at beginning of period	28	18,525	27,210	4,086	4,625
Effect of foreign exchange rate changes	28	(1,059)	270	(172)	(244)
Cash and cash equivalents at end of period	28	41,180	18,525	(12,572)	4,086

Notes to the financial statements

For the 52 weeks ended 1 April 2012 (52 weeks ended 3 April 2011)

1. Presentation of financial statements

Volex 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 the inside back cover. The nature of the Group's operations and its principal activities are set out in the Business Review on pages 18 to 46.

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.

Restatement

Following the disposal of the Wiring Harness division in 2009 and sustained international growth, the cash flows and economic returns of the Company and entities over which it has control (its subsidiaries), (together the 'Group'), are now principally denominated in US Dollars ('USD'). From 4 April 2011, the Group changed its currency in which it presents its consolidated and parent Company financial statements from Pounds Sterling ('GBP') to USD.

A change in presentation currency is a change in accounting policy which is accounted for retrospectively. Statutory financial information included in the Group's Annual Report and Accounts for the 52 weeks ended 3 April 2011 and 4 April 2010 previously reported in GBP has been restated into USD using the procedures outlined below:

- assets and liabilities denominated in non-USD currencies were translated into USD at period end closing rates of exchange;
- share capital, share premium and own reserves were translated at the historic rates prevailing at 5 April 2004 (i.e. the transition date to IFRS) or the subsequent dates of transactions;
- non-USD trading results were translated into USD at average rates of exchange;
- the cumulative hedging and translation reserve was set to nil at 5 April 2004 (i.e. the transition date to IFRS). All subsequent foreign exchange translation movements comprising differences on the retranslation of the opening net assets of non-USD subsidiaries and the retranslation of the trading results of non-USD subsidiaries have been charged to the hedging and translation reserve; and
- exchange differences recognised directly in the hedging and translation reserve arising from foreign exchange hedging instruments or monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur were translated into USD at average rates of exchange.

All exchange rates used were extracted from the Group's underlying financial records. The exchange rates used were as follows:

USD/GBP exchange rate	FY2012	FY2011	FY2010	FY2009
Closing Rate	1.5983	1.6111	1.5169	1.4738
Average Rate	1.5978	1.5510	1.5958	1.6924

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 \$1,254,000 (2011: \$44,368,000).

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.

2. Significant accounting policies continued

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.

- IAS 32 (amendment) Financial Instruments Presentation – Classification of rights issues
- IAS 24 (amendment) 'Related party disclosures'
- IFRIC 14 (amendment) 'Prepayments of a Minimum Funding Requirement'
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

In addition, the International Accounting Standards Board (IASB) issued amendments to a number of IFRSs in May 2010 as part of its annual improvement project. These amendments were applicable for the 52 weeks ended 1 April 2012 but did not result in any changes to the financial statements of the Group or Company.

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

- IAS 12 (amendment) 'Income Taxes' – effective for year end 31 March 2013
- IAS 1 (amendment) 'Financial Statement Presentation' – effective for year ended 30 March 2014
- IFRS 10 'Consolidated Financial Statements' – effective for year ended 30 March 2014
- IFRS 11 'Joint Arrangements' – effective for year ended 30 March 2014
- IFRS 12 'Disclosure of Interests in Other Entities' – effective for year ended 30 March 2014
- IAS 27 (amendment) 'Separate Financial Statements' – effective for year ended 30 March 2014
- IAS 28 (amendment) 'Associates and Joint Ventures' effective for year ended 30 March 2014

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). The Group is currently reviewing these standards to determine the likely impact on the financial statements of the Group in future periods.

- IFRS 7 (amendment) 'Financial Instruments' – effective for year end 31 March 2013
- IAS 19 (amendment) 'Employee Benefits' – effective for year ended 30 March 2014
- IFRS 9 'Financial Instruments' – effective for year ended 30 March 2014
- IFRS 13 'Fair Value Measurement' – effective for year ended 30 March 2014

Basis of consolidation

The consolidated financial statements of Volex 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.

Notes to the financial statements continued

For the 52 weeks ended 1 April 2012 (52 weeks ended 3 April 2011)

2. Significant accounting policies continued

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 18 to 46. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review on pages 34 to 39. 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 \$75 million multi-currency revolving credit facility ('RCF') with a syndicate of three banks. The principal terms of this 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 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 USD, which is the currency in which the majority of our business is performed.

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.

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.

2. Significant accounting policies continued

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.

Notes to the financial statements continued

For the 52 weeks ended 1 April 2012 (52 weeks ended 3 April 2011)

2. Significant accounting policies continued

Goodwill

Goodwill arising on the acquisition of subsidiaries and businesses represent 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 15 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.

Intangible assets – 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.

Intangible assets – 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.

2. Significant accounting policies continued

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.

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

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.

Notes to the financial statements continued

For the 52 weeks ended 1 April 2012 (52 weeks ended 3 April 2011)

2. Significant accounting policies continued

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, the former of which is now closed to new entrants.

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.

2. Significant accounting policies continued

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.

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.

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.

Notes to the financial statements continued

For the 52 weeks ended 1 April 2012 (52 weeks ended 3 April 2011)

2. Significant accounting policies continued

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.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expires, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 foreign exchange rates, interest rates and commodity prices. 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.

2. Significant accounting policies continued

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 either cash flow hedges or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

Similarly commodity derivative contracts which are entered into to mitigate commodity price fluctuations on firm purchasing commitments are accounted for as cash flow hedges.

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 1 April 2012, the Group had property provisions of \$5,371,000 (2011: \$8,220,000, 2010: \$10,321,000) relating to onerous lease obligations arising from vacated leased premises and dilapidations. 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 2.5% pre-tax risk free discount rate (2011: 3.82%). 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.

Notes to the financial statements continued

For the 52 weeks ended 1 April 2012 (52 weeks ended 3 April 2011)

2. Significant accounting policies continued

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.

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:

	2012	2011 (restated)
	\$'000	\$'000
Revenue		
Consumer	330,372	304,336
Telecoms/Datacoms	99,440	109,948
Healthcare	51,663	41,536
Industrial	36,294	34,189
	517,769	490,009

3. Segment Information continued

	Before non-recurring items \$'000	Non-recurring items \$'000	2012 \$'000	2011 (restated) \$'000
Gross profit				
Consumer	59,113	(4,990)	54,123	53,609
Telecoms/Datacoms	21,034	–	21,034	20,653
Healthcare	14,186	–	14,186	9,735
Industrial	8,186	–	8,186	8,072
	102,519	(4,990)	97,529	92,069
Unallocated operating expenses (excluding share-based payments)			(70,515)	(65,994)
Operating profit before share-based payments			27,014	26,075
Share-based payments			(3,976)	(2,602)
Operating profit			23,038	23,473
Finance income			73	222
Finance costs			(3,900)	(3,383)
Profit before tax			19,211	20,312
Taxation			(2,029)	(3,660)
Profit after tax			17,182	16,652

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, share based payments expense, finance 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:

	2012 \$'000	2011 (restated) \$'000
Depreciation and amortisation		
Consumer	1,222	1,741
Telecoms/Datacoms	448	598
Healthcare	187	147
Industrial	274	132
	2,131	2,618
Depreciation and amortisation included in unallocated overhead costs	1,472	813
Total depreciation and amortisation charge for the year	3,603	3,431

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

Two (2011: 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 19% (2011: 12%) of total Group revenue.

Notes to the financial statements continued

For the 52 weeks ended 1 April 2012 (52 weeks ended 3 April 2011)

3. Segment Information continued

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		
	2012 \$'000	2011 (restated) \$'000	2012 \$'000	2011 (restated) \$'000	2010 (restated) \$'000
Asia (excluding India)	299,205	256,559	18,594	10,590	9,029
North America	100,446	105,848	742	662	965
Europe (excluding UK)	89,723	93,978	420	243	320
India	11,371	19,556	574	719	863
South America	17,024	14,068	430	368	388
UK	–	–	5,787	5,434	4,062
	517,769	490,009	26,547	18,016	15,627

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

4. Non-recurring items

	Group	
	2012 \$'000	2011 \$'000
New product start-up costs	4,990	–

Exceptional start-up costs of \$4,990,000 (2011: \$nil) were incurred in relation to new product introductions; specifically the migration from PVC to halogen-free power cords. These new products necessitated wide ranging improvements to our manufacturing processes and investments in higher grade tooling and precision moulding technologies. The exceptional costs include the materials scrap costs and labour inefficiencies associated with the new product lines.

5. Finance income

	Group	
	2012 \$'000	2011 (restated) \$'000
Interest on bank deposits	73	72
Other interest	–	150
	73	222

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).

6. Finance costs

	Notes	Group	
		2012 \$'000	2011 (restated) \$'000
Interest on bank overdrafts and loans		1,839	2,259
Interest on obligations under finance leases		10	24
Interest on pension scheme liabilities	32	1,109	1,105
Return on pension assets	32	(1,135)	(1,062)
Fair value (gain)/loss on interest rate swap contracts	33	(214)	(285)
Unwinding of discount on long-term provisions	23	216	376
Loss on ineffective cash flow hedges		842	–
Other		–	188
Total interest costs		2,667	2,605
Amortisation of debt issue costs	28	1,233	778
Total finance costs		3,900	3,383

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	
	2012 \$'000	2011 (restated) \$'000
Net foreign exchange losses	1,936	1,298
Research and development costs	4,579	3,843
Depreciation of property, plant and equipment	2,448	3,041
Amortisation of acquired intangible assets	1,155	390
Cost of inventories recognised as an expense	331,215	316,137
Write down of inventories recognised as an expense	1,080	1,136
Staff costs (see Note 9)	90,895	80,862
Impairment loss recognised on trade receivables	317	220
Loss on disposal of property, plant and equipment	48	23
Operating lease payments (see note 30)	6,009	7,225

Notes to the financial statements continued

For the 52 weeks ended 1 April 2012 (52 weeks ended 3 April 2011)

7. Profit for the year continued

Research and development costs disclosed on the previous page comprise the following:

	Group	
	2012 \$'000	2011 (restated) \$'000
Employment costs	3,268	2,742
Raw materials and consultancy	916	413
Other	395	688
	4,579	3,843

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

	Group	
	2012 \$'000	2011 (restated) \$'000
Operating profit	23,038	23,473
Add back:		
Non-recurring items	4,990	–
Share-based payment charge	3,976	2,602
Normalised operating profit	32,004	26,075
Depreciation of property, plant and equipment	2,448	3,041
Amortisation of acquired intangible assets	1,155	390
Normalised EBITDA	35,607	29,506

8. Auditors' remuneration

The analysis of auditors' remuneration is as follows:

	Group	
	2012 \$'000	2011 (restated) \$'000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	301	279
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	369	341
– the audit of the Group's Restatement of Historical Financial Information to USD	40	–
Total audit fees	710	620
Other services pursuant to legislation		
Tax services	15	37
Other services	19	13
Total non-audit fees	34	50

A description of the work of the Audit Committee is set out in the Corporate Governance Report on page 50 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	
	2012 No.	2011 No.
Production	7,095	7,093
Sales and distribution	616	631
Administration	690	652
	8,401	8,376

Their aggregate remuneration comprised:

	Group	
	2012 \$'000	2011 (restated) \$'000
Wages and salaries	76,231	70,487
Social security costs	9,487	5,273
Share-based payment charge/(credit) (see Note 31)	3,976	2,602
Other pension costs (see Note 32)	1,201	2,500
	90,895	80,862

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 63 to 65 and form part of the financial statements.

10. Taxation

	Group	
	2012 \$'000	2011 (restated) \$'000
Current tax – charge for the period	4,409	5,746
Current tax – adjustment in respect of previous periods	303	(2,493)
Total current tax	4,712	3,253
Deferred tax (Note 22)	(2,683)	407
Income tax expense	2,029	3,660

UK corporation tax is calculated at 26% (2011: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	2012 \$'000	2012 %	2011 (restated) \$'000	2011 %
Profit/(loss) before tax	19,211	100	20,312	100
Tax at the UK corporation tax rate of 26% (2010: 28%)	4,995	26	5,687	28
Tax effect of expenses that are not deductible and income that is not taxable in determining taxable profit	3,116	16	2,289	11
Tax effect of non-utilisation of tax losses	959	5	1,829	9
Tax effect of adjustments in respect of previous periods	303	2	(2,493)	(12)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,732)	(9)	(1,219)	(6)
Tax effect of recognised deferred tax	(2,683)	(14)	407	2
Tax effect of loss utilisation	(2,929)	(15)	(2,840)	(14)
Tax expense and effective tax rate for the year	2,029	11	3,660	18

Notes to the financial statements continued

For the 52 weeks ended 1 April 2012 (52 weeks ended 3 April 2011)

11. Dividends

	2012 \$'000	2011 (restated) \$'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the 52 weeks ended 3 April 2011 of 2.0 pence per share (2010: £nil)	1,850	–
Interim dividend for the 52 weeks ended 1 April 2012 of 1.5 cents per share (2011: \$nil)	862	–
	2,712	–
Proposed final dividend for the 52 weeks ended 1 April 2012 of 3.0 cents per share (2011: 2.0 pence)	1,699	1,830

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:

		Group	
	Notes	2012 \$'000	2011 (restated) \$'000
Profit for the purpose of basic and diluted earnings/(loss) per share being net profit attributable to equity holders of the parent		17,182	16,652
Adjustments for:			
Non-recurring items	4	4,990	–
Share-based payments charge	31	3,976	2,602
Tax effect of above adjustment		(1,416)	(127)
Normalised earnings		24,732	19,127

	No. shares	No. shares
Weighted average number of Ordinary shares for the purpose of basic earnings per share	56,582,380	56,821,563
Effect of dilutive potential Ordinary shares – share options	1,777,754	2,141,432
Weighted average number of Ordinary shares for the purpose of diluted earnings per share	58,360,134	58,962,995

	2012 Cents	2011 (restated) Cents
Basic earnings per share		
Basic earnings per share	30.4	29.3
Adjustments for:		
Non-recurring items	8.8	–
Share-based payments charge	7.0	4.6
Tax effect of above adjustments	(2.5)	(0.2)
Normalised basic earnings per share	43.7	33.7

	2012 Cents	2011 (restated) Cents
Diluted earnings per share		
Diluted earnings per share	29.4	28.2
Adjustments for:		
Non-recurring items	8.6	–
Share-based payments charge	6.8	4.4
Tax effect of above adjustments	(2.4)	(0.2)
Normalised diluted earnings per share	42.4	32.4

12. Earnings per Ordinary share continued

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	
	2012 \$'000	2011 (restated) \$'000
Cost		
At beginning of the period	6,119	5,761
Exchange differences	(48)	358
At the end of the period	6,071	6,119
Accumulated impairment losses		
At beginning of the period	3,010	2,833
Exchange differences	(24)	177
At the end of the period	2,986	3,010
Carrying amount at the end of the period	3,085	3,109
Carrying amount at the beginning of the period	3,109	2,928

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:

	2012 \$'000	2011 (restated) \$'000	2010 (restated) \$'000
Volex North America	2,291	2,309	2,174
Volex Europe	709	715	674
Volex India	85	85	80
	3,085	3,109	2,928

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 2017.

The rate used to discount the forecast cash flows is a pre-tax discount rate of 10.47% (2011: 12.74%, 2010: 10%), which reflects the Group's estimated cost of capital.

Notes to the financial statements continued

For the 52 weeks ended 1 April 2012 (52 weeks ended 3 April 2011)

14. Other intangible assets

	Group		Company	
	2012 \$'000	2011 (restated) \$'000	2012 \$'000	2011 (restated) \$'000
Software and licences				
Cost				
At beginning of year	3,035	1,549	2,107	693
Additions	1,986	1,399	738	1,319
Disposals	(123)	(34)	–	–
Exchange differences	(101)	121	(26)	95
At end of the year	4,797	3,035	2,819	2,107
Accumulated amortisation				
At beginning of year	915	551	312	151
Amortisation charge for the period	1,155	390	552	146
Disposals	(123)	(34)	–	–
Exchange differences	(47)	8	–	15
At end of the year	1,900	915	864	312
Carrying amount at end of year	2,897	2,120	1,955	1,795
Carrying amount at start of year	2,120	998	1,795	542

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 \$130,000 (2011: \$199,000, 2010: \$nil) in respect of assets held under finance leases.

15. Property, plant and equipment

Group	Long leasehold buildings \$'000	Plant and machinery \$'000	Total \$'000
Cost			
At 4 April 2010 (restated)	3,909	39,301	43,210
Additions	196	4,167	4,363
Disposals	(13)	(1,012)	(1,025)
Exchange differences	5	266	271
At 3 April 2011 (restated)	4,097	42,722	46,819
Additions	589	9,674	10,263
Disposals	(76)	(6,195)	(6,271)
Exchange differences	(61)	(938)	(999)
At 1 April 2012	4,549	45,263	49,812
Accumulated depreciation and impairment			
At 4 April 2010 (restated)	2,809	29,023	31,832
Depreciation charge for the period	160	2,881	3,041
Disposals	(8)	(893)	(901)
Exchange differences	34	348	382
At 3 April 2011 (restated)	2,995	31,359	34,354
Depreciation charge for the period	151	2,297	2,448
Disposals	(76)	(6,068)	(6,144)
Exchange differences	(23)	(845)	(868)
At 1 April 2012	3,047	26,743	29,790
Carrying amount			
At 1 April 2012	1,502	18,520	20,022
At 3 April 2011	1,102	11,363	12,465
At 4 April 2010	1,100	10,278	11,378

The carrying amount of the Group's plant and machinery includes an amount of \$88,000 (2011: \$171,000, 2010: \$232,000) in respect of assets held under finance leases. At 1 April 2012, the Group had no contractual commitments for the acquisition of property, plant and equipment (2011: \$nil, 2010: \$nil).

Of the \$2,448,000 (2011: \$3,041,000) depreciation charge for the period, \$2,131,000 (2011: \$2,618,000) was expensed through cost of sales and \$317,000 (2011: \$423,000) was expensed through operating expenses.

Notes to the financial statements continued

For the 52 weeks ended 1 April 2012 (52 weeks ended 3 April 2011)

15. Property, plant and equipment continued

Company	Plant and Machinery \$'000
Cost	
At 4 April 2010 (restated)	1,153
Additions	18
Exchange differences	21
At 3 April 2011 (restated)	1,192
Additions	399
Disposals	(789)
Exchange differences	(31)
At 1 April 2012	771
Accumulated depreciation and impairment	
At 4 April 2010 (restated)	862
Depreciation charge for the period	113
Exchange differences	8
At 3 April 2011 (restated)	983
Depreciation charge for the period	174
Disposals	(789)
Exchange differences	(23)
At 1 April 2012	345
Carrying amount	
At 1 April 2012	426
At 3 April 2011	209
At 4 April 2010	291

The carrying amount of the Company's plant and machinery includes an amount of \$88,000 (2011: \$171,000, 2010: \$232,000) in respect of assets held under finance leases. At 1 April 2012, the Company had no contractual commitments for the acquisition of property, plant and equipment (2011: \$nil, 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 4 April 2010 (restated)	51,906	98,624	150,530
Additions	–	4,865	4,865
Exchange differences	3,223	(1,036)	2,187
At 3 April 2011 (restated)	55,129	102,453	157,582
Additions	–	8,357	8,357
Exchange differences	(441)	(644)	(1,085)
At 1 April 2012	54,688	110,166	164,854
Accumulated depreciation and impairment			
At 4 April 2010 (restated)	5,525	7,471	12,996
Exchange differences	343	(1,291)	(948)
At 3 April 2011 (restated)	5,868	6,180	12,048
Exchange differences	(48)	(343)	(390)
At 1 April 2012	5,820	5,837	11,658
Carrying amount			
At 1 April 2012	48,868	104,329	153,197
At 3 April 2011	49,261	96,273	145,534
At 4 April 2010	46,381	91,153	137,534

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 123. The investment in subsidiaries are all stated at cost.

In the 52 weeks to 1 April 2012, the Company made a long term loan of \$3,255,000 (2011: \$1,880,000) to the Volex Group plc Employee Share Trust and \$nil (2011: \$404,000) 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		
	2012 \$'000	2011 (restated) \$'000	2010 (restated) \$'000	2012 \$'000	2011 (restated) \$'000	2010 (restated) \$'000
Raw materials	19,343	23,917	17,749	693	–	9
Work-in-progress	153	1,284	1,668	–	–	–
Finished goods	30,294	26,688	22,301	2,369	4,004	5,827
	49,790	51,889	41,718	3,062	4,004	5,836

Notes to the financial statements continued

For the 52 weeks ended 1 April 2012 (52 weeks ended 3 April 2011)

18. Trade and other receivables

	Group			Company		
	2012 \$'000	2011 (restated) \$'000	2010 (restated) \$'000	2012 \$'000	2011 (restated) \$'000	2010 (restated) \$'000
Trade Receivables						
Amounts receivable for the sale of goods	91,866	106,292	78,867	3,364	5,288	5,059
Allowance for doubtful debts	(1,254)	(1,092)	(938)	(15)	(184)	(100)
	90,612	105,200	77,929	3,349	5,104	4,959
Other Receivables						
Amounts due from Group undertakings	–	–	–	55,794	37,162	75,684
Other debtors	13,619	11,304	10,302	1,064	1,162	1,946
Prepayments	2,016	1,945	3,327	523	316	197
	15,635	13,249	13,629	57,381	38,640	77,827
Due for settlement within 12 months	15,092	12,927	13,306	57,061	38,318	77,524
Due for settlement after 12 months	543	322	323	320	322	303
	15,635	13,249	13,629	57,381	38,640	77,827

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.

Two of the Group's customers (2011: three, 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 19% (2011: 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 1 April 2012, the two customers represented 31% (2011: 26%) of the net trade receivables.

The average credit period taken on sales of goods is 65 days (2011: 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 \$11,122,000 (2011: \$13,907,000, 2010: \$11,393,000) and \$600,000 (2011: \$1,190,000, 2010: \$1,248,000) 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		
	2012 \$'000	2011 (restated) \$'000	2010 (restated) \$'000	2012 \$'000	2011 (restated) \$'000	2010 (restated) \$'000
Ageing of past due but not impaired receivables						
0–60 days	10,034	12,019	10,553	521	901	1,121
60–90 days	660	1,079	540	27	176	32
90–120 days	96	253	211	–	16	80
120+ days	332	556	89	52	97	15
	11,122	13,907	11,393	600	1,190	1,248

18. Trade and other receivables continued

Movement in the allowance for doubtful debts	Group		Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Balance at beginning of the year	1,092	938	184	100
Amounts written off during the year	(35)	(96)	–	–
Amounts recovered during the year	(19)	–	–	–
Increase in allowance recognised in profit or loss	317	220	(169)	82
Exchange differences	(101)	30	–	2
Balance at end of the year	1,254	1,092	15	184

In determining the recoverability of trade receivables, 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.

Ageing of impaired trade receivables	Group			Company		
	2012 \$'000	2011 (restated) \$'000	2010 (restated) \$'000	2012 \$'000	2011 (restated) \$'000	2010 (restated) \$'000
0–60 days	72	–	83	–	–	–
60–90 days	2	–	68	–	–	–
90–120 days	–	19	94	–	5	80
120+ days	1,180	1,073	693	15	179	20
	1,254	1,092	938	15	184	100

19. Borrowings

	Group			Company		
	2012 \$'000	2011 (restated) \$'000	2010 (restated) \$'000	2012 \$'000	2011 (restated) \$'000	2010 (restated) \$'000
Unsecured borrowings at amortised cost						
Bank overdrafts	2,398	1,872	428	12,572	–	–
Secured borrowings at amortised cost						
Bank loans	37,420	25,670	38,463	22,757	6,499	20,195
Total borrowings at amortised cost	39,818	27,542	38,891	35,329	6,499	20,195
Amount due for settlement within 12 months	2,398	27,542	428	12,572	6,499	–
Amount due for settlement after 12 months	37,420	–	38,463	22,757	–	20,195
	39,818	27,542	38,891	35,329	6,499	20,195

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

	2012 %	2011 %	2010 %
Bank loans and overdrafts	2.5	5.1	5.9

Notes to the financial statements continued

For the 52 weeks ended 1 April 2012 (52 weeks ended 3 April 2011)

19. Borrowings continued

On 31 May 2011 the Group entered into a new US\$75 million multi-currency combined revolving overdraft and guarantee facility with a syndicate of three banks (Lloyds Banking Group plc, HSBC Bank plc and Clydesdale Bank plc – together 'the Syndicate'). The facility is available until June 2015.

The amount available under the facility at 1 April 2012 was \$75,000,000 (2011: \$42,100,000, 2010: \$57,700,000). The facility was secured by fixed and floating charges over the assets of certain Group companies.

At 1 April 2012, the facility incurred interest at a margin of 1.75% (2011: 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 \$2,989,000 (2011: \$4,511,000, 2010: \$5,613,000).

Drawings under the facilities were made in various currencies. Total borrowings for the Group at 1 April 2012 can be analysed by currency as follows:

Group	2012 \$'000	2011 (restated) \$'000	2010 (restated) \$'000
US Dollar	26,102	9,187	22,127
Euro	7,357	19,169	18,267
British Pound	7,383	–	–
Singapore Dollar	219	–	–
	41,061	28,356	40,394
Less: debt issue costs	(1,243)	(814)	(1,503)
	39,818	27,542	38,891

Undrawn borrowing facilities

At 1 April 2012, the Group had available \$30,950,000 (2011: \$20,783,000, 2010: \$21,237,000) undrawn committed borrowing facilities.

20. Obligations under finance leases

Group and Company	Minimum lease payments			Present value of minimum lease payments		
	2012 \$'000	2011 (restated) \$'000	2010 (restated) \$'000	2012 \$'000	2011 (restated) \$'000	2010 (restated) \$'000
Amounts payable under finance leases:						
Within one year	122	195	109	117	195	97
In second and third years	–	122	152	–	108	135
	122	317	261	117	303	232
Less: future finance charges	(5)	(14)	(29)			
Present value of lease obligations	117	303	232			
Less: amount due for settlement within 12 months	(117)	(195)	(97)	(117)	(195)	(97)
Amount due for settlement after 12 months	–	108	135	–	108	135

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 (2011: 2.5 years, 2010: 3 years). For the current period the average effective borrowing rate was 4.1% (2011: 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		
	2012 \$'000	2011 (restated) \$'000	2010 (restated) \$'000	2012 \$'000	2011 (restated) \$'000	2010 (restated) \$'000
Trade payables						
Trade payables	88,551	91,641	68,523	1,547	1,888	1,666
Other payables						
Amounts owed to Group undertakings	–	–	–	99,594	106,664	171,724
Other taxes and social security	7,041	2,906	3,780	1,430	861	480
Accruals and deferred income	28,239	32,607	21,667	2,693	2,244	3,504
	35,280	35,513	25,447	103,717	109,769	175,708
Due for settlement within 12 months	34,574	35,513	25,447	44,779	50,763	103,475
Due for settlement after 12 months	706	–	–	58,938	59,006	72,233
	35,280	35,513	25,447	103,717	109,769	175,708

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 (2011: 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 assets and liabilities 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 4 April 2010 (restated)	–	177	58	73	308
(Charge)/credit to income	(2,084)	1,623	(251)	305	(407)
Exchange differences	(94)	33	(5)	13	(53)
At 3 April 2011 (restated)	(2,178)	1,833	(198)	391	(152)
(Charge)/credit to income	(254)	3,168	85	(316)	2,683
Exchange differences	3	29	(16)	(12)	4
At 1 April 2012	(2,429)	5,030	(129)	63	2,535

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:

	2012 \$'000	2011 (restated) \$'000	2010 (restated) \$'000
Deferred tax assets	5,098	2,157	407
Deferred tax liabilities	(2,563)	(2,309)	(99)
	2,535	(152)	308

At the balance sheet date, the Group had unused tax losses of \$86,000,000 (2011: \$93,444,000, 2010: \$81,913,000) available for offset against future profits. The Group has recognised \$5,030,000 (2011: \$1,833,000, 2010: \$177,000) of deferred tax asset in respect of these unused tax losses. This is as a result of improved trading and the benefits arising from the global supply chain project. Included in unrecognised tax losses are losses of \$38,000,000 (2011: \$29,000,000, 2010: \$33,372,000) that cannot be carried forward indefinitely. Of this amount, \$100,000 (2011: \$483,000, 2010: \$758,000) expires during the next five accounting periods. Other losses may be carried forward indefinitely.

Notes to the financial statements continued

For the 52 weeks ended 1 April 2012 (52 weeks ended 3 April 2011)

22. Deferred tax continued

At the balance sheet date, a deferred tax liability of \$2,429,000 (2011: \$2,178,000, 2010: \$nil) has been recognised on temporary differences of \$25,000,000 (2011: \$22,555,000, 2010: \$21,237,000) 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 1 April 2012 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.

Company

At the balance sheet date, the Company had unused tax losses of \$33,000,000 (2011: \$41,889,000, 2010: \$27,304,000) available for offset against future profits. The Company has recognised \$2,180,000 (2011: \$741,000, 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 has increased the recognition of deferred tax assets relating to tax losses as the benefits from the global supply chain project are accruing with greater certainty. The losses may be carried forward indefinitely. Off-set against this deferred tax asset is a \$156,000 deferred tax liability (2011: \$nil, 2010: \$nil) in respect of other temporary timing differences.

In addition to the changes in rates of Corporation tax disclosed in note 10, a number of further changes to the UK Corporation tax system were announced in the March 2012 UK Budget Statement. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 is expected to be included in the Finance Act 2012. Further reductions to the main rate are proposed to reduce the rate to 22% from 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. It is not expected that these changes will have a material impact on the Group's or the Company's tax balances.

23. Provisions

Group	Property \$'000	Corporate restructuring \$'000	Other \$'000	Total \$'000
At 4 April 2010 (restated)	10,321	927	1,068	12,316
Charge/(credit) in the year	253	–	(330)	(77)
Utilisation of provision	(3,034)	(852)	(461)	(4,347)
Unwinding of discount (Note 6)	322	54	–	376
Exchange differences	358	18	40	416
At 3 April 2011 (restated)	8,220	147	317	8,684
Charge/(credit) in the year	(1,631)	11	–	(1,620)
Utilisation of provision	(1,356)	–	(146)	(1,502)
Unwinding of discount (Note 6)	216	–	–	216
Exchange differences	(78)	(7)	(25)	(110)
At 1 April 2012	5,371	151	146	5,668
Less: included in current liabilities	(831)	(101)	(146)	(1,078)
Non-current liabilities	4,540	50	–	4,590

23. Provisions continued

Company	Property \$'000	Corporate restructuring \$'000	Total \$'000
At 4 April 2010 (restated)	6,774	887	7,661
Charge/(credit) in the year	300	–	300
Utilisation of provision	(1,773)	(906)	(2,679)
Unwinding of discount	222	–	222
Transfers	145	–	145
Exchange differences	257	19	276
At 3 April 2011	5,925	–	5,925
Charge/(credit) in the year	479	–	479
Utilisation of provision	(1,092)	–	(1,092)
Unwinding of discount	139	–	139
Transfers	–	–	–
Exchange differences	(79)	–	(79)
At 1 April 2012	5,372	–	5,372
Less: included in current liabilities	(832)	–	(832)
Non-current liabilities	4,540	–	4,540

Property provisions

Property provisions represent the anticipated net costs of onerous leases and associated dilapidations. 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 \$927,000 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 prior year full and final settlement was made with regards to this claim.

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.

Notes to the financial statements continued

For the 52 weeks ended 1 April 2012 (52 weeks ended 3 April 2011)

24. Share capital

	2012 \$'000	2011 (restated) \$'000	2010 (restated) \$'000
Authorised:			
75,000,000 (2011: 75,000,000, 2010: 75,000,000) Ordinary shares of 25p each	34,513	34,513	34,513
Issued and fully paid:			
62,493,578 (2011: 62,493,578, 2010: 56,821,563) Ordinary shares of 25p each	28,180	28,180	25,940

During the prior 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		
			2012	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	1,117,945	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	90,000
31 August 2010	25	Aug 2013 – Aug 2020	1,750,000	2,045,000	–
31 August 2010	25	Aug 2014 – Aug 2020	1,150,000	1,225,000	–
1 December 2010	25	Aug 2013 – Aug 2020	30,000	30,000	–
6 June 2011	25	Aug 2014 – June 2021	325,000	–	–
5 July 2011	25	July 2014 – July 2021	79,652	–	–
5 July 2011	25	July 2014 – July 2021	211,348	–	–
Restricted share scheme					
6 September 2010	–	Sept 2013 – Mar 2014	42,016	42,016	–
Non-Executive Director long-term incentive scheme					
1 October 2010	–	Mar 2012 – Mar 2017	266,666	266,666	–
1 October 2010	–	Mar 2013 – Mar 2018	266,667	266,667	–
1 October 2010	–	Mar 2014 – Mar 2019	266,667	266,667	–
			5,595,961	6,206,607	2,392,237

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

25. Non-equity preference shares

In the 52 weeks to 1 April 2012, the Company cancelled its 80,000 cumulative preference shares of £1 each at a cost of \$130,000. The shares had 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. Prior to cancellation, accrued interest of \$77,000 was paid.

These preference shares had previously been recorded as non-current liabilities since they had no fixed repayment date.

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 \$33,136,000 in the non-distributable reserve account was transferred to the accumulated losses reserve.

27. Own shares

	2012 \$'000	2011 (restated) \$'000
At beginning of the period	2,240	–
Issued in the period	–	2,240
Acquired in the period	3,256	–
Disposed of on exercise in the period	(225)	–
At end of the period	5,271	2,240

The own shares reserve represents both the cost of shares in the Company purchased in the market and 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 1 April 2012 was 4,866,815 (2011: 4,667,015, 2010: nil) and the Volex Group Guernsey Purpose Trust was 1,005,000 (2011: 1,005,000, 2010: nil). The market value of the shares as at 1 April 2012 was \$24,143,000 (2011: \$28,326,000, 2010: \$nil).

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

Group	Cash and cash equivalents \$'000	Bank loans \$'000	Finance leases \$'000	Debt issue Costs \$'000	Total \$'000
At 4 April 2010 (restated)	27,210	(39,966)	(232)	1,503	(11,485)
Cash flow	(8,955)	14,387	144	24	5,600
Exchange differences	270	(905)	(16)	65	(586)
Other non-cash changes	–	–	(199)	(778)	(977)
At 3 April 2011 (restated)	18,525	(26,484)	(303)	814	(7,448)
Cash flow	23,714	(13,167)	181	1,655	12,383
Exchange differences	(1,059)	988	5	7	(59)
Other non-cash changes	–	–	–	(1,233)	(1,233)
At 1 April 2012	41,180	(38,663)	(117)	1,243	3,643

Debt issue costs relate to bank facility arrangement fees. Amortisation of debt issue costs in the year amounted to \$1,233,000 (2011: \$778,000).

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For the 52 weeks ended 1 April 2012 (52 weeks ended 3 April 2011)

29. Notes to the statement of cash flows

	Group		Company	
	2012 \$'000	2011 (restated) \$'000	2012 \$'000	2011 (restated) \$'000
Profit for the period	17,182	16,652	1,254	44,368
Adjustments for:				
Finance income	(73)	(222)	(159)	(343)
Finance costs	3,900	3,383	1,825	2,066
Dividends received from subsidiary undertakings	–	–	–	(46,208)
Income tax expense	2,029	3,660	(379)	53
Depreciation on property, plant and equipment	2,448	3,041	174	113
Amortisation of intangible assets	1,155	390	552	146
Loss on disposal of property, plant and equipment	48	23	0	0
Share option charge	3,976	2,602	3,976	2,602
Effects of foreign exchange rate changes	–	–	(507)	(938)
(Decrease)/Increase in provisions	(3,122)	(4,347)	(613)	(2,552)
Operating cash flow before movement in working capital	27,543	25,182	6,123	(693)
(Increase)/decrease in inventories	968	(9,340)	954	1,833
(Increase)/decrease in receivables	9,161	(24,708)	(17,200)	44,132
Increase/(decrease) in payables	(1,340)	29,501	(6,116)	(32,650)
Movement in working capital	8,789	(4,547)	(22,362)	13,315
Cash generated from operations	36,332	20,635	(16,239)	12,622
Cash generated by operations before non-recurring items	41,039	20,635	(16,239)	12,622
Cash utilised by non-recurring items	(4,707)	–	–	–
Taxation paid	(3,199)	(6,774)	(887)	(605)
Interest paid	(2,780)	(2,774)	(1,888)	(1,019)
Net cash generated from/(used in) operating activities	30,353	11,087	(19,014)	10,998

Cash outflow arising on disposals

	Group		Company	
	2012 \$'000	2011 (restated) \$'000	2012 \$'000	2011 (restated) \$'000
Net cash outflows arising on disposal				
Settlement of deferred contribution	–	(247)	–	(247)

In the 53 weeks ended 5 April 2009, the Group disposed of its Wiring Harness division. In the prior year, \$247,000 was paid to the purchaser under the sale agreement, representing full and final settlement of all amounts due.

Cash and cash equivalents

	Group			Company		
	2012 \$'000	2011 (restated) \$'000	2010 (restated) \$'000	2012 \$'000	2011 (restated) \$'000	2010 (restated) \$'000
Cash and bank balances	43,578	20,397	27,638	–	4,086	4,625
Bank overdrafts	(2,398)	(1,872)	(428)	(12,572)	–	–
	41,180	18,525	27,210	(12,572)	4,086	4,625

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	
	2012	2011 (restated)	2012	2011 (restated)
	\$'000	\$'000	\$'000	\$'000
The following have been recognised during the year:				
Minimum lease payments made under operating leases				
Paid	7,433	9,916	1,666	1,678
Recognised in operating profit	6,009	7,225	242	180

Payments made under operating leases net of sub-lease receipts and charged against the onerous lease provision in the year was \$1,424,000 (2011: \$2,691,000) for the Group and \$1,424,000 (2011: \$1,498,000) 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	
	2012	2011 (restated)	2012	2011 (restated)
	\$'000	\$'000	\$'000	\$'000
Within one year	6,807	6,354	1,797	1,685
In the second to fifth years inclusive	11,183	11,375	4,685	5,132
After five years	2,214	6,585	2,214	2,885
	20,204	24,314	8,696	9,702

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	
	2012	2011 (restated)	2012	2011 (restated)
	\$'000	\$'000	\$'000	\$'000
Within one year	1,065	831	352	326
In the second to fifth years inclusive	1,799	1,088	810	957
	2,864	1,919	1,162	1,283

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For the 52 weeks ended 1 April 2012 (52 weeks ended 3 April 2011)

31. Share-based payments

	Group	
	2012 \$'000	2011 (restated) \$'000
Share-based payment charge	3,485	1,946
National insurance charge in relation to share awards	491	656
	3,976	2,602

During the period the Group had three types of equity-settled share option schemes in operation; a Long Term Incentive plan ('LTIP'), a Performance Share Plan ('PSP') and a Non-Executive Director Long Term Incentive Scheme ('NED-LTIS'). In addition, the Group had issued Restricted Share Awards ('RSAs') under the Restricted Share Scheme.

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 59 of the Directors' Remuneration Report. During the year, the last and sole remaining grants under the LTIP, which were awarded in FY2009, vested and were fully exercised by the beneficiaries. As a result, at 1 April 2012, there were no remaining awards outstanding under the LTIP.

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 58 to 59 of the Directors' Remuneration Report. Certain awards issued under the PSP have been, with the recipients' agreement, converted into shares held under a Joint Share Ownership Plan ('JSOP'). These shares are jointly held by the Volex Group Guernsey Purpose Trust, which under the terms of the agreement holds the majority of ownership rights until such time as the original awards vest. As the performance conditions and other key terms of the JSOP are the same as those of the PSP, and as the JSOP is used only as a structure to deliver PSP awards, these JSOP awards have been reported as PSP awards.

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 page 62 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.

In the prior year, options issued under the Discretionary Share Option Schemes ('DSOS') lapsed as a result of the performance conditions not being met.

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

	2012		2011	
	Number of share awards	Weighted average exercise price (p)	Number of share awards	Weighted average exercise price (p)
Outstanding at beginning of period	6,206,607	22	2,392,327	39
Granted during the period	652,000	25	4,147,016*	20
Exercised during the period	(570,000)	25	—	—
Expired during the period	(692,646)	25	(332,736)	123
Outstanding at the end of the period	5,595,961	21	6,206,607	22
Exercisable at the end of the period	266,667	—	—	—

* The awards granted in the prior year include 800,000 NED-LTIS awards which were issued in replacement of an existing right to a cash award.

Of the share awards that expired during the period, 692,646 (2011: 120,000) lapsed in respect of leavers and no options (2011: 212,736) expired due to failure to meet performance conditions.

The awards outstanding at 1 April 2012 had a weighted average remaining contractual life of 6 years (2011: 7 years).

31. Share-based payments continued

Of the 5,595,961 awards outstanding at 1 April 2012, 4,753,945 had an exercise price of £0.25 and 842,016 had an exercise price of £nil.

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 FY2012, the aggregate of the estimated fair values of the options granted during the year was \$1,734,000 (2011: \$9,060,826).

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:

	2012	2011
Weighted average share price	£3.41	£2.46
Weighted average exercise price	£0.25	£0.20
Expected volatility	50%	50%
Expected life	3.25 years	6.36 years
Risk-free rate	1.41%	1.95%
Expected dividends	0.65%	—

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 \$1,201,000 (2011: \$2,500,000). The total cost charged to the Company's income statement in the year was \$715,000 (2011: \$514,000).

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. During FY2011, the assets and liabilities of the Volex No. 1 Pension Scheme were transferred into the Volex Executive Pension Scheme, with the latter scheme now the sole vehicle for the provision of accrued pension rights in the future. Wind-up of the Volex No. 1 Pension Scheme was completed during FY2012 with the signing, by the Trustees and the Company, of the Deed of Dissolution, in November 2011.

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, and the assumptions used and results from this valuation have been incorporated, as appropriate, in the following IAS19 disclosures. This valuation has been updated on an approximate basis to 1 April 2012 and utilises the projected unit credit valuation method.

The key assumptions utilised are:

	Valuation at	
	2012	2011
Discount rate	4.6%	5.5%
Expected return on scheme assets	6.3%	6.4%
Future pension increases	2.3%	2.9%
Price inflation	3.3%	3.7%

Notes to the financial statements continued

For the 52 weeks ended 1 April 2012 (52 weeks ended 3 April 2011)

32. Retirement benefit schemes continued

The following mortality assumptions have been made:

	2012	2011
Future life expectancy for a pensioner currently aged 65 (years)		
– Male	23.3	23.2
– Female	24.4	24.3
Future life expectancy at age 65 for a non-pensioner currently aged 55 (years)		
– Male	24.2	24.0
– Female	25.4	25.3

	2012	2011 (restated)
Amounts recognised in income statement (Note 6)	\$'000	\$'000
Interest cost	(1,109)	(1,105)
Expected return on scheme assets	1,135	1,062
Finance income / (costs)	26	(43)

No other amounts have been recognised in the income statement (2011: \$nil).

Actuarial losses of \$1,828,000 (2011: gain of \$1,500,000) have been reported in the statement of comprehensive income.

	2012	2011 (restated)
Amounts recognised in balance sheet	\$'000	\$'000
Fair value of scheme assets	18,245	18,660
Present value of defined benefit obligations	(21,817)	(20,794)
Deficit in scheme recognised in the balance sheet	(3,572)	(2,134)
Current liabilities	596	251
Non-current liabilities	2,976	1,883
	3,572	2,134

The Company has contributed \$294,000 to its defined benefit pension plans in the period ended 1 April 2012 (2011: \$242,000).

	2012	2011 (restated)
Movements in the present value of defined benefit obligations	\$'000	\$'000
At beginning of period	(20,794)	(20,407)
Interest cost	(1,109)	(1,105)
Actuarial gains/(losses)	(1,089)	1,371
Benefits paid	983	653
Foreign exchange	192	(1,306)
At end of period	(21,817)	(20,794)

	2012	2011 (restated)
Movements in the fair value of scheme assets	\$'000	\$'000
At beginning of period	18,660	16,788
Expected return on scheme assets	1,135	1,062
Actuarial gains/(losses)	(739)	129
Contributions from the sponsoring company	294	242
Benefits paid	(983)	(653)
Foreign exchange	(122)	1,092
At end of period	18,245	18,660

32. Retirement benefit schemes continued

	2012 \$'000	2011 (restated) \$'000
Composition of assets		
Equity instruments	11,677	13,288
Debt instruments	6,021	4,852
Property	547	520
	18,245	18,660

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 (2011: \$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:

	2012 %	2011 %
Equity instruments	6.9	7.0
Debt instruments	5.2	5.2
Property	6.9	7.0
	6.3	6.4

The actual return on scheme assets for the year was a gain of \$422,000 (2011: \$1,191,000).

	2012 \$'000	2011 (restated) \$'000
Cumulative actuarial gains/(losses) recognised in equity		
At beginning of the year	2,448	948
Net actuarial gains/(losses) recognised in the year	(1,828)	1,500
At end of the year	620	2,448

	2012	2011 (restated)	2010 (restated)	2009 (restated)	2008 (restated)
Five-year history of experience adjustments					
Fair value of scheme assets \$'000	18,245	18,660	16,788	13,584	23,147
Present value of defined benefit obligations \$'000	(21,817)	(20,794)	(20,407)	(16,290)	(26,487)
Deficit in scheme \$'000	(3,572)	(2,134)	(3,619)	(2,706)	(3,340)
Experience adjustments on scheme liabilities \$'000	56	23	83	(88)	991
% scheme liabilities	—	—	—	0.5%	3.7%
Experience adjustments on scheme assets \$'000	(713)	129	4,143	(3,939)	(1,821)
% scheme assets	(4%)	1%	25%	(29%)	(8%)

The estimated amount of contributions expected to be paid to the scheme during the 52 weeks to 31 March 2013 is \$596,000 (2011: \$251,000).

Notes to the financial statements continued

For the 52 weeks ended 1 April 2012 (52 weeks ended 3 April 2011)

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 \$75,000,000 as at 1 April 2012 (2011: \$42,100,000). At 1 April 2012 the amounts drawn under this facility included term loans of \$24,000,000 and €11,000,000 (2011: \$7,300,000 and €13,500,000) and overdrafts of \$2,398,000 denominated in a variety of currencies. The average combined utilisation during the year was \$40,127,000 (2011: \$32,800,000).

At 1 April 2012 the Group had undrawn committed borrowing facilities of \$30,950,000 (2011: \$20,783,000).

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, forward currency contracts to manage the currency risks arising from its operations and copper forward contracts to manage the commodity price risk 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 2012 \$'000	Book value 2011 (restated) \$'000	Book value 2010 (restated) \$'000	Fair value 2012 \$'000	Fair value 2011 (restated) \$'000	Fair value 2010 (restated) \$'000
Financial assets – loans and receivables						
Cash	43,578	20,397	27,638	43,578	20,397	27,638
Trade and other receivables	92,635	108,277	88,232	92,635	108,277	88,232
Financial liabilities – Amortised cost						
Interest-bearing loans and borrowings	39,818	27,542	38,891	41,061	28,356	40,394
Obligations under finance leases	117	303	232	117	303	232
Trade and other payables	107,433	121,256	93,970	107,433	121,256	93,970
Non-equity preference shares	–	207	121	–	277	252
Financial derivatives for which hedge accounting has been applied						
Derivative financial instruments	1,453	–	–	1,453	–	–
Financial derivatives for which hedge accounting has not been applied						
Derivative financial instruments	(54)	(296)	(563)	(54)	(296)	(563)

In the prior year, 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.

33. Financial instruments continued

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, currency risk and commodity price risk), credit risk and liquidity risk.

The Group seeks to minimise these risks by using derivative financial instruments to hedge these risk exposures 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, foreign currency exchange rates and copper commodity prices.

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
2012							
Fixed rate:							
Obligations under finance leases	(117)	–	–	–	–	–	(117)
Floating rate:							
Cash assets	43,578	–	–	–	–	–	43,578
Bank loans and borrowings	(2,398)	–	–	(37,420)	–	–	(39,818)
2011							
Fixed rate:							
Obligations under finance leases	(195)	(108)	–	–	–	–	(303)
Floating rate:							
Cash assets	20,397	–	–	–	–	–	20,397
Bank loans and borrowings	(27,542)	–	–	–	–	–	(27,542)
2010							
Fixed rate:							
Obligations under finance leases	(97)	(77)	(58)	–	–	–	(232)
Floating rate:							
Cash assets	27,638	–	–	–	–	–	27,638
Bank loans and borrowings	(428)	(38,463)	–	–	–	–	(38,891)

Notes to the financial statements continued

For the 52 weeks ended 1 April 2012 (52 weeks ended 3 April 2011)

33. Financial instruments continued

Interest rate swap contracts

The Group manages its exposure to interest rate risk by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring the most cost effective hedging strategies are applied.

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		
	2012 %	2011 %	2010 %	2012 \$'000	2011 \$'000	2010 \$'000
Outstanding receive floating pay fixed contracts						
Less than one year	2.2	2.2	2.2	14,999	30,780	45,266
1–2 years		2.2	2.2		15,389	30,177
2–3 years		–	2.2		–	15,089
Fair value				(54)	(295)	(563)

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 gain (excluding the impact of foreign exchange) of \$214,000 has been reflected in the results for the year (2011: \$285,000) (see Note 6).

Interest rate sensitivity

During the year the Group reduced the extent of cover provided by interest rate swaps from 100% at 3 April 2011 to 45% at 1 April 2012. The sensitivity analysis prepared is after including the movement in fair value on the interest rate swaps outstanding as at 1 April 2012. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the 1 April 2012 was outstanding for the whole year.

Had interest rates been 0.5% higher/ 0.25% lower in the year, and all other variables were held constant, Group profit before tax would have been \$32,000 higher/\$18,000 lower (2011: \$34,000 higher/\$7,000 lower, 2010: \$88,000 higher/\$22,000 lower). A 0.5% increase/0.25% decrease 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 Euro and Sterling. 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.

33. Financial instruments continued

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities			Assets		
	2012 \$'000	2011 (restated) \$'000	2010 (restated) \$'000	2012 \$'000	2011 (restated) \$'000	2010 (restated) \$'000
Euro	18,076	36,356	25,309	11,737	18,842	23,225
US Dollar	102,840	87,101	77,756	95,849	87,272	67,144
Chinese Renminbi	13,507	9,359	5,679	8,159	6,852	2,455
Indian Rupee	791	4,112	12,906	4,882	7,501	20,243
Other (includes GBP)	12,208	12,674	12,126	17,039	8,207	2,803

Foreign currency sensitivity

The following table details the Group's sensitivity to a 10% increase and decrease in USD 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.

	GBP impact			EURO impact		
	2012 \$'000	2011 (restated) \$'000	2010 (restated) \$'000	2012 \$'000	2011 (restated) \$'000	2010 (restated) \$'000
10% depreciation in foreign currency						
(i) Profit before tax	617	(206)	(3,158)	(210)	(119)	(684)
(ii) Equity*	(12,005)	(10,218)	(140)	271	4,276	(2,782)
10% appreciation in foreign currency						
(i) Profit before tax	(505)	246	3,861	172	142	837
(ii) Equity*	9,822	12,488	171	(222)	4,276	3,399

(i) This is mainly attributable to the exposure on GBP/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.

Copper commodity price risk

Copper price volatility is the single largest commodity price exposure facing the Group. Many of the Group's products, in particular power cords used in the Consumer sector, are manufactured from components that contain significant amounts of copper. Where possible the Group will pass on copper price movements to its customers. In order to mitigate the remaining volatility associated with copper, the Group has entered into arrangements with its key suppliers to purchase copper. Coupled with these purchases, the Group has entered into a number of contracts with financial institutions which are linked to the average copper price as published by the London Metal Exchange ('LME'). These contracts have been deemed cash flow hedges of forecast future copper purchases. As at year end, the open copper contracts are as follows:

Copper cash flow hedges	2012	
	Contracted volume (MT)	Fair Value \$'000
Contracted copper price		
\$7,000 – \$7,500	880	1,028
\$7,500 – \$8,000	700	418
\$8,000 – \$8,500	200	7
	1,780	1,453

All contracts expire within 12 months of 1 April 2012.

Notes to the financial statements continued

For the 52 weeks ended 1 April 2012 (52 weeks ended 3 April 2011)

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.

The net amount of trade receivables reflects the maximum credit exposure to the Group. No other guarantees or security have been given. For further information on the credit risk associated with trade and other receivables, see Note 18.

33. Financial instruments continued

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.

In addition to the banking facilities available to the Group, during the year the Group entered into a non-recourse invoice discounting facility. Under the terms of the arrangement, the Group can sell up to \$10 million of trade receivables associated with a specific customer. As at 1 April 2012, the Group had utilised \$9.5 million of this facility.

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.

2012	Carrying amount \$'000	Contractual cash flows \$'000	Within 1 year (restated) \$'000	1-2 years (restated) \$'000	2-5 years (restated) \$'000	More than 5 years (restated) \$'000
Non-derivative financial liabilities						
Trade and other payables	107,433	107,433	106,727	450	80	176
Obligations under finance leases	117	122	122	–	–	–
Bank overdrafts and loans	39,818	41,061	2,398	–	38,663	–
Derivative financial liabilities						
Interest rate swaps	54	54	54	–	–	–
2011	Carrying amount (restated) \$'000	Contractual cash flows (restated) \$'000	Within 1 year (restated) \$'000	1-2 years (restated) \$'000	2-5 years (restated) \$'000	More than 5 years (restated) \$'000
Non-derivative financial liabilities						
Trade and other payables	121,256	121,256	121,256	–	–	–
Obligations under finance leases	303	317	195	122	–	–
Bank overdrafts and loans	27,542	28,356	28,356	–	–	–
Non-equity preference shares	207	–	–	–	–	–
Derivative financial liabilities						
Interest rate swaps	296	312	275	37	–	–
2010	Carrying amount (restated) \$'000	Contractual cash flows (restated) \$'000	Within 1 year (restated) \$'000	1-2 years (restated) \$'000	2-5 years (restated) \$'000	More than 5 years (restated) \$'000
Non-derivative financial liabilities						
Trade and other payables	93,970	93,970	93,970	–	–	–
Obligations under finance leases	232	261	109	86	66	–
Bank overdrafts and loans	38,891	40,394	428	39,966	–	–
Non-equity preference shares	121	–	–	–	–	–
Derivative financial liabilities						
Interest rate swaps	563	577	312	265	–	–

The Group had available to it, \$30,950,000 of unused financing facility as at 1 April 2012 (2011: \$20,783,000, 2010: \$21,237,000).

Notes to the financial statements continued

For the 52 weeks ended 1 April 2012 (52 weeks ended 3 April 2011)

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.

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.

	2012 \$'000	2011 (restated) \$'000
Compensation of key management – Directors of Parent Company		
Short-term employee benefits	1,504	1,493
Post employment benefits	184	137
Share-based payments	2,800	1,728
	4,488	3,358

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 63 to 65.

On 23 August 2011, Andrew Cherry fully repaid an advance of \$105,535 (£65,505) from the Volex Group Employee Share Trust. This advance had been issued on 4 March 2011 and had been outstanding as at 3 April 2011. The Volex Group Employee Share Trust is consolidated into the Group figures and therefore the amount was included within other receivables as at 3 April 2011. For further details on this transaction, see the Directors' Remuneration Report on page 65.

Company

During the period the Company levied the following charges on its subsidiary undertakings:

	2012 \$'000	2011 \$'000
Management fees	17,188	15,951
Royalty fees	4,790	4,738
Interest	159	193
	22,137	20,882

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 \$3,255,000 (2011: \$1,880,000) and \$nil (2011: \$404,000) 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 769,800 (2011: 4,667,015) and nil (2011: 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. As at 1 April 2012, 570,000 options had been exercised, allowing the Trusts to repay \$330,000 to the Company. The balance of the loans remained outstanding as at 1 April 2012.

On 23 August 2011, the EST fully repaid an interest free loan of \$105,535 (£65,505) from the Company. This loan had been issued on 4 March 2011 and had been outstanding as at 3 April 2011. For further details of this transaction, see the Directors' Remuneration report on page 65.

Principal operating subsidiaries

United Kingdom

Volex Powercords Europe is a trading division of Volex plc.

Volex Group Holdings Limited is a wholly owned subsidiary of Volex plc which is registered in England and Wales and which acts as a holding Company, as detailed below.

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	Notes	Country of incorporation/registration and operation
Volex Pte Ltd	1	Singapore
Volex (Asia) Pte Ltd	5	Singapore
PT Volex Indonesia	7	Indonesia
PT Volex Cable Assembly	7	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	8	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.	4	USA
Volex Canada Inc.	1	Canada
Volex de Mexico SA de CV	6	Mexico
Volex do Brasil Ltda	9	Brazil
Volex Europe Ltd	3	Ireland
Volex Poland SP z.o.o	9	Poland
Volex Sweden AB	1	Sweden

1. Interests held by Volex plc
2. Interests held by Volex (Asia) Pte Ltd
3. Interests held by Volex Group Holdings Limited
4. Interest held by Volex Holdings Inc
5. Interest held by Volex Pte Ltd
6. Interest held by Volex Holdings Inc and Volex Inc
7. Interest held by Volex Pte Ltd and Volex (Asia) Pte Ltd
8. Interest held by Volex Plc and Volex Group Holdings Limited
9. Interest held by Volex Plc and Volex (No. 4) Limited

Five year summary

Results	Unaudited IFRS 2012 \$'000	Unaudited IFRS 2011 (restated) \$'000	Unaudited IFRS 2010 (restated) \$'000	Unaudited IFRS 2009 (restated) \$'000	Unaudited IFRS 2008 (restated) \$'000
Revenue – total Group	517,769	490,009	365,437	516,710	521,206
Revenue from continuing operations	517,769	490,009	365,437	451,429	448,332
Revenue from discontinued operations	–	–	–	65,281	72,874
Gross margin – total Group	97,529	92,069	73,665	69,423	61,458
Gross margin from continuing operations	97,529	92,069	73,665	70,544	61,651
Gross margin from discontinued operations	–	–	–	(1,121)	(193)
Operating expenses – total Group	(74,491)	(68,596)	(57,309)	(64,924)	(57,835)
Operating expenses from continuing operations	(74,491)	(68,596)	(57,309)	(59,257)	(52,036)
Operating expenses from discontinued operations	–	–	–	(5,667)	(5,799)
Normalised operating profit ⁽ⁱ⁾ – total Group	32,004	26,075	21,313	11,284	8,717
Normalised operating profit ⁽ⁱ⁾ from continuing operations	32,004	26,075	21,313	18,072	14,708
Normalised operating profit ⁽ⁱ⁾ from discontinued operations	–	–	–	(6,788)	(5,991)
Operating exceptional items	(4,990)	–	(4,943)	(6,988)	(5,346)
Share-based payment (charge)/credit	(3,976)	(2,602)	(14)	203	252
Profit/(loss) on ordinary activities before taxation	19,211	20,312	11,028	6,228	4,307
Depreciation and amortisation – continuing operations	3,603	3,431	3,610	3,386	5,109

	Cents	Cents (restated)	Cents (restated)	Cents (restated)	Cents (restated)
Basic normalised earnings/(loss) per share – total Group ⁽ⁱⁱ⁾	43.7	33.7	23.5	16.8	7.7
Basic earnings/(loss) per share – total Group	30.4	29.3	14.8	(50.8)	(11.9)

Balance sheet	\$'000	\$'000 (restated)	\$'000 (restated)	\$'000 (restated)	\$'000 (restated)
Non-current assets	31,645	20,173	16,034	16,548	20,672
Other assets and liabilities	16,024	25,561	14,655	14,483	67,034
	47,669	45,734	30,689	31,031	87,706
Less net debt	3,643	(7,448)	(11,485)	(21,793)	(42,219)
Net assets	51,312	38,286	19,204	9,238	45,487
Gearing	–	19%	60%	236%	93%

(i) Defined as operating profit before non-recurring items and share-based payment charge.

(ii) Defined as earnings/(loss) per share before share based payment charges, loss on disposal of operations and non-recurring items.

Shareholder information

Financial calendar

2012/13

Interim results announced w/c 29 October 2012

Year end 31 March 2013

Final results announced w/c 27 May 2013

2013/14

Interim results announced w/c 28 October 2013

Year end 30 March 2014

Final results announced w/c 26 May 2014

Registered office and advisors

Registered office

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www.volex.com

Registered number

158956 (Registered in England and Wales)

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www.capita-irg.com

Independent Auditors

PricewaterhouseCoopers LLP

Bankers

Lloyds TSB Bank plc

Clydesdale Bank plc

HSBC Bank plc

Stockbrokers

Investec Securities

Jefferies Hoare Govett

Solicitors

Travers Smith LLP

Hogan Lovells LLP

Financial PR

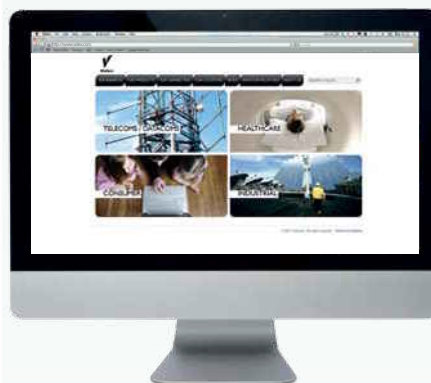
Buchanan Communications Limited

Reducing our Environmental Impact

As part of our desire to reduce our environmental impact, you can view key information on our website at www.volex.com.

Our Investor Relations section includes information such as the most recent news items, results presentations, annual and interim reports, share-price performance and contact information.

Read more online
www.volex.com



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