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VOLEX IS HERE

ANNUAL REPORT AND ACCOUNTS 2009

Volex

Volex is a global business in every sense.

Through partnerships with world leading brands, we are at the heart of products and technologies everywhere.

Turn the page to see at a glance why Volex is here.

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WORKING IN THE **TELECOMS** SECTOR GLOBALLY, INCLUDING WIRELINE, BROADBAND AND WIRELESS AND ENTERPRISE NETWORKS.

WORKING IN THE **HEALTHCARE** SECTOR GLOBALLY, INCLUDING PATIENT THERAPY AND MONITORING, IMAGING SYSTEMS, DIAGNOSTIC EQUIPMENT, CARDIAC RESUSCITATION AND INFANT CARE.

WORKING IN THE **DATACOMS** SECTOR GLOBALLY, INCLUDING SERVERS, STORAGE DEVICES, NET-WORKING PRODUCTS AND PERIPHERALS.

WORKING IN THE **CONSUMER** SECTOR GLOBALLY, INCLUDING DOMESTIC APPLIANCES, AUDIO AND VISUAL EQUIPMENT, COMPUTERS, IMAGING/PRINTING, HAND HELD DEVICES AND GARDEN AND DIY TOOLS.

WORKING IN THE **INDUSTRIAL** SECTOR GLOBALLY, INCLUDING AUTOMATION, TEST AND MEASUREMENT, VENDING MACHINES, AIR CONDITIONING AND REFRIGERATION.

THE AMERICAS

2 MANUFACTURING FACILITIES

3 SALES AND SUPPORT OFFICES

EUROPE

1 MANUFACTURING FACILITY

4 SALES AND SUPPORT OFFICES

ASIA

5 MANUFACTURING FACILITIES

9 SALES AND SUPPORT OFFICES

AND HERE

PARTNERING **WORLD LEADING BRANDS**, HELPING THESE COMPANIES AND MANY MORE TO MEET AND EXCEED THEIR CUSTOMERS' NEEDS AND EXPECTATIONS.

AND HERE

FROM HIGH-END ELECTRONIC AND FIBRE OPTIC ASSEMBLIES TO POWERCORDS FOR CONSUMER GOODS, VOLEX EXPERTISE IS FOUND IN HOMES, HOSPITALS, WORKPLACES, CARS, STREETS, BUILDINGS AND BRIEFCASES EVERYWHERE. IN FACT, OUR PRODUCTS PLAY A ROLE IN THE EVERYDAY LIFE OF VIRTUALLY EVERY HUMAN BEING IN THE DEVELOPED AND DEVELOPING WORLD.

AND MOST IMPORTANTLY, HERE

ABOVE ALL ELSE, THE MOST IMPORTANT PLACE YOU'LL FIND VOLEX IS WITH CUSTOMERS. OUR PEOPLE WORK EVERY MINUTE OF EVERY DAY ON PRODUCTS AND TECHNOLOGIES THAT SUPPORT AND ENHANCE THE THINGS OUR CUSTOMERS DO. IMPORTANTLY IN THE INCREASINGLY GLOBALISED TELECOMS, HEALTHCARE, DATACOMS, CONSUMER AND INDUSTRIAL SECTORS, THESE CUSTOMERS KNOW THEY CAN DEPEND ON VOLEX BEING WITH THEM, ALL THE WAY.

VOLEX IS EVOLVING

OUR VISION

VOLEX IS COMMITTED TO ENHANCING SHAREHOLDER VALUE BY PROVIDING GLOBAL SUPPORT AND EXPERTISE FROM ONE SOURCE TO THE WORLD'S LEADING BRANDS. WITH A MULTI-PRODUCT FOCUS, VOLEX PROVIDES ITS CUSTOMERS WITH VISION, DESIGN, MARKETING AND MANUFACTURING EXPERIENCE AND PRODUCTS SOURCED LOCALLY. THEREBY ENABLING AND ADVANCING TECHNOLOGY GLOBALLY IN THE TELECOMS, HEALTHCARE, DATACOMS, CONSUMER AND INDUSTRIAL SECTORS.

THE BUILDING BLOCKS

> NEW EXECUTIVE MANAGEMENT TEAM APPOINTED

> TO RESTRUCTURE THE BUSINESS TO DEVELOP GLOBAL CENTRES OF EXCELLENCE

> TO FOCUS ON 5 CORE MARKET SECTORS

> DIVESTMENT OF NON CORE BUSINESS

> CONTINUE PRODUCT TECHNOLOGY AND INNOVATION

> TO EXECUTE NEW AND IMPROVED PROCESSES AND SYSTEMS

> TO OPTIMISE MANUFACTURING FOOTPRINT

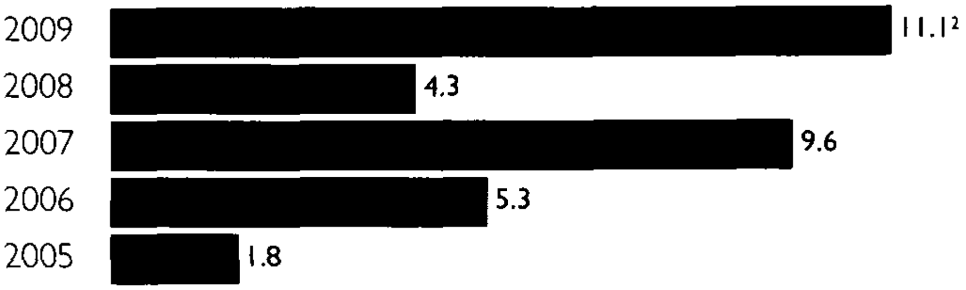
> TO IMPLEMENT GLOBAL SUPPLY BASE

> TO SHORTEN PRODUCT DEVELOPMENT CYCLES

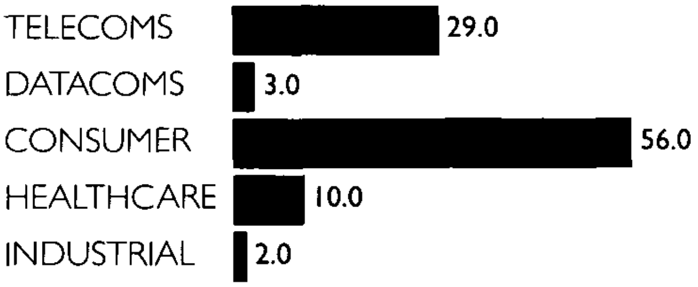
5 YEAR SUMMARY

REVENUE £million

OPERATING PROFIT £million



REVENUE % 2009



1 Including Wiring Harness
2 Operating profit before non-recurring items of £4.7m (2008: £2.7m) and share based payment credit of £0.1m (2008: £0.1m)

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TELECOMS
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Our telecom customers are global leaders. This market is driven by demand for high speed mobile broadband. We are a key supplier in wireline networks, broadband networks with emphasis on wireless broadband and wireless networks, including base station controllers and antenna products. With infrastructure roll out in India and the pending deployment of 3G in China, Volex is well positioned to capitalise on these opportunities working closely with major global customers.

AND HERE

The healthcare sector is a globally led market. We are focused on serving the sector on a global basis and developing new technologies to support the Original Equipment Manufacturer (OEM) market and to maximise our position in respect of healthcare growth in emerging markets such as South America, India and China. We aim to continue building strong business relations with key healthcare brands and supply their needs for patient therapy and monitoring, imaging systems, diagnostic equipment, cardiac resuscitation and infant care incubators.

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HEALTHCARE
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Our customers in the datacoms market are global leaders in servers, storage devices, networking products and peripherals, including printers, monitors and scanners. This market is driven by the demand for high speed data transfer and storage. Volex has developed solutions to international standards and this, coupled with patented manufacturing techniques, has given Volex a strong foothold in this sector.

DATACOMS
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CONSUMER VOLEX IS HERE

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Volex is a global leader in the power products sector, which supplies leading brands of domestic appliances, audio/visual equipment, computer, imaging/printing, handheld devices and garden and DIY tools. The Power Products business has established safety critical solutions and responds to its customers' requirements to produce environmentally driven products. For instance, it has an excellent and established reputation for RoHS compliance and is now active in the halogen free power cable market.

INDUSTRIAL VOLEX IS HERE

Our industrial sector supports key brands in key segments. We utilise our technology service and know how from other market sectors to support complementary applications in areas such as automation and test measurement.

CHAIRMAN'S STATEMENT

"We have made good progress this past year in rebuilding the fundamentals of the Company. This coming period will be one where we implement very necessary improvements in skills, processes, and systems to ensure we have a solid foundation for future growth."

Dear Shareholder

This past year has seen significant success in restructuring and repositioning the business.

The disposal of the Wiring Harness division after years of losses and unsuccessful attempts to turn it around is a major milestone. While we pursued a potential disposal of the Power Products business in order to facilitate the deleveraging of the Group, this was ultimately deemed not to be in the best interests of the shareholders and we are now working to maximise the combined strengths of the ongoing Power Products and Interconnect businesses.

As testimony to these strengths we were able to renew and extend our banking relationship with Lloyds Banking Group plc. In addition we have appointed a new Chief Executive and a new Group Finance Director. At the same time we bid farewell to Bill Taylor, our former VP Global Operations who led the MBO of the Wiring Harness division.

In line with my stated objectives in last year's statement:

1. We have consolidated our market leading position in power products.
2. We effected a modest improvement in operating profit margins (although much remains to be done in this area) which, combined with greatly improved working capital management, has yielded cash generated by operations before non-recurring items of £21.8m compared to a prior year cash outflow of £2.2m.
3. We have made operational improvements, including completing the closures of our Hermosillo and Kanata factories, and further rationalised the manufacturing footprint with the recent closure of the Jakarta factory. We recognise that there is more work to be done here especially in the area of supply chain management.
4. We saw progress in respect of new and exciting technology markets. We have secured certification for Volex connectors with a number of key global accounts and expect that the year ahead will bear significant fruit from the Group's investments in developing high speed copper cable products.

The net effect of the above developments has been:

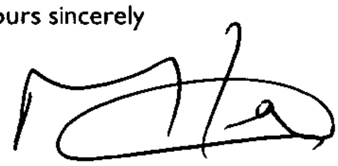
- The risk profile of the Group has been significantly improved.
- Our focus is now on driving improved performance across the full range of the Group's Power and Interconnect products with both divisions now growing and being profitable and cash generative.
- Our major stakeholders – shareholders, banking partners, customers and employees – are much more confident in the future prospects of the business.

In addition, new experienced management is in place to drive sustainable and profitable growth.

In summary, we have made good progress this past year in rebuilding the fundamentals of the Company. This coming period will be one where we implement very necessary improvements in skills, processes and systems to ensure we have a solid foundation for future growth. Your Board and executive team are very excited about the prospects for the Group but remain acutely aware of just how much remains to be done.

If you have any comments on this letter or any aspect of the 2009 Annual Report, I would be delighted to hear from you by either writing to me at Volex or by email at mike.mctighe@volex.com.

Yours sincerely



Mike McTighe, Chairman

BUSINESS REVIEW

"Volex proudly serves a broad range of strategic accounts and will continue to focus on how the Group can introduce our full scope of products and capabilities across these enterprises."

Looking forward – market focus and operational optimisation

Volex proudly serves a broad range of strategic accounts and will continue to focus on how the Group can introduce our full scope of products and capabilities across these enterprises. We will increasingly focus on expansion in the key emerging markets in China, the broader Asian markets and India where significant technology introductions and highly competitive OEM companies present significant opportunities for Volex products. In the past year our Interconnect sales in India, where we are supplying critical infrastructure components in mobile network implementations, grew year over year by 265% to £25.5m. We have also managed to expand the range of our products used in these projects based on our strategic positioning in the segment.

Our tasks in the next year will include structured planning and execution of new and improved Group wide standard processes and supporting systems, which will enhance visibility and control of the broader business. This will involve changes across the enterprise in the way we approach sales and marketing, optimising our manufacturing footprint and global supply chain management whilst focusing our engineering talent to develop new products that deliver improved margins on product lifecycle. All of this will be underpinned by a focus on aptitude in the senior management team and, where required, attraction of world-class talent to drive the execution of these strategies.

We begin the new fiscal year with a new senior leadership team who were recruited specifically for, and tasked with, taking the now stabilised business on a path toward functional scalability and growth.

Volex operates eight manufacturing facilities across the globe. This sizable footprint provides Volex with the advantage of a natural hedge compared to many of our competitors by being able to purchase materials and use local labour to manufacture and sell locally in the local currency. However, we recognise that this advantage can come at the cost of sub-scale operations, remote management and under-utilised floor space. Although the Group consolidated a number of facilities in the past year, we will continue to evaluate the manufacturing footprint with more focus on the optimisation of where specific products are manufactured, utilising local sourcing and labour costs, against shipping time and costs. We believe that Volex has a unique ability to leverage the existing manufacturing base to meet our customers' demands with either localised supply of finished goods with associated short lead times or lower cost, remote manufacturing solutions with longer lead times.

Our distributed manufacturing base is not currently covered by a rigid, global supply chain process and accompanying systems. Each region has developed strategic and commercial relationships with key suppliers for their respective production requirements. In the coming year our objective will be to reduce our supplier base of material and component vendors to consolidate purchases, streamline our inventory control and use our scale in purchasing power to negotiate better prices and terms. Through these efforts and achieving better scale in total revenue, we intend to move Volex from current cost of sales of 85% closer to our peer group performance averages in the 75% range and also to see an improvement in our working capital requirements through reduced levels of inventory holding.

Volex intends to maintain its low capital expenditure rates through continued focus on product development activities that result in rapid realisation of revenue at acceptable margins. Compared to our industry peer group, we will continue to spend less than 25% of the industry average on capital expenditures relative to revenues. Operationally, we will similarly target capital in manufacturing automation where Volex can recognise a fast return on the investment in reduced labour costs and/or an increase in the quality of the product, which is a key differentiator for our brand and products. By targeting specific product groups, focusing our engineering resources toward optimised manufacturing processes and through building increasingly closer relationships with our customer design and engineering teams, Volex distinguishes itself from competitors who attack the market on a commodity basis. We will continue to secure intellectual property as a result of these investments and we currently have one patent submission in the process of being approved.

We will be implementing a revised sales structure this year that will enhance our capabilities towards key market sectors including the Consumer, Datacoms, Healthcare, Telecoms and Industrial solutions. Through this market solutions focus, we will be targeting and penetrating accounts with a strategic value proposition, together with further alignment of our product development activities with key customer strategies and industry trends. We intend this focus to move Volex, in many cases, from a supplier to a strategic solutions provider

Stabilised business

The past year for Volex has been focused on restructuring and stabilisation of the business in preparation for a more robust, market focused strategy of profitable and sustainable growth. A number of restructuring activities have been completed in the last year which mainly involved the consolidation and optimisation of the manufacturing footprint. The Group has also completed the divestment of its loss making and cash consumptive Wiring Harness business. These actions paved the way to a renegotiated and extended three year banking facility, which will provide significant flexibility to the Group in daily operating activities and in implementing further changes to enhance the Volex value proposition and market placement.

In the last two quarters of the year Volex was impacted by the deepening economic recession with reduced order volumes and a sharp decrease in order lead times as our customers focused on inventory minimisation. The contraction in consumer and business spending resulted in a decrease in demand for our power products and we saw a quarter over quarter reduction in revenue in our Power Products division of -14% in Q3 and -16% in Q4. In our Interconnect division we saw quarter over quarter revenue growth of 1% in Q3 and 14% in Q4. Despite these challenges, steady focus on costs during this period resulted in Volex meeting profitability and cash flow forecasts.

by which we selectively develop and sell products at the early stage of the product lifecycle at optimal margin attainment. Through this shift in strategy we will witness greater assimilation across our product base with our customers.

We are very encouraged as we enter the new fiscal year with indications of a bottoming in demand for our power products and a solid order book across the globe for our Interconnect products. We have recently penetrated key service and OEM providers from the Chinese markets for deployments on a global scale and are playing an increasingly significant and important role in data and wireless network expansions across India; all whilst retaining our unique and strategic relationships with key North American and European OEMs and service providers. We are hopeful that the current economic issues will begin to clear in the latter quarters of the year when many of our optimisation activities will be implemented to support significant, profitable growth. At the same time, we continue to evaluate all components of our cost base to deliver better contribution margins and to be prepared for a longer duration economic downturn. We are taking the view that the coming year will continue to present significant challenges on the macro-economic front whilst our more market focused and strategic penetration of key accounts will provide for consistent, longer term growth. Based on these assumptions the Group is expecting profits for the 2010 financial year to be broadly in line with 2009.

The entire Volex team is proud to serve under a brand that stands for quality and value and we are all focused on continuing to deliver on this heritage.

FINANCIAL REVIEW

Trading performance of ongoing operations

The financial year ending 5 April 2009 demonstrated significant improvement over the prior year.

Revenues

(From continuing operations)

Revenues from continuing operations were up 19% at £265.1m (up 16% on a pro-rated 52 week basis). As can be seen from the half yearly analysis above revenues were displaying a strong upwards trajectory prior to the Lehman episode in September 2008 (end of H1 2009) whereby full year growth would have been significantly greater had it not been for the deteriorating economic backdrop. Currency movements, in particular the depreciation of Sterling against the US Dollar and the Euro, benefited the Group by £36.9m. On a constant currency basis revenues were up 2%.

The Interconnect business has continued to grow, with sales moving from £87.1m to £114.4m despite the economic situation and despite the Group discontinuing product lines which were deemed to be yielding unsatisfactory margins. This growth has been driven by advances in the Indian and Chinese markets, with our revenues in India in particular growing over three fold during the year and now representing 8% of total Group sales.

Power Products displayed strong growth in the first half of the year with sales up 22% year on year. However, volumes declined in the latter half of the year in line with falling sales of consumer electrical and electronic goods. Despite this the division still posted full year revenues of £150.7m, up 11% on prior year. The declines experienced in the latter half of the year seem to have stabilised during the three months of the final quarter and we are hopeful that the 2010 financial year will see a return to growth.

The Group has continued the trend of recent years of manufacturing becoming increasingly concentrated in Asia with 60% of total Group revenues sourced from the region (2008: 55%). However, the Group continues to enjoy strong sales into each of the three major continents with year on year revenue growth in each of Asia, the Americas and the UK & Europe.

Profits

Gross margins in the Power Products business are typically around 10–15% and within Interconnect are typically 15–20%. Given the 57%:43% split of full year revenues between the two divisions, this resulted in a blended gross margin of 15%. We believe that this percentage will increase in the coming years as a result of the Interconnect business increasing as a percentage of the total Group and also improving margins in Interconnect as a result of the increased proportion of Volex designed content.

As can be seen from the graph above the level of Group half yearly operating profits has increased significantly during the year after declines during the second half of 2008. On a full year basis operating profit before non-recurring items and share based payments increased from £7.3m to £11.2m due in part to higher revenues but with the majority of the increase driven by improving operating margins, which rose by 1.1% from 3.1% to 4.2%.

Non-trading items

The Group incurred three non-recurring items which, together with a share based payments credit of £0.1m, reconcile between the £11.2m noted above and the operating profit of £6.6m:

i. a £3m provision for an onerous lease arising on the disposal of the discontinued Wiring Harness operations;
ii. £1m of costs associated with the efforts to dispose of the Power Products division; and
iii. a £0.7m provision relating to costs associated with the restructuring of the corporate management team.

Research & development and capital expenditures

Group expenditure on research & development totalled £1.7m during the year (2008: £1.1m). This is a lower level of expenditure relative to revenues than many of our competitors. This is in part due to the Group's greater focus on service quality. The year on year increase reflects a greater emphasis on Volex developed content. The level of expenditure may increase marginally as the Group continues this strategy.

Additions to property, plant and equipment were consistent with prior years at £2.0m (2008 £1.7m).

Harnesses discontinued business

Volex sold its Wiring Harness division with effect from 3 April 2009. This division had represented the Group's only remaining manufacturing operation in the UK and had been loss making for several years. Despite continued efforts, including the relocation of manufacturing to Estonia and Croatia, the profitability continued to deteriorate with losses before tax for the period ended 3 April 2009 of £6.7m (2008: £3.0m loss). In addition to the trading losses the Group incurred a further non-cash loss of £14.4m, being the proceeds of disposal less the carrying amount of the division's net attributable assets. Further details of the transaction are contained within the Circular to Shareholders issued on 16 March 2009 and available at www.volex.com.

Cashflows and working capital

The Group was extremely successful during the year with cash generated by operations before non-recurring items of £21.8m compared to a cash outflow of £2.2m in the previous year. The majority of this £24.0m improvement came through a £23.0m reduction in working capital.

After modest increases in tax payments and outflows related to non-recurring items this resulted in net cash inflow from operating activities of £13.4m (2008: £8.6m outflow). As can be seen from the graph below, there has been a steady period on period improvement in cashflow performance.
(Before non-recurring items)

Banking facilities

The Group has US$76.0m available under a revolving credit facility with Lloyds Banking Group plc which after amortisation had an available limit of US$62.7m as at 5 April 2009, comprising both a US Dollar and a Euro component. At the year end the amounts drawn under this facility were US$30.7m and €13.5m. The US Dollar amount drawn has not changed since November 2008 and the Euro drawing is unchanged throughout the year. The average combined utilisation during the year was US$50.9m. In addition, the Group has a €6.8m facility with HBOS plc. At 5 April 2009 the Group had undrawn committed borrowing facilities of £14.7m (2008: £8.1m).

The Lloyds facility had been due to mature in December 2009. However, in March 2009 the Group secured a three year extension of this facility to March 2012. As detailed in Note 21, the terms of this extension are broadly consistent with the pre-existing facility save for small increases in the margin over LIBOR to reflect current market rates. As part of the facility extension the Group negotiated an amortisation holiday under which the available facility does not reduce until March 2010. At the same time the Group extended the HBOS facility to the same March 2012 maturity date. Based on the Group's projected financial performance the Board is confident that the combination of the above facilities provides adequate liquidity headroom for the successful execution of the Group's operations.

The extended Lloyds facility simplified the covenant structure under which the Group was operating, from a set of four profit and cashflow covenants to a single leverage ratio being the ratio of Adjusted Net Debt to Adjusted EBIT (where Adjusted Net Debt is the average balance over the preceding three month ends discounted for cash balances held outside of the UK and Adjusted EBIT is calculated on a rolling twelve month basis after adjustment for customary items including agreed non-recurring items). Based on the Group's projected financial performance the Board is confident that the Group will be able to operate in compliance with its agreed covenant levels.

Debt, gearing and interest

Borrowings increased by £6.4m from £25.3m to £31.7m during the year. However, the underlying US Dollar and Euro denominated borrowings were essentially unchanged with all of the movement in Sterling terms accounted for by the movement in the year end exchange rates with Sterling depreciating from US$2.01 to US$1.47 and from €1.27 to €1.10. This effect has been partially offset by favourable exchange movements on foreign currency cash balances of £1.9m, giving a net adverse exchange movement on net debt of £4.5m.

Without this adverse exchange movement reducing the impact of the strong operating cashflows net debt would have reduced further.

Shareholders' funds reduced during the year from £22.6m to £6.3m primarily due to the £21.0m loss incurred by the Wiring Harness division. As a result, the headline year-end gearing of net debt to shareholders' funds increased to 236% (2008: 93%).

Interest costs increased marginally during the year from £2.3m to £2.7m due to higher average net debt balances during the year, despite a reduction in the weighted average interest rate from 6.2% to 5.9%.

Tax

The Group incurred a tax charge of £2.0m (2008: £2.5m) representing an effective tax rate of 56% (2008: 117%). The high effective rates result from the distribution of taxable profits across different jurisdictions with taxes payable in some jurisdictions but no offsetting reduction in tax within other loss making jurisdictions.

The Group has unused tax losses of £46m (2008: £37m) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams. However, the Group expects significant value to be realised for these assets in due course.

Earnings per share

There was a basic loss per share of 34.1p (2008: 6.0p loss). Adjusted earnings per share was 3.9p (2008: loss per share of 1.5p), see note 14.

Dividends

The Company has negative retained earnings of £25.8m and accordingly is unable to declare and pay a dividend, see note 13.

Defined benefit pension schemes

The Group's net pension deficit under IAS 19 at the year end was substantially unchanged at £1.8m (2008: £1.7m). While the fair value of the scheme assets diminished during the period from £11.5m to £9.2m, the present value of the defined benefit obligations fell by a similar amount from £13.2m to £11.1m.

Principal risks and uncertainties

Customer concentration

The largest customer of the Group operates in the wireless infrastructure sector and represents 13% of total Group revenues. Indeed around two thirds of total Group revenue is generated by the Group's top 25 customers, mostly prestigious global OEMs. The Group continues to mitigate the risk of fluctuations in the revenues from these customers through closer relations with individual customers while diversifying into other customers and market segments.

Counter party risk

The Group regularly reviews the credit worthiness of all customers and operates appropriate credit limits to limit the exposure to any given customer. During the year the Group has incurred write-offs of £0.9m relating to amounts due from Nortel and LDV.

The Group is also dependent upon a limited number of suppliers, particularly in respect of cable materials. However, the Board believes that in the event of one of these suppliers failing to honour its obligations to the Group that alternative sources of supply could be engaged without substantial disruption to the business nor any material financial loss.

Commodity prices

Many of the Group's products, in particular within the Power Products division, are manufactured from components that contain significant proportions of copper and to a lesser extent other precious 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 price changes can cause short term volatility in the Group's gross margins and working capital requirements.

As can be seen from the graph below the Group was adversely impacted in the first quarter of 2009 by sharp price increases during Q4 2008 and delays in passing through these price increases to our end customers. From July through to December prices fell sharply producing the reverse effect.

The Board regularly reviews the prices of these commodities and effects a number of measures to mitigate the impact of excessive volatility.

Foreign exchange

A substantial portion of the Group's revenues and expenditures are denominated in US Dollars and Euros. During the financial year Sterling devalued by 27% against the US Dollar and by 14% against the Euro.

The Group's costs are broadly denominated in the equivalent currencies in which it generates the associated revenues. For example, the majority of Euro denominated revenues are serviced from locations where the costs are incurred in Euros or Euro related currencies and likewise for the US Dollar. As such there is no significant trading advantage or disadvantage resulting from these currency movements.

The main impact of these movements is to increase the Sterling value of foreign currency denominated items in the consolidated Income Statement, which serves to increase profits and to increase the Sterling value of the US Dollar and Euro denominated balance sheet items, most notably the US Dollar and Euro denominated borrowings. To this extent there is essentially a natural hedge through the foreign currency denominated borrowings.

Key performance indicators

The metrics discussed above represent the key performance indicators monitored by the management and Board.

Mike McTighe
Chairman

Mike McTighe, 55, was appointed non-executive Chairman of the Board on 1 March 2008. He is a member of the Remuneration Committee and Chairman of the Nomination Committee. Mike is also chairman of Pace plc and a board member of Ofcom. Mike was previously a non-executive director of the Alliance & Leicester plc, a director of London Metal Exchange Holdings and chairman and chief executive officer of Carrier International SA. Prior to that Mike was executive director and chief executive, global operations of Cable & Wireless plc. Mike has also held senior roles with Philips, Motorola and GE and has more than 30 years experience in the TMT sector worldwide.

Ray Walsh
Group Chief Executive

Ray Walsh, 44, was appointed Group Chief Executive on 6 April 2009. He served previously as Chief Executive of VIA NET.WORKS Inc. servicing global clients from its Head Office in Amsterdam and immediately prior to joining Volex he led the operations, technology, products, communications and research of a leading Market Research firm in the US. Ray has more than 20 years experience in technology leadership and has held senior executive roles in multinational firms for more than 10 years. 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.

THE TEAM IS HERE

Andrew Cherry
Group Finance Director

Andrew Cherry, 42, was appointed Group Finance Director on 19 February 2009, having held the position of Interim Finance Director since 5 January 2009. Andrew was previously Chief Financial Officer of SpinVox Limited and prior to that had held a number of executive positions including that of Chief Financial Controller of Vodafone UK, Chief Financial Officer of Cable & Wireless Jamaica Ltd and Chief Financial Officer of GoIndustry Plc. He has also held positions in B.A.T. Plc, PricewaterhouseCoopers and Cap Gemini Ernst & Young. Andrew holds an MBA from the Kellogg Graduate School of Management, is a Fellow of the Institute of Chartered Accountants of England and Wales and has a Bachelors degree in Physics.

Richard Arkle
Non-Executive Director

Richard Arkle, 60, 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 (and predecessor practices) from 1 October 1982 until he retired on 30 September 2004, where as a senior partner, he played a key role in developing the Transactions Services practice into a UK market leadership position. 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.

Chris Geoghegan
Senior Independent
Non-Executive Director

Chris Geoghegan, 54, was appointed a non-executive director on 1 March 2008 and became the Board's Senior Independent Director with effect from 31 December 2008. Chris is Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees. Chris is also chairman of Hampson Industries plc and a non-executive director of Kier Group 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 Slatford
Non-Executive Director

Karen Slatford, 52, was appointed a non-executive director on 27 May 2008 and is also a member of the Nomination, Audit and Remuneration Committees. Karen is currently chairman of Neverfail Group and the Foundry Visionmongers. Karen was previously a non-executive director for HAL Knowledge Solutions, Portwise AB and Compel Group plc. Between 1983 and 2001 Karen was employed by Hewlett Packard Ltd and whilst working across various capacities and roles, was focused on improving the Group's sales and marketing throughout the UK and globally. In 2000, Karen was appointed Chairman of Hewlett Packard UK Ltd and also undertook the position of Vice President and General Manager Worldwide of Sales and Marketing, Business Customer Organisation until 2001.

CORPORATE GOVERNANCE REPORT

Volex Group is committed to business integrity, high ethical values and professionalism in all its activities. The Company is committed to the principles of corporate governance contained in the Combined Code on Corporate Governance that was issued in 2006 by the Financial Reporting Council ('the Code') for which the Board is accountable to shareholders.

Statement of compliance with the Code

In the opinion of the directors, the Company has complied with the provisions set out in section 1 of the Code throughout the 53 week period ended 5 April 2009 (the 'Year') and up to the date of reporting except for the following matters.

The Board comprises the Chairman, two executive directors and three non-executive directors, two of whom would not be viewed as independent by the application of section A.3.1 of the Code and consequently, neither the Board, the Nomination Committee, the Remuneration Committee nor the Audit Committee have the required number of independent non-executive directors as required by sections A.3.2, A.4.1, B.2.1 and C.3.1 respectively of the Code.

Richard Arkle, a non-executive director of the Company is a former Chairman of the Company, who was independent at the time of appointment as Chairman and holds a Share Appreciation Right. The Board continues to regard Richard Arkle as independent based on the valuable contribution that he provides to the Board and the fact that he maintains an utmost level of integrity and objectivity at all times. The performance targets that apply to the SAR granted to Richard Arkle in 2006 are extremely demanding in terms of Company performance, details of which can be found on pages 40 and 41 of the Remuneration Report.

Pursuant to her letter of appointment, Karen Slatford is required to devote a minimum of 25 days to the Company each year to perform her duties as a non-executive director. Karen's letter of appointment provides that in the event that she is required to devote time to the Company outside of those 25 days, then she will be paid a daily rate of £1,500. This arrangement reflected the fact that at the time of her appointment Karen received a non-executive fee which was below the lower quartile for a non-executive director of a similar sized company to Volex. The Board continues to regard Karen as independent, given that the additional fee claimed by Karen during the year amounted to £4,400 and this is in line with the low to median level of non-executive directors fee for a company of similar size to Volex. The additional time that Karen provided to the Company related to the restructuring programme and succession planning for the Company. Karen has also provided a valuable contribution to the Board and the executive managers and maintains an utmost level of integrity and objectivity at all times.

As reported last year, it was the intention of the Board to seek shareholder approval in relation to a Share Appreciation Right ("SAR") Scheme for Non-Executive Directors, under which it was proposed that both Mike McTighe and Chris Geoghegan would be awarded a SAR. The Volex Group plc Share Appreciation Right Scheme for Non-Executive Directors ("SAR Scheme") received shareholder approval at the 2008 Annual General Meeting; however, as a result of the new strategic direction of the Company no awards were made and nor are they intended to be made pursuant to the SAR Scheme.

At an Extraordinary General Meeting of the Company held on 5 December 2008, shareholders considered and approved the implementation by the Company of the Volex Group plc Non-Executive Directors Long Term Incentive Scheme ("Non-Executive LTIS"); a long term incentive scheme pursuant to which Mike McTighe, Chris Geoghegan and Karen Slatford will receive awards, which will take the form of an option of a number of units, details of which are provided on pages 42 and 43 of the Remuneration Report. No awards under the Non Executive LTIS have yet been issued to the Chairman or the non-executive directors, although, the intention is to make such awards in the next financial year. The view of the Board is that should awards be granted under the Non-Executive LTIS this will not compromise Chris or Karen's independence, as Chris and Karen 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 (section A.3.1).

During the Year, the Board evaluated its own performance through an extensive questionnaire sent to each director, the responses for which were considered and addressed by the Chairman and the findings were distributed to each director. In view of the Board changes, which took place during the Year, it was not considered appropriate to conduct neither Committee nor individual performance evaluations (section A.6); however, it is the intention to do so during the next financial year.

Statement of how the principles of the Code have been applied

The following paragraphs together with the Directors' Remuneration Report set out on pages 36 to 49 and the Directors' Report set out on pages 51 to 53 describe how the principles of the Code have been applied.

Board of Directors

As stated above, the Board currently comprises a non-executive Chairman, three non-executive directors, all of whom the Board consider to be independent together with two executive directors. The biographies of the directors can be found on pages 28 and 29.

On his appointment as Chairman, Mike McTighe did satisfy the independence criteria referred to in the Code. Details of Mike McTighe's other commitments can be found on page 28. Karen Slatford was appointed a non-executive director on 27 May 2008 and Craig Mullett and David Beever retired as directors on 30 June 2008 and 31 December 2008 respectively. Andrew Cherry was appointed a director and Ian Degnan resigned as a director, both with effect from 5 January 2009. Heejae Chae ceased to be a director on 9 March 2009 and Ray Walsh was appointed Group Chief Executive on 6 April 2009.

Following the recent Board changes, the Board of directors views its size and composition to be satisfactory in that the balance of skills and experience is appropriate for the business of the Group.

On appointment, directors receive an induction to the business and are briefed on the activities of the Group. In addition, the Chairman and Company Secretary ensure that a new director has access to appropriate training and advice in relation to the duties of directors and receive regular updates. The directors are also encouraged to update and refresh their skills and knowledge.

Details of those directors who will be offering themselves for election can be found on page 52 of the Directors' Report.

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

Board and Committee meetings

The Board is scheduled to meet at least ten times a year and during the Year it in fact met nineteen times, some meetings having been called at short notice. From time to time the Board also meets by telephone conference call to discuss ad hoc issues. The table below summarises the attendance by Board or Committee members at meetings held during the year.

	Board 19 meetings	Audit Committee 3 meetings	Remuneration Committee 11 meetings	Nominations Committee 3 meetings
Richard Arkle	19	3	–	–
David Beever[1]	9	1	6	–
Heejae Chae[2]	17	–	–	–
Andrew Cherry[3]	7	–	–	–
Ian Degnan[4]	12	–	–	–
Chris Geoghegan	19	3	11	3
Karen Slatford[5]	15	–	3	3
Mike McTighe[6]	18	–	11	3
Craig Mullett[7]	4	–	–	–

1 David Beever resigned as a director on 31 December 2008.
2 Heejae Chae ceased to be a director on 9 March 2009 and attended all Board meetings held up until that date.
3 Andrew Cherry joined the Board on 5 January 2009 and attended all meetings that took place post his appointment.
4 Ian Degnan ceased to be a director on 5 January 2009 and attended all Board meetings held up until that date.
5 Karen Slatford joined the Board on 27 May 2008 and has attended all Board meetings since her appointment with the exception of one Board meeting, which she was unable to attend due to the meeting being called at short notice. The Audit Committee did not meet between Karen's appointment to the Committee on 28 January 2009 and the end of the financial year. Karen attended all meetings of the Remuneration Committee, which took place post her appointment on 28 January 2009.
6 Mike McTighe has attended all Board and Committee meetings with the exception of one Board meeting, which was called at short notice when he was overseas. The Chairman did receive notice of the meeting and prior to the meeting did discuss the business to be considered with Chris Geoghegan who chaired the meeting.
7 Craig Mullet resigned as a director on 30 June 2008 and attended all meetings up until that date.

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 is in receipt of adequate information before making decisions. The Chairman ensures effective communication with shareholders and makes himself available to meet with shareholders. As Chairman, Mike McTighe also facilitates the effective contribution of non-executive directors and ensures constructive relations between executive and non-executive directors. Chris Geoghegan replaced David Beever as the Senior Independent Director with effect from 31 December 2008 and also makes himself available to meet with shareholders. The Chief Executive, Ray Walsh, is responsible for running the Group's business and leads the execution of the Group's strategy. The directors have access to the advice and services of the Company Secretary and both the appointment and removal of the Company Secretary is a matter for the Board as a whole. The Board has adopted a policy under which the directors are able to take independent professional advice at the Company's expense.

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

The Board has a formal list of matters specifically reserved to it including reviewing business performance, all major strategy, policy and investment decisions affecting the Group and the development of Group policies in a number of areas including health and safety, social, ethical and environmental issues and insurance.

CORPORATE GOVERNANCE REPORT

The Board approves each division's annual business plan and budget, which is prepared by the senior management of each respective division and which are compared with the monthly management accounts. The executive directors are required to comment on any areas where performance departs from current expectations and any significant variances are discussed by the Board and appropriate action taken. If considered appropriate the non-executive directors and Chairman visit operations and the Board meets with senior operational management throughout the Group in order to further enhance its understanding of the Group's key developments.

The procedures which have been adopted enable the Board to make informed decisions on a range of key issues including those relating to strategy and risk management.

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. These were reviewed during the year and are available on request and on the Company's website (www.volex.com). In addition, the Board has established a number of other committees, such as the Finance Committee and the Sealing Committee and also establishes ad hoc committees from time to time to deal with specific issues.

The Nomination Committee

At the beginning of the Year the Nomination Committee comprised Mike McTighe who is Chairman of the Committee, Chris Geoghegan and Craig Mullett who resigned as a director on 30 June 2008. Karen Slatford was appointed a member of the Nomination Committee on 27 May 2008 following her appointment to the Board.

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. During the Year, recruitment consultants, Marble Hill Partners, were used in respect of the appointment of Andrew Cherry. In relation to the appointments of Ray Walsh and Karen Slatford, neither external recruitment consultants nor open advertising were used; however, having regard for the capabilities required for those roles, the appointments were made on merit, against objective criteria and based on the recommendations of external third parties. The Board seeks to maintain an appropriate balance between executive and non-executive directors. The Company's Secretary is secretary to the Committee.

The Remuneration Committee

At the beginning of the reporting year, the members of the Remuneration Committee were Chris Geoghegan, who is Chairman of the Committee, Mike McTighe and David Beever. David Beever resigned on 31 December 2008 and Karen Slatford was appointed a member of the Remuneration Committee on 28 January 2009. The Company Secretary acts as secretary to the Committee. The structure and business of the Remuneration Committee is summarised in the Directors' Remuneration Report on pages 36 to 49.

The Audit Committee

At the beginning of the Year the Audit Committee comprised Richard Arkle, Chairman of the Committee, David Beever and Chris Geoghegan. On 31 December 2008, David Beever resigned as member of the Committee and was replaced by Karen Slatford on 28 January 2009. Richard Arkle is regarded by the Board to have recent and relevant financial experience.

The Group Chief Executive, the Group Finance Director and the Director of Group Audit are invited to attend regular meetings; however the Audit Committee also meets without the executive directors being present at least once a year.

The Audit Committee monitors the integrity of the financial statements of the Company and the Group together with any formal announcements in relation to the Group's financial performance. It reviews the Group's internal financial controls and also reviews the scope and effectiveness of the internal audit function, although the Group's internal control and risk management processes are considered by the Board as a whole. The Audit Committee recommends to the Board the appointment and re-appointment of the external auditors. It considers the scope and results of the external audit and its cost effectiveness. 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.

Deloitte LLP has tendered its resignation and the Board has appointed PricewaterhouseCoopers on an interim basis. The Audit Committee recommends the re-appointment of PricewaterhouseCoopers as auditors to the Company and Group.

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.

Internal controls

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

During the Year the Board has applied principle C.2 of the Code by establishing a continuous process of identifying, evaluating and managing the significant operational, management and financial risks faced by the Group which accords with the Financial Reporting Controls Guidance. The Board receives monthly management accounts and a report covering each of the Group's operations and consolidated results. In addition, the Board regularly reviews the process that has been in place from the start of the financial year to the date of approval of this report. The process is built around the established management reporting systems of the Group and is reviewed on a regular basis. As part of the budget process the executive directors and senior operational managers identify the significant risks faced by the business. Each risk is then evaluated and preventative and mitigating actions are determined. The Board reviews the results and any actions it considers necessary are taken to seek to remedy any identified areas of weakness. The risks and actions are monitored through the monthly accounts process and a full update is provided at the half year.

In addition to this process, the policy regarding insurance of risk is a matter reserved to the Board; the Audit Committee monitors financial control and risk in conjunction with both the internal audit function and external auditors; and the Group finance department monitors and develops internal financial control systems throughout the Group.

The Board considers the above processes, policies and procedures satisfy the requirements set out in the Internal Control: Guidance for Directors on the Code.

Whistle-blowing policy

The Company has adopted a whistle-blowing policy, which is available to employees on the Company's website and onsite notice boards. The aim of the policy is to encourage all employees, regardless of seniority, to bring matters which cause them concern to the attention of the Audit Committee.

Relations with shareholders

The Board has continued to establish and maintain a mutual understanding of objectives between the Company and its institutional shareholders by making annual and half-year presentations to institutional investors and stock broking analysts and meeting with potential and existing institutional shareholders. It is the Company's policy that all directors attend the Annual General Meeting and the Board encourages all shareholders to attend and participate at the Annual General Meeting to enable it to be a forum for substantive communication with investors.

CORPORATE RESPONSIBILITY

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

Volex is committed to:

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

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

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

Corporate conduct and employment practices

In all aspects of our business we seek to operate in compliance with the law, rules and regulations of the country of operation and this applies to all areas of our Policy Statement. However, in a number of areas we look to establish specific minimum standards, which will override any lower legal requirements. For example, in our employment practices we will not use indentured or forced labour, we will not employ anyone under 16 years of age and we do not discriminate on the basis of sex, colour, race, religious belief, disability, age, sexual orientation or marital status.

Health and safety

In matters of health and safety we will provide a safe and clean working environment with systems and procedures of a standard at least equivalent to those of comparable manufacturing companies of good reputation in the geographical area of operation.

The Board receives reports on the health and safety performance of the Group. Our regional operations have adopted formal health and safety policy statements and continue to execute specific health and safety programmes to improve identified risks. We collect and review various performance data ranging from monthly key performance indicators to annual insurance claims records and use these to identify areas for further improvement.

Environment

We are committed to meeting the needs of our customers in an environmentally sound and sustainable manner through continuous improvement in all activities, using the best available technology not entailing excessive cost.

At Volex we work towards the requirements stated in the ISO 14001 Environmental Management System. As part of this system we review our environmental objectives and targets on a regular basis and ensure continuous improvement. Our plan is to achieve the international environmental standard ISO 14001 in all our manufacturing locations over a number of years. At the date of this report, certification has been achieved at each of our three facilities in China, at our two facilities in Indonesia and at facilities in Vietnam and Poland. These sites are now maintaining and improving their environmental management systems to retain their ISO 14001 certification status. A number of other locations are developing their systems with a view to applying for certification in the future.

The Restriction of Hazardous Substances ('RoHS') and the Waste Electrical and Electronic Equipment ('WEEE') Regulations, both of which are aimed at reducing hazardous materials content in products as well as increasing the recycling of products, are applicable to the electronic sector. Volex ensures that special formulated compound materials are part of the sourcing and engineering services in order that compliance with RoHS is met by both Volex and its customers. Volex is recognised by its customers for its policy of being a total RoHS compliant organisation. Volex also ensures that the design of its products is aimed at reducing their environmental impact in terms of production, product usage and disposal, which will assist producers in their compliance with the WEEE Regulation.

Relationships with stakeholder groups

The standards we set ourselves in our relationships with our various groups of stakeholders are typified by the values of honesty, respect, diligence and professionalism. The Board has identified a number of key values, which it expects all employees to apply to their work and which are intended to enhance teamwork, collaboration, integrity, diversity, commitment and community. These values are the common thread linking our communications with shareholders, our business relationships with customers, suppliers, sub-contractors and agents, our interaction with local communities around the world and all our dealings with employees.

Standards of personal conduct

The Group relies on its employees as individuals to practise the highest moral and ethical standards in all their business activities. While we fully respect the privacy of employees' personal lives, we expect all employees to conduct their personal affairs so that the performance of their obligations to the Group is not prejudiced and the reputation of the Group is maintained.

DIRECTORS' REMUNERATION REPORT

Introduction

This report has been prepared in accordance with Schedule 7A to the Companies Act 1985 (the 'Act'). The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and the Combined Code (the "Code'). A resolution to approve the Report will be proposed at the 2009 Annual General Meeting of the Company at which the financial statements will be approved.

Section 235 of the Act requires the auditors to report to the Company's members on the 'auditable part' of the Directors' Remuneration Report and to state whether in their opinion that part of the Report has been properly prepared in accordance with the requirements under the Act. The Report has therefore been divided into separate sections, for unaudited and audited information. The audited information commences on page 47.

UNAUDITED INFORMATION

Remuneration Committee

At the beginning of the reporting year, the members of the Remuneration Committee (the 'Committee') were Chris Geoghegan, Chairman of the Committee, Mike McTighe and David Beever. David Beever resigned on 31 December 2008 and Karen Slatford was appointed a member of the Committee on 28 January 2009. The Company Secretary acts as secretary to the Committee.

None of the Committee members have any conflicts of interest arising from cross-directorships or day to day involvement in running the business. Mike McTighe has no personal financial interest in the Company other than as a shareholder. Neither Chris Geoghegan nor Karen Slatford currently have a financial interest in the Company. However, it is proposed that awards entitling the recipients to cash payments on the satisfaction of specified targets will be granted during the next financial year to Mike McTighe, Chris Geoghegan and Karen Slatford pursuant to the Volex Group plc Non-Executive Directors Long Term Incentive Scheme ("Non-Executive LTIS"), which was approved by shareholders at the Extraordinary General Meeting of the Company held on 5 December 2008 and which was recently adopted by the Board.

During the financial period ended 5 April 2009 matters considered by the Committee included:

- pension provision for executives;
- awards to be made under the Company's existing share incentive arrangements;
- the terms of appointment and departure of executive directors and other senior executives; and
- new long term incentive arrangements for executive directors and other senior executives of the Company.

Remuneration policy

The Committee agrees with the Board of directors of the Company on the broad policy for the remuneration of the executive directors and such other senior executives as determined by the Committee Chairman, the Group Chief Executive and the Company Chairman. 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 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, whereby it is mindful of its duty not to award for failing performance.

During FY2009 the Committee appointed Kepler Associates to assist it in determining the executive directors' remuneration and non-executive directors' fees for the year. The advice provided by Kepler Associates showed market comparatives and based on this the Committee acted to achieve lower quartile to median levels of remuneration.

The balance of this report deals solely with the remuneration and terms of service of the Board of directors of the Company. No director plays a part in any discussion regarding his/her own remuneration.

The policy of the Committee in relation to the executive directors is to maintain remuneration packages sufficient to attract, retain and motivate executives of the calibre and experience necessary to provide a successful future for the Group.

The fee payable to the Chairman is reviewed and determined annually by members of the Committee (excluding the Chairman) following consultation with the Group Chief Executive and 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.

The objective of the Remuneration policy is to provide a balanced remuneration package, which includes an appropriate level of basic salary and benefits in kind (including a pension provision where appropriate), together with both short-term and long-term incentives. Short-term incentives are linked to challenging targets, which support and reinforce the objectives of the Company. The standard long-term incentives, which are currently share based awards, focus the executives on the sustained development of the Group and aligns their interests with those of the shareholders.

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

- basic annual salary and benefits in kind;
- annual bonus payments;
- long-term share related incentives; and
- pension arrangements.

The Company's policy is that a substantial proportion of the remuneration of the executive directors should be performance related and the Committee aims to provide a balanced remuneration package which links individual and corporate performance.

Basic salary

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

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

The Committee determines executive directors' basic salaries annually, with adjustments normally being made with effect from 1 April.

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.

In addition to basic salary and pension benefits, the executive directors 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.

Bonus arrangements

A discretionary annual cash bonus scheme represents the short-term incentive element of the overall remuneration package for executive directors. The Committee establishes the objectives that must be met in each financial year if a cash bonus is to be paid, reflecting the strategic objectives set by the Board for the year in question. The bonus plan for the financial year to 5 April 2009 was structured to reward performance relative to financial targets and in certain incidences personal objectives and details of the bonuses paid to the executive directors can be found on page 47 of the Remuneration Report.

In certain circumstances the Committee may grant special bonus arrangements to executive directors. On 7 July 2005, a special long-term bonus arrangement was agreed whereby the Company would make a one-off payment of £159,000 to Heejae Chae, provided that on 4 July 2008, the ordinary share price was not less than £1.00 and that Heejae Chae was still an employee of the Company. The special bonus was agreed as a further incentive, Heejae Chae having at that time already been granted share options equivalent to three times his salary. As the share price target was not achieved, the bonus lapsed without payment in July 2008.

Andrew Cherry's terms of appointment, as set out in his service agreement, include a retention bonus relating to a one-off bonus payment equal to 50% of Andrew's basic salary. This special one-off retention bonus will be payable on 15 August 2010 subject to Andrew having eighteen months continuous employment with the Company.

None of the bonuses are pensionable.

Long-term incentive schemes

Long Term Incentive Plan

The Volex Group plc Long Term Incentive Plan (LTIP) has up until recently been the Company's principal long-term incentive scheme. The scheme was specifically designed to provide high rewards to executives for high performance by linking a substantial part of the long-term reward of executives to the investment of their own funds in the Company's shares. Under the LTIP two types of awards may be made: Share Matching Awards and Performance Share Awards.

In order to qualify for a Share Matching Award participants are required to commit their own shares in the Company by pledging their shares with the Company. Upon pledging their shares a participant will receive a Share Matching Award, which is structured as an option to acquire shares in the Company for their nominal value. The number of shares placed under a Share Matching Award is determined by reference to the number of shares that they have pledged with the Company, subject to the following limits. A participant is only entitled to pledge up to a maximum number of shares which could be purchased with an amount equal to one times their basic salary at the time that they were nominated to receive the award and the number of shares over which the Share Matching Award may then be made shall be limited to a maximum of two shares for each share pledged. To the extent that any shares are sold or disposed of before the corresponding Share Matching Award is exercised, the number of shares subject to the Share Matching Award is reduced on a pro-rata basis. The Share Matching Award is designed to encourage both investment in shares in the Company by executive directors and senior executives and long-term share ownership. To the extent that the participant retains the shares which they have pledged with the Company and provided that in normal circumstances they are still in employment at the point of exercise and that demanding performance conditions set at the date of grant are satisfied at the end of a three year performance period, they will be entitled to exercise their Share Matching Award.

Performance Share Awards can be granted to participants under the LTIP without the participants being required to commit their own shares by pledging them with the Company. A Performance Share Award is 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. No eligible employee is entitled to receive a Performance Share Award under the LTIP in any financial year of the Company if the market value of the shares subject to that award (measured at its intended date of grant), when aggregated with the market value of the shares subject to all or any Performance Share Awards made to that person in the same financial year would exceed 100% of their basic salary.

It was only intended that Share Matching Awards would be made within the first twelve months of the LTIP being adopted (September 2006) or to an executive director or senior executive within twelve months of joining the Company. Whereas, Performance Share Awards would in normal circumstances be made on an annual basis over the lifetime of the LTIP.

FY2009 LTIP Awards

No Share Matching Awards were granted under the LTIP during the financial year ended 5 April 2009.

In relation to the Performance Share ('PSP') awards made during the financial year ended 5 April 2009, the awards were subject to the 'share price target' set out in the table below:

Share price target	% of shares subject to award that vest
Less than 115p	Zero
Equal to 115p	25%
Equal to 155p	50%
Equal to 200p	100%

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

If the average falls between any two of the share price targets set out above, then the percentage of shares that may be vested will be calculated on a straight-line basis between the vesting levels.

In addition to the share price targets, the PSP awards are subject to an earnings per share ('EPS') underpin. Accordingly, for the LTIP awards granted in July 2008, should the EPS of the Company in respect of the financial year ending 3 April 2011 ('Actual EPS') equal 18 pence per share or more, then the EPS underpin for awards made during the financial year ended 5 April 2009 will have been satisfied. The number of shares over which an award may be exercised shall be determined by applying the share price target to the relevant number of shares subject to the award.

If however the Actual EPS is less than 18 pence per share, then the total number of shares subject to the award will be reduced downwards before the share price target is applied. The reduced number of shares over which the award may be exercised (prior to the application of the share price target) shall be determined by multiplying the number of shares subject to such award by the fraction determined by dividing the Actual EPS by 18.

FY2008 LTIP Awards

No share matching awards were granted under the LTIP during the financial year ended 30 March 2008.

In relation to the PSP awards made during the financial year ended 30 March 2008 all of the shares subject to each award were subject to the 'share price target' set out in the table below:

Share price target	% of shares subject to award that vest
Less than 225p	Zero
Equal to 225p	25%
Equal to 275p	50%
Equal to 325p	100%

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

If the average falls between any two of the share price targets set out above, then the percentage of shares that may be vested will be calculated on a straight-line basis between the vesting levels.

In addition to the share price targets, all the PSP awards are subject to an EPS underpin. Accordingly, for the PSP awards granted in June 2007, should the EPS of the Company in respect of the financial year ending 4 April 2010 ('Actual EPS') equal 22.5 pence per share or more, then the EPS underpin for awards made during financial year ended 30 March 2008 will have been satisfied. The number of shares over which an award may be exercised shall be determined by applying the share price target to the relevant number of shares subject to the award.

If however the Actual EPS is less than 22.5 pence per share, then the total number of shares subject to the award will be reduced downwards before the share price target is applied. The reduced number of shares over which the award may be exercised (prior to the application of the share price target) shall be determined by multiplying the number of shares subject to such award by the fraction determined by dividing the Actual EPS by 22.5.

FY2007 LTIP Awards

In relation to the Share Matching ('SMP') awards granted under the LTIP in the financial year ended 1 April 2007, half of the shares under each award are subject to the 'normal share price target' and half of the shares under each award are subject to the 'super share price target' as set out in the table below.

In relation to the PSP awards made during the financial year ended 1 April 2007 all of the shares subject to each award were subject to the 'normal share price target' set out in the table below.

	% of options that vest	
Share price target	Normal share price target	Super share price target
Less than 200p	Zero	Zero
Equal to 200p	25%	Zero
Equal to 250p	50%	Zero
Equal to 300p	100%	25%
Equal to 350p	Already vested	50%
Equal to or greater than 400p	Already vested	100%

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

If the average falls between any two of the share price targets set out above, then the percentage of shares that may be vested will be calculated on a straight-line basis between the vesting levels.

In addition to the share price targets, all the PSP and SMP awards are subject to an EPS underpin. Accordingly, for the LTIP awards granted in FY2007 to become capable of exercise, the EPS for the financial year ended 5 April 2009 must equal 20 pence per share. If the Actual EPS is less than 20 pence per share, then the total number of shares subject to an award will be reduced downwards before the share price targets are applied. As reported on page 73 the EPS for the financial year ending 5 April 2009 is 3.9 pence ('Actual EPS'). Therefore the total number of shares subject to an award granted in FY2007 will be reduced downwards before the normal share price target and (in relation to SMP awards) the super share price target are applied. The reduced number of shares over which an award may be exercised (prior to the application of the normal share price target and the super share price target) shall be determined by multiplying the number of shares subject to such award by 3.9/20.

For the avoidance of doubt, the share price target and the percentages of shares over which an award is capable of exercise in accordance with such target shall in each case take effect over such reduced number of shares as is determined by the prior application of the EPS underpin.

The Actual EPS will be the earnings per share as disclosed in the Group's consolidated audited accounts for the accounting period in question (subject to adjustments as the Committee, in its absolute discretion, considers to be reasonable including but not limited to any adjustments for exceptional items).

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

The Committee believed that the performance measures set in both FY2008 and FY2009 would reinforce the Company's commitment of enhancing shareholder value and aligning the interests of executive directors, senior executives and shareholders.

DIRECTORS' REMUNERATION REPORT

As a result of the new strategic direction of the Company, the Company does not propose to grant any further awards under the LTIP but instead will grant awards pursuant to the new incentive arrangements set out on pages 43 and 44.

Share Appreciation Rights

Richard Arkle's SAR

Richard Arkle was Chairman of the Company from 6 May 2006 until 1 March 2008. As part of the terms of his recruitment and retention, the Company agreed, following consultation with its major shareholders, to establish a long-term incentive scheme for Richard Arkle under which he is the sole participant. The long-term incentive was introduced specifically to facilitate Richard Arkle's recruitment and retention in that role. The Company considered the circumstances of his recruitment were exceptional in that the Company urgently required a new Chairman to implement and oversee the Company's operational turnaround. Richard Arkle was prepared to and in fact did accept the appointment and responsibilities as Chairman at very short notice and the Company considered that it was important and necessary to introduce the long-term incentive arrangements to attract Richard Arkle and retain and motivate him. As part of the arrangements for Richard Arkle's recruitment as the Company's new Chairman, he first became eligible to receive the benefit of a share appreciation right ("SAR") on 6 May 2006 and the SAR was granted on 29 September 2006. The SAR which continued to subsist throughout the financial year takes the form of an option over 140,562 notional shares. The benefits to Richard Arkle under the SAR are not pensionable.

The following provisions of the SAR cannot be amended to the advantage of Richard Arkle without the prior approval of the shareholders in general meeting except for minor amendments to benefit the administration of the SAR, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for Richard Arkle, the Company or members of its Group:

(a) the person to whom the SAR relates;
(b) the maximum entitlement of Richard Arkle under the SAR;
(c) the basis for determining Richard Arkle's entitlement to notional shares or the cash payment under the SAR; and
(d) the basis for determining the adjustment of the SAR if there is any capitalisation issue, rights issue or open offer, sub-division or consolidation of the shares or reduction in capital or any other variation of the capital of the Company

The principal terms of the SAR are as follows:

- The exercise of the SAR will not entitle Richard Arkle to acquire shares in the capital of the Company. Instead the exercise of the SAR will entitle Richard Arkle to a cash payment.

- The cash payment to be made, if and when the SAR is exercised, will be equal to the sum determined by multiplying the number of notional shares in respect of which the SAR is exercised by the amount by which the market value of a share in the capital of the Company on the third anniversary of the award date exceeds 25 pence.

- The SAR will normally only be capable of exercise in the six month period following the third anniversary of its date of grant:
  - to the extent determined in accordance with the performance targets described below; and
  - provided that Richard Arkle has remained a director of the Company and is a director at the point of exercise of the SAR.

The SAR is subject to two performance targets. Firstly, the earnings per share underpin ('EPS Underpin') and secondly the share price target ('Share Price Target').

If the EPS of the Company in respect of the financial year ending 5 April 2009 ('2009 EPS') is equal to 20 pence per share or more, then the EPS Underpin will have been satisfied and the number of notional shares over which the SAR may be exercised shall be determined by applying the Share Price Target to the number of notional shares subject to the award.

If however, the 2009 EPS is less than 20 pence per share, then the total number of notional shares subject to the SAR will be reduced downwards before the Share Price Target is applied. The reduced number of notional shares over which the SAR may be exercised (prior to the application of the Share Price Target) shall be determined by multiplying the number of notional shares subject to such award by the fraction determined by dividing the 2009 EPS by 20.

For the avoidance of doubt, the Share Price Target and the percentage of notional shares over which the SAR is capable of exercise in accordance with the Share Price Target shall in each case take effect over such reduced number of notional shares as is determined by the prior application of the EPS Underpin.

The 2009 EPS will be the earnings per share as disclosed in the Group's consolidated audited accounts for the accounting period in question (subject to adjustments as the Committee, in its absolute discretion, considers to be reasonable including but not limited to any adjustments for exceptional items).

The Share Price Target which must be achieved will be compared with the mid-market quotations for a Company's share over the five dealing days prior to 29 September 2009 is set out below:

Share Price Target	% of notional shares over which SAR may be exercised
Lower Threshold – 200p	25%
Median Threshold – 250p	50%
Upper Threshold – 300p or more	100%

In the event that the Lower Threshold is not met then the SAR is not capable of exercise over any of the notional shares.

If the average of the mid-market quotations for a Company's share over the five dealing days prior to 29 September 2009 falls between any two of the thresholds set out above, then the percentage of notional shares, which may be vested will be calculated on a straight-line basis between the vesting levels.

The EPS of the Company as disclosed on page 72 of the Groups consolidated audited accounts for the 2009 financial year was 3.9 pence. As a result the number of notional shares which the Share Price Target will apply to and the maximum number of notional shares which the SAR may be exercised over if the Upper Threshold of the Share Price Target is met will be 28,000.

In the event that Richard Arkle ceases to be a director of the Company at any time before the exercise of the SAR, for any reason, the SAR will lapse and cease to be capable of exercise unless the Committee, within a period of three months from the date of cessation, in its discretion allows the SAR to be exercised within such period as it shall determine, such period being no longer than twelve months following the cessation of his directorship. Should the cessation of Richard Arkle's directorship occur at any time before 29 September 2009, then the maximum number of notional shares over which the SAR may be exercised shall be reduced on a time pro-rated basis depending on how much of the three year period running from the date of grant of the SAR has elapsed as at the date of cessation of his directorship.

In the event of there being a change of control of the Company, the court sanctioning a scheme of arrangement in connection with the reconstruction of the Company or its amalgamation with any other company or a resolution being passed for the voluntary winding up of the Company at any time, Richard Arkle will have the opportunity to exercise the SAR for a limited period of time. However where the corporate event in question occurs prior to 29 September 2009, the maximum number of shares over which the SAR may be exercised shall not be reduced on a time pro-rated basis.

If the ability to exercise the SAR is triggered by either the cessation of Richard Arkle's directorship or one of the corporate events mentioned above prior to 29 September 2009, the SAR shall only be capable of exercise to the extent determined by the performance targets but the Committee may modify the performance targets in such manner as is fair and reasonable having regard to the abbreviated performance period and in such a way as does not cause the modified targets to be more difficult to achieve than the original targets.

The notional number of shares comprised in the SAR and the basis upon which the cash payment to be made on exercise of the SAR is calculated may be adjusted in such manner as the Committee deems appropriate in the event that there is any capitalisation issue or rights issue, consolidation, sub-division or reduction in the capital of the Company.

Craig Mullett's SAR

In addition to his non-executive director role, Craig Mullett previously provided consultancy services through Branison Group LLC ("Branison") as documented by a consultancy services agreement (the "Agreement"). These services related to specific designated projects and were not related to his role as a non-executive director. The agreement provided for SARs which related to 180,000 notional shares and payment was subject to the share price on 4 July 2006, 2007 and 2008 ("Anniversary Dates") exceeding 73.5p. The Agreement terminated on 30 April 2006; however, the SARs payments continued to be payable following termination. No payment was made in July 2008 as the performance target as set out above was not met.

Share Appreciation Right Scheme for Non-Executive Directors

At the 2008 Annual General Meeting shareholders approved the Share Appreciation Right Scheme for Non Executive Directors ("SAR Scheme"). Full details of the SAR Scheme are set out in the Circular to Shareholders and Notice of the 2008 Annual General Meeting.

No awards have been granted pursuant to the SAR Scheme and as a result of the new strategic direction of the Company, the Company does not intend to grant any awards pursuant to the SAR Scheme during the next financial year. Instead it proposes to grant awards to non executive directors pursuant to the Non Executive LTIS, details of which are set out below.

DIRECTORS' REMUNERATION REPORT

New Long Term Incentive Arrangements

At an extraordinary general meeting of the Company held on 5 December 2008 the shareholders approved the adoption of the following new long term incentive arrangements:

- the Non-Executive LTIS;
- the Volex Group plc Performance Share Plan 2008 ("PSP Plan"); and
- the Volex Group plc Restricted Share Scheme 2008 ("Restricted Scheme") (together the "New Incentive Arrangements").

Full details of the New Incentive Arrangements were set out in the circular to shareholders and notice of extraordinary general meeting dated 7 November 2008. In summary the terms and conditions of the schemes are as follows:

Non-Executive LTIS

- Awards under the Non-Executive LTIS shall only be made to the chairman and other non executives, selected by the chairman, who take ownership of duties for the benefit of the Company over and above those reasonably expected to be undertaken by a non executive director.

- Awards will take the form of an option over a number of units, which upon exercise will give rise to the award holder receiving a cash payment.

- The maximum number of units subject to all outstanding awards shall be 1000 and the maximum aggregate cash payment that can be made pursuant to all awards will be limited to £2,013,227.

- Only one award may be granted to a participant.

- The ability to exercise an award will only be triggered by the first to occur of:

  - the third anniversary of the adoption by the Company of the scheme, ("Third Anniversary");
  - a change of control of the Company ("Take-over"); or
  - a restriction for the voluntary winding up of the Company being passed ("Liquidation").

  However, the exercise of an award in any of these circumstances will only give rise to an obligation on the Company to make a payment to the award holder concerned if the aggregate of all of the returns made to shareholders ("Cumulative Share Return") during the period commencing on the date of adoption of the Non-Executive LTIS by the Company and ending with the event that triggers the ability to exercise the award, (whether this is the Third Anniversary, the Take-over or the Liquidation) exceeds £1.14 per ordinary share of the Company.

  For the purpose of calculating the Cumulative Share Return over the relevant period, any return of cash ("Return of Capital") paid to shareholders (by any means whatsoever including but not limited to a buy back of its own ordinary shares by the Company, the payment of a special dividend on ordinary shares in the capital of the Company or a reduction of its share capital approved by the court) during that period, shall be taken into account. All such Returns of Capital shall be aggregated with any return delivered to shareholders by virtue of a Take-over or a Liquidation where such Take-over or Liquidation is the event that triggers the ability to exercise the awards. (Accordingly, any return delivered to shareholders by virtue of a Take-over or Liquidation that occurs after the Third Anniversary shall not be taken into account in the calculation of the Cumulative Share Return).

  In the case of a Take-over, the return delivered to shareholders shall be measured as the aggregate of the cash consideration and the value of non cash consideration (if any) payable per ordinary share of the Company under the terms of the Take-over. In the case of a Liquidation, the return delivered to shareholders shall be measured as the amount of cash per ordinary share available for distribution to shareholders of the Company as fairly and reasonably determined by the Committee at the time of the Liquidation (for these purposes taking into account payments to be made under the scheme). In each case the amount of the return shall be measured in Sterling.

  The amount of cash available for distribution between all award holders under the Non-Executive LTIS ("Bonus Pool") will be determined by reference to the Cumulative Share Return delivered to shareholders. Where the Cumulative Share Return per ordinary share in the capital of the Company:

  - is less than £1.14, the Bonus Pool will be zero;
  - is equal to or greater than £1.14 but less than £1.31, the Bonus Pool will be £800,000;
  - is equal to or greater than £1.31 but less than £1.49, the Bonus Pool will be £1 million;
  - is exactly equal to £1.49, the Bonus Pool will be £1.2 million; and
  - is exactly equal to £2.50, the Bonus Pool will be £2,013,227.

  Where the Cumulative Share Return deliverable to shareholders per ordinary share in the capital of the Company is greater than £1.49 but less than £2.50, then the amount of the Bonus Pool will be calculated on a straight line basis between £1.2 million and £2,013,227.

- If an award holder ceases to be a director of the Company by reason of ill health, injury, disability, death or retirement an award holder will be entitled to retain his award for a short period following such cessation. Should the Third Anniversary, a Take-over or a Liquidation occur prior to the expiry of such relevant period then the award holder will be entitled to exercise his award. If an award holder ceases to be a director for any other reason then their award shall lapse on cessation except within 3 months of cessation the Company may exercise its discretion to allow an award holder to retain the award for a short period.

- Should an award holder cease to be a director prior to receiving notification from the Company that the Third Anniversary, a Take-over or a Liquidation has occurred the number of units in respect of which the award may be exercised shall be pro rated down on a time apportioned basis.

The Company is proposing to grant awards pursuant to the Non Executive LTIS in the next financial year to Mike McTighe, Chris Geoghegan and Karen Slatford.

The Committee considers that Mike McTighe, Chris Geoghegan and Karen Slatford will play a significant role in assisting the Board towards the delivery of enhanced shareholder value and believe that the above performance targets will reinforce the Company's commitment to enhance shareholder value.

PSP Plan

- Any nominated employees of the Company or any subsidiary of the Company is eligible to participate in the PSP Plan. It is intended that the PSP Plan will be limited to key executives.

- An award will take the form of either a nil cost option which shall be granted by the trustee of an employee benefit trust established by the Company, or an option granted by the Company with an exercise price set at the nominal value of the ordinary shares.

- The aggregate nominal value of the ordinary shares which the Company may on any day issue for the purpose of the PSP Plan and any other employee share scheme operated by the Company shall be limited to 11% of the nominal value of the ordinary share capital of the Company in issue on that date.

- No award may be granted to a participant if the market value of all shares under that award and any other awards granted under the PSP Plan in the same financial year will exceed 100% of the participant's annual salary. In exceptional circumstances this limit may be exceeded.

- The exercise of awards granted under the PSP Plan will in normal circumstances be conditional upon the achievement of objective performance targets set at the time of grant. Such performance targets shall be measured over a performance period (determined by the Committee at the time of grant but which shall not be less than three years) ("the Performance Period"). The extent to which such performance targets are met over the Performance Period shall determine the extent to which the awards are capable of exercise.

  The Committee will determine the performance target which will attach to an award at the date of grant of such award, however, in relation to the initial grant of awards under the PSP Plan, the Committee intend that the Performance Period will be a three year period commencing on the date of grant of the awards and that the awards will be subject to a total shareholder return target. Full details of such targets will be included in the Director's Remuneration Report for the financial year ended 4 April 2010.

  The Committee may waive or amend the original performance target provided that any such amended target is not more difficult to achieve than the original performance target:

  - on the occurrence of a specific event or events which are fixed by the Committee on the grant of an award; and
  - if events occur which cause the Committee to reasonably consider that a different or amended target would be a fairer measure of performance.

- An award will normally only be capable of exercise after the end of the Performance Period (subject to satisfaction of the performance target). However, an award may be exercised earlier in the event of a take-over, a scheme of arrangement being sanctioned by the court, the voluntary winding up of the Company or where the Company exercises its discretion on the cessation of employment of a participant (if the Company does not exercise such discretion then an award shall lapse on cessation of employment).

- In all those circumstances allowing for early exercise of an award the award may not be exercised unless the performance condition (modified if necessary) has been satisfied. The number of shares over which an award may be granted will also be pro rated down on a time apportioned basis.

No awards have been granted pursuant to the PSP Plan in the 2009 financial year but the Company proposes to grant awards pursuant to the PSP Plan in the next financial year. The Board consider that the performance targets which initial awards will be granted pursuant to will help to deliver a meaningful return to shareholders over the medium term.

Restricted 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 shall take the form of a nil cash option granted by the trustee of an employee benefit trust established by the Company.
- The aggregate nominal value of the ordinary shares which the Company may on any day issue for the purpose of the PSP Plan and any other employee share scheme operated by the Company shall be limited to 11% of the nominal value of the ordinary share capital of the Company in issue on that date.
- No eligible employee may be granted more than one award under the Restricted Scheme.
- Normally an award will be limited so that the market value of the shares subject to that award shall not exceed 100% of the award holder's annual salary. This limit can be exceeded in exceptional circumstances.
- An award may normally only be exercised after the third anniversary of the date of grant of an award provided the award holder is still an employee of the Group.
- An award will lapse 6 months after the third anniversary of the date of grant to the extent not exercised.
- If an award holder ceases to be an employee at any time their award may be exercised within a short period of time following cessation if the Company determines that it can be. If the Company doesn't so determine then an award shall lapse on cessation of employment.
- An award may also be exercised early in the event of a take-over, a scheme of arrangement being sanctioned by the court or the voluntary winding up of the Company.
- Where an award is exercised before the third anniversary of the date of grant as a result of the cessation of employment the number of shares over which the award may be exercised will be pro rated down. The number of shares over which the award may be exercised shall be reduced to such number as have an aggregate market value equal to the loss (if any) the award holder has incurred in respect of shares in the capital of the Company which he was obliged to acquire in order to participate in the LTIP.

No awards have been granted pursuant to the Restricted Scheme in the 2009 financial year; however, the Company proposes to grant awards pursuant to this Restricted Scheme in the forthcoming financial year. The purpose of the Restricted Scheme is to act as a means of retaining selected employees during the short to medium term and hence the reason why all awards will normally only be capable of exercise if the participant remains an employee of the Group.

Discretionary share option schemes

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

No executive director currently holds any subsisting options granted pursuant to the 1994 Scheme.

The exercise of the existing options granted under the Option Plan are subject to the satisfaction of a financial performance condition set by the Committee at the time of grant.

The performance condition attached to the options granted in July 2005 pursuant to the Option Plan was that the EPS at the end of the performance period was equal to or in excess of 5p per share, increased by the movement in RPI plus 3% per annum measured from April 2005 to the end of the performance period, in order for 50% of the options to be exercisable. In order for 100% of the options to be exercisable the EPS at the end of the performance period must have been equal to or in excess of 5p per share increased by the movement in RPI plus 6% per annum measured from April 2005 to the end of the performance period. Where the performance was between 3% and 6% a sliding scale would apply to determine the number of shares over which the options may be exercised. The options granted in July 2005 had a single testing period of three years and did not allow for retesting. Once the performance condition attaching to an option was satisfied, the option could be exercised at any time during the rest of its ten-year life without further test.

At the time of the grant of the existing options pursuant to the Option Plan the Committee considered that the performance condition selected represented good practice and was appropriate given the Group's size and business. EPS in relation to the existing options meant the adjusted earnings per share as published in each Annual Report and Accounts of the Company, subject to the discretion of the Committee to make such adjustment to 'normalise' the figures as it saw fit. This approach to the calculation of EPS was chosen since the base figure is independently audited and transparent, whilst reserving to the Committee an appropriate level of discretion.

The exercise price of each existing option granted under the Option Plan in July 2005 was equal to the market value of the Company's shares at the time when the option was granted.

Heejae Chae held an option to purchase ordinary shares granted in July 2005 pursuant to the Option Plan; however, this option lapsed due to the fact that the performance targets subject to which the option was granted were not achieved. Further details of the option are set out in the table on page 47 of this Directors' Remuneration Report.

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. Heejae Chae was a member of the Volex Inc., 401K Employee Retirement Plan, a money purchase scheme and upon his appointment as Group Chief Executive he moved to the Volex Group Personal Pension Plan, which is also a money purchase scheme, with a Company contribution of 20% of basic salary. Ian Degnan was also a member of the Volex Group Personal Pension Plan with a Company contribution of 20% of basic salary. Ray Walsh is to be a member of a 401K Employee Retirement Plan in the US, a money purchase scheme, with a Company contribution of 20% of basic salary. Andrew Cherry is a member of the Volex Group Personal Pension Plan, with a Company contribution of 20% of basic salary.

Performance graph

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

5 Year Total Shareholder Return

Directors' contracts

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.

The Company's policy for non-executive directors, including the Chairman, is to have contracts for services, documented in a Letter of Appointment, with an initial period of appointment of 3 years renewable by agreement for successive periods.

Under the Articles of Association of the Company at each annual general meeting any director then in office who has been appointed by the Board since the previous annual general meeting, and any director then in office who at the date of the notice convening the annual general meeting had held office for more than 30 months since he was elected or last re-elected by the Company in general meeting is required to retire from office but is eligible for re-election. Details of those directors seeking election can be found on page 52 of the Directors' Report.

DIRECTORS' REMUNERATION REPORT

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

Name of Director	Effective date of service contract or letter of appointment	Notice period
Executive Directors		
Heejae Chae[1]	05.05.2006	12 months
Andrew Cherry	19.02.2009	6 months
Ian Degnan[2]	16.12.2006	12 months
Ray Walsh	06.04.2009	12 months
Non-Executive Directors		
Richard Arkle[3]	21.04.2008	3 months
David Beever[4]	08.07.2005	3 months
Chris Geoghegan	01.03.2008	3 months
Mike McTighe	01.03.2008	3 months
Craig Mullett[4]	30.06.2005	3 months
Karen Slatford	27.05.2008	3 months

1. Heejae Chae ceased to be chief executive officer and a director on 9 March 2009.
2. Ian Degnan resigned as a director on 5 January 2009.
3. Richard Arkle joined the Company on 20 April 2005 and his terms of appointment were renewed in 2008.
4. David Beever resigned as a director on 31 December 2008.
5. Craig Mullett resigned as a director on 30 June 2008.

The directors' contracts do not include any specific provisions relating to compensation in the event of early termination. In the event of early termination of an executive director's service agreement, the Company would give notice to the executive director and/or make payment in lieu of notice, with due allowance in appropriate circumstances for the director's duty to mitigate his loss. Details of payments with regard to compensation of loss of office are included on page 47 of this Directors' Remuneration Report.

Executive directors' Service Contracts, which include details of remuneration together with copies of the non-executive directors' Letters of Appointment, will be available for inspection prior to the 2009 Annual General Meeting.

Outside appointments

None of the executive directors hold outside director appointments.

Non-Executive Directors

All non-executive directors have specific terms of engagement. Their fees are determined by the Board within the limits set by the Articles of Association and are based on benchmarking reports received from Kepler Associates. The fee paid to each non-executive director in the year is set out in the table on page 47 of this Directors' Remuneration Report. 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; however, in exceptional circumstances non-executive directors may be awarded options over a number of units pursuant to the Non-Executive Directors LTIS, details of which can be found on pages 42 and 43 of this Remuneration Report.

AUDITED INFORMATION

Directors' emoluments

Details of the emoluments of those Directors who were in office during the financial period ended 5 April 2009 are set out below:

	Fees/Basic salary £	Benefits in kind £	Annual bonuses £	Compensation for loss of office £	2009 Total	2008 Total
Executive						
Heejae Chae[1]	297,930	13,691	–	–	**311,621**	305,217
Andrew Cherry[2]	27,564	3,494	–	–	**31,058**	–
Ian Degnan[3]	133,750	9,629	66,875	–	**210,254**	160,110
Non-Executive						
Richard Arkle[4]	35,000	–	–	–	**35,000**	96,500
David Beever[5]	22,500	–	–	–	**22,500**	30,000
Chris Geoghegan[6]	30,833	–	–	–	**30,833**	2,500
Mike McTighe	125,000	–	–	–	**125,000**	10,417
Craig Mullett[7]	10,500	–	–	–	**10,500**	40,129
Karen Slatford[8]	28,733				**28,733**	–

1. The salary received by Heejae Chae included £18,826 in respect of an expatriation allowance. Heejae Chae ceased to be a director on 9 March 2009. The Company is attempting to reach a settlement with Heejae Chae for compensation for loss of office based on the contractual notice period and being mindful of Heejae's duty to mitigate his losses.
2. Andrew Cherry was appointed permanent Group Finance Director on 19 February 2009. £54,400 was paid to Marble Hill Partners in respect of Andrew Cherry's appointment as Interim Group Finance Director during the period 5 January 2009 to 19 February 2009.
3. Ian Degnan resigned as a director on 5 January 2009. Ian received a bonus payment proportional to the term of his employment in FY09.
4. For his services as a non-executive director Richard Arkle receives an annual fee of £35,000, comprising a non-executive fee of £26,000 with an additional £9,000 for chairing the Audit Committee.
5. David Beever resigned as a non-executive director on 31 December 2008.
6. Following his appointment 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.
7. Craig Mullet resigned as a non-executive director on 30 June 2008. Fees in respect of Craig Mullett's services as a non-executive director of the Company were paid to Branison Group LLC. In addition to Craig Mullett's non-executive director fee he received an allowance for attending overseas Board meetings, which amounted to £4,000.
8. Karen Slatford joined the Company on 27 May 2008 and now receives an annual fee of £30,000. Pursuant to her letter of appointment, Karen is required to devote a minimum of 25 days to the Company each year to perform her duties as a non-executive director. Karen's letter of appointment provides that in the event that she is required to devote time to the Company outside of those 25 days, then she will be paid a daily rate of £1,500. This arrangement reflected the fact that at the time of her appointment Karen received a non-executive fee which was below the lower quartile for a non-executive director of a similar sized company to Volex. In accordance with Karen's Letter of Appointment, the fee received by Karen during the year included an additional payment amounting to £4,400 for additional days worked.
   Prior to Karen's appointment as a member of the Audit and Remuneration Committees with effect from 1 February 2009, her annual fee was £26,000.

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

Directors' share options

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

Name of Director	Number of shares subject to Options as at 31 March 2008	Granted during FY09	Lapsed during FY09	Exercise price per share (£)	Date from which exercisable	Expiry date
Heejae Chae	600,000	–	600,000	1.00	04.07.08	04.07.15

The performance condition attached to the above option is referred to on page 44 of this Remuneration Report. In view of the fact that the EPS target was not achieved, the option lapsed.

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

DIRECTORS' REMUNERATION REPORT

Directors' LTIP awards

Details of the number of shares subject to the LTIP for directors who served during the year and granted since the date of their appointment, are set out below:

Name of Director	Number of shares subject to PSP awards as at 30 March 2008	Number of shares subject to PSP awards granted during FY09	Number of shares subject to SMP awards as at 30 March 2008	Number of share subject to SMP awards granted during FY09	Total number of shares subject to PSP and SMP awards held prior to 5 April 2009	Exercise price for shares subject to PSP awards granted during FY09 (£)	[1]Market price of shares subject to PSP awards granted during FY09 as at date of grant (£)	Number of shares subject to PSP and SMP awards lapsed during FY09
Heejae Chae[2]	343,487	485,294	433,734	–	1,262,515	0.25	0.612	1,262,515
Ian Degnan[3]	71,533	262,254	138,296	–	472,083	0.25	0.612	472,083

1. The market price of a share as at the award date is taken to be the average of the mid-market quotation for a Company's share over the period of five dealing days preceding the date of grant.
2. Heejae Chae ceased to be an employee on 9 March 2009. All awards granted to him pursuant to the LTIP have therefore lapsed pursuant to the LTIP scheme rules.
3. Ian Degnan ceased to be an employee on 31 January 2009. All awards granted to him pursuant to the LTIP have therefore lapsed pursuant to the LTIP scheme rules.

There have been no variations to the terms and conditions of the Awards granted pursuant to the LTIP during the financial year.

No LTIP awards vested during the year ended 5 April 2009. Details of the performance targets applying to the PSP awards made under the LTIP during the year ended 5 April 2009 are set out in full on pages 38 and 39.

No options or LTIP awards were held during the year by Mike McTighe, Chris Geoghegan, David Beever, Richard Arkle, Craig Mullett or Karen Slatford. Richard Arkle was awarded a SAR in 2007 and Craig Mullett was awarded SARs in 2006. Details of Richard Arkle's SAR and Craig Mullett's SARs are provided on pages 40 and 41 of the Directors' Remuneration Report and below.

Share Appreciation Rights

Richard Arkle's SAR

Details relating to Richard Arkle's SAR are shown in the table below:

Name of Director	Number of notional shares subject to SAR as at 31 March 2008	Number of notional shares subject to SAR granted during FY09	Number of shares subject to SAR as at 5 April 2009	Date exercisable from	Expiry date
Richard Arkle	140,562	–	140,562	29.09.2009	29.03.2010

In the event that the performance targets, details of which can be found on pages 40 and 41 of this Remuneration Report have been achieved, Richard Arkle may exercise his SAR. Richard Arkle's SAR does not entitle him to receive shares in the Company. Instead when the SAR is exercised, it will enable him to receive a cash payment payable by the Company determined by multiplying the number of notional shares over which the SAR is exercised by the amount by which the market value of a share in the Company on the third anniversary of the date of grant exceeds 25 pence.

Craig Mullett's SAR

Details relating to Craig Mullet's SAR are shown in the table below:

Name of Director	Number of notional shares subject to SAR as at 31 March 2008	Number of notional shares subject to SAR granted during FY09	Number of shares subject to SAR as at 5 April 2009	Date exercisable from	Expiry date
Craig Mullet	180,000	–	–	July 2006	July 2008

Craig Mullet's SAR provided for a cash payment to be made on the 1st, 2nd and 3rd anniversary of the date of grant provided the share price of the Company on such dates was in excess of 73.5p per share. The payment for each notional share was calculated as the difference between the share price on the relevant anniversary date and 73.5p. Payments were made to Craig Mullet on the 1st and 2nd anniversary; however, no payment was made on the 3rd anniversary, as the performance condition set out above was not achieved. The SAR has now lapsed.

Directors' pension entitlements

Heejae Chae and Ian Degnan were members of the Volex Group Personal Pension Plan, which is a money purchase scheme. Prior to Heejae Chae's appointment as Chief Executive Officer he was a member of the Volex Inc., 401K Employee Retirement Plan, a money purchase scheme. Andrew Cherry is a member of the Volex Group Personal Pension Plan to which the Company makes a contribution of 20% of Andrew's basic salary. The contributions paid or payable during the year by the Group in respect of those individuals were as follows:

	2009 **£**	2008 £
Heejae Chae[1]	**55,975**	54,000
Andrew Cherry[2]	**5,513**	
Ian Degnan[3]	**26,750**	29,667
	88,238	83,667

1. Heejae Chae ceased to be an employee of the Company on 9 March 2009.
2. Andrew Cherry joined the Company on 19 February 2009.
3. Ian Degnan ceased to be an employee of the Company on 31 January 2009.

Directors' interest

As at the date of this report the interests in the share capital of the Company of those directors who were in office at 5 April 2009, together with their shareholding at 30 March 2008, or date of appointment if later, are detailed below. The table details separately beneficial interest and share options issued to the directors (both prior to and upon their appointment), under the Option Plan and the LTIP. All interests relate solely to 25p ordinary shares.

	Shares 2009	Shares 2008	**Options & LTIP Awards 2009**	Options & LTIP Awards 2008
Richard Arkle	**184,000**	184,000	–	–
Andrew Cherry	**41,765**	–	–	–
Chris Geoghegan	–	–	–	–
Mike McTighe	**100,000**	–	–	–
Karen Slatford	–	–	–	–

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 2009.

Chris Geoghegan
Chairman of the Remuneration Committee
1 June 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. The accounts for the Company and the Group have been prepared in accordance with IFRSs. Company law requires the directors to prepare such financial statements in accordance with IFRSs, the Companies Act 1985 and Article 4 of the IAS Regulation. International Accounting Standard 1 requires the financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs.

Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding its assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report and a Directors' Remuneration Report that complies with the requirements of the Companies Act 1985.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements differs from legislation in other jurisdictions.

Directors' Responsibility Statement

We confirm to the best of our knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
2. the management report, which is incorporated into the Directors' Report includes a fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

By order of the Board

Ray Walsh
Group Chief Executive
1 June 2009

Andrew Cherry
Group Finance Director
1 June 2009

DIRECTORS' REPORT

The directors present their Annual Report on the affairs of the Group together with the audited financial statements and independent auditors' report for the financial year ended 5 April 2009.

Principal activities and business review

Volex Group is a leading producer of electronic and fibre optic cable assemblies and electrical powercords. The Group provides global support to leading producers of computers, telecommunication systems and networking devices. The Group produces wiring cable assemblies for consumer products, data and telecommunications and healthcare and industrial applications.

The Group operates through overseas subsidiary companies in Asia, Europe, North and South America. The subsidiary undertakings principally affecting the profits or net assets of the Group in the year are listed on page 95.

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, are set out in the Business and Financial Reviews which can be found on pages 23 to 27 and also the Corporate Responsibility Statement which can be found on pages 34 and 35.

Principal risks and uncertainties

The financial review on page 25 outlines 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.

Financial instruments

An indication of the Company's financial risk management objectives and policies and the exposure of the Company to new business development, customer concentration, commodity price fluctuations, foreign exchange rates, pricing, credit, liquidity and cash flow risks is set out in note 35 to the Accounts and in the Financial Review on pages 25 to 27.

Research and development

The Group continues to place great emphasis on product and process research and development to satisfy customer demand and to ensure world class manufacturing standards are achieved. Tom Aubin, Director of Global Technology, is responsible for leading the implementation of and developing the technology strategy, which has resulted in enhanced engineering competencies in North America and China. Each operating unit allocates considerable time and financial resources for these purposes. Further details are set out in note 8 to the Accounts on page 68.

Continuous improvement

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

Share capital

As at 5 April 2009, the Company's total issued share capital comprised 56,821,563 ordinary shares of 25p each, which represents 99.9% of the issued share capital together with 80,000, 7% cumulative preference shares of £1.00 each, which represents 0.1% of the issued share capital. 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. In accordance with the Articles of Association of the Company, in view of the deferment of the payment of dividends in respect of the cumulative preference shares, holders of the cumulative preference shares are entitled to attend and vote, whether in person or by proxy, at the 2009 Annual General Meeting, each share carrying the right to one vote. Details of the Company's share capital can be found in note 26 to the Accounts.

There are no specific restrictions on the size of a holding nor 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.

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.

DIRECTORS' REPORT

Summary review of operations

	2009 £'000	2008 £'000
Continuing operations		
Operating profit before non recurring items and share based payments	**11,175**	7,338
Provision for onerous lease arising on disposal of discontinued operations	**(3,000)**	-
Aborted disposal costs	**(1,020)**	-
Corporate management restructuring	**(720)**	-
Major restructuring programme charge	**–**	(2,676)
Share based payments credit	**132**	132
Investment income	**226**	205
Finance costs:		
– Interest	**(2,690)**	(2,332)
– Amortisation of debt issue costs	**(520)**	(520)
Profit on ordinary activities before taxation	**3,583**	2,147
Taxation	**(1,991)**	(2,530)
Profit/(loss) for the period from continuing operations	**1,592**	(383)
Discontinued operations		
Loss for the period from discontinued operations	**(20,976)**	(3,000)
Loss for the period, being the retained loss for the year attributable to the equity holders of the parent	**(19,384)**	(3,383)

Net assets employed by the Group were:	2009 £'000	2008 £'000
Non-current assets	**11,228**	10,287
Other assets and liabilities	**9,828**	33,359
	21,056	43,646
Net debt	**(14,787)**	(21,010)
Net assets	**6,269**	22,636
Gearing[1]	**236.0%**	92.8%

1. Net debt divided by net assets

Directors and their interests

(a) Directors

The Directors who served during the year were as follows:

Richard Arkle	
Andrew Cherry	(appointed 5 January 2009)
Chris Geoghegan	
Mike McTighe	
Karen Slatford	(appointed 27 May 2008)
David Beever	(resigned 31 December 2008)
Heejae Chae	(ceased to be director 9 March 2009)
Ian Degnan	(resigned 5 January 2009)
Craig Mullett	(resigned 30 June 2008)

Ray Walsh was appointed Group Chief Executive on 6 April 2009. 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 28 and 29.

(b) Election of Directors

In accordance with the provisions of the Articles of Association of the Company, Ray Walsh and Andrew Cherry, having been appointed to the Board since the 2008 Annual General Meeting, will retire at the 2009 Annual General Meeting and being eligible, they offer themselves for election by the shareholders.

Ray and Andrew's service agreements are terminable on twelve and six month's notice respectively and will be available for inspection prior to and at the forthcoming Annual General Meeting.

(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 47 to 49.

(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 Annual General Meeting.

Substantial shareholdings

The Company is aware of the following interests in the share capital of the Company.

Shareholder	Number of ordinary shares	Percentage held[1]
GoldenPeaks Capital Partners AG	10,869,454	19.10
NR Investments Ltd	10,482,434	18.42
Sterling Strategic Value Limited	5,652,116	9.93
Cadmus Capital Management	4,600,000	8.08
Cycladic Capital LLP	3,291,785	5.79
Gartmore Investment Management	1,995,000	3.51
Berggruen Holdings Inc	1,850,000	3.25

1. Percentage calculated on the total number of ordinary and preference shares outstanding at the date of this report, which was 56,901,563.

Charitable and political contributions

During the year the Group made charitable donations of £2,000 (2008: £2,000). No political donations were made (2008: £nil).

Disabled employees

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

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. The Group has continued its policy and practice of informing and consulting its employees through a system of regular joint meetings between members of the operational management teams and the employees themselves and, where appropriate, employee representatives. Details of the Group's employees can be found in note 12 to the Accounts.

Supplier payment policy

The Group's policy is to pay suppliers on settlement terms agreed with each supplier. The average number of days outstanding during the financial year ended 5 April 2009 in respect of trade creditors was approximately 77 days (2008: 77 days).

Audit and auditors

Each director of the Company at the date of approval of this Annual Report confirms that so far as they are aware there is no relevant audit information of which the Company's auditors are unaware of and that he/she has taken all steps that ought to have been taken in order to make himself/herself aware of any relevant audit information and that the Company's auditors have been made aware of such information.

The above statement is made in accordance with section 234 ZA Companies Act 1985.

In accordance with the recommendation of the Audit Committee as disclosed on page 32 and section 489 of the Companies Act 2006, a resolution to appoint PricewaterhouseCoopers LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The 2009 Annual General Meeting of the Company will be held on Wednesday 29 July 2009 in accordance with the Notice of Meeting which is enclosed separately with the form of proxy.

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

By order of the Board.

Wendy Tate
Company Secretary
1 June 2009

CONSOLIDATED AND COMPANY INCOME STATEMENTS

For the 53 weeks ended 5 April 2009 (52 weeks ended 30 March 2008)

	Notes	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Continuing operations					
Revenue	3	**265,116**	223,426	**32,521**	27,801
Operating profit/(loss)		**6,567**	4,794	**(1,065)**	(2,237)
Analysed as:					
Operating profit/(loss) before non recurring items and share based payments		**11,175**	7,338	**3,543**	(2,095)
Provision for onerous lease arising on disposal of discontinued operations	4	**(3,000)**	–	**(3,000)**	–
Aborted disposal costs	4	**(1,020)**	–	**(1,020)**	–
Corporate management restructuring	4	**(720)**	–	**(720)**	–
Major restructuring programme charge	4	**–**	(2,676)	**–**	(274)
Share based payments credit		**132**	132	**132**	132
Operating profit/(loss)		**6,567**	4,794	**(1,065)**	(2,237)
Investment income	5	**226**	205	**10,707**	6,351
Other gains and losses	6	**–**	–	**–**	(5,610)
Finance costs					
– interest		**(2,690)**	(2,332)	**(1,760)**	(1,434)
– amortisation of debt issue costs		**(520)**	(520)	**(520)**	(520)
	7	**(3,210)**	(2,852)	**(2,280)**	(1,954)
Profit/(loss) on ordinary activities before taxation		**3,583**	2,147	**7,362**	(3,450)
Taxation	12	**(1,991)**	(2,515)	**(325)**	207
Profit/(loss) for the period from continuing operations	8	**1,592**	(368)	**7,037**	(3,243)
Discontinued operations					
Loss for the period from discontinued operations	9	**(20,976)**	(3,015)	**(21,464)**	(1,702)
Loss for the period, being the retained loss for the year attributable to the equity holders of the parent	28	**(19,384)**	(3,383)	**(14,427)**	(4,945)
Earnings/(loss) per share (pence)*					
From continuing operations					
Basic and diluted	14	**2.8**	(0.7)		
From continuing and discontinued operations					
Basic and diluted	14	**(34.1)**	(6.0)		

*Earnings per share before non recurring items, loss on disposal and share based payments is shown in note 14.

CONSOLIDATED AND COMPANY STATEMENTS OF RECOGNISED INCOME AND EXPENSE

For the 53 weeks ended 5 April 2009 (52 weeks ended 30 March 2008)

	Notes	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Losses on hedge of net investment taken to equity	28	**(5,554)**	(3,354)	**–**	
Exchange differences on translation of foreign operations	28	**8,948**	2,513	**(1,337)**	–
Actuarial (losses)/gains on defined benefit pension schemes	28,34	**(285)**	776	**(285)**	776
Net income/(expense) recognised directly in equity		**3,109**	(65)	**(1,622)**	776
Loss for the year		**(19,384)**	(3,383)	**(14,427)**	(4,945)
Total recognised net expense for the year		**(16,275)**	(3,448)	**(16,049)**	(4,169)

CONSOLIDATED AND COMPANY BALANCE SHEETS

5 April 2009 (30 March 2008)

	Notes	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Non-current assets					
Goodwill	15	**1,930**	1,930	–	–
Other intangible assets	16	**566**	261	**177**	74
Property, plant and equipment	17	**8,040**	7,784	**15**	849
Investments	18	**–**	–	**92,373**	78,111
Deferred tax asset	24	**692**	312	–	–
		11,228	10,287	**92,565**	79,034
Current assets					
Inventories	19	**24,135**	35,050	**3,464**	10,660
Trade and other receivables	20	**59,751**	63,876	**46,730**	35,544
Current tax assets		**56**	353	**–**	–
Cash and cash equivalents	20	**16,877**	4,317	**1,458**	–
		100,819	103,596	**51,652**	46,204
Total assets		**112,047**	113,883	**144,217**	125,238
Current liabilities					
Obligations under finance leases	22	**2**	44	–	–
Trade and other payables	23	**56,332**	52,367	**53,297**	32,593
Current tax liabilities		**5,842**	4,343	**63**	–
Retirement benefit obligation	34	**153**	149	**153**	149
Provisions	25	**3,735**	3,359	**1,853**	435
Liability for share based payments	33	**14**	214	**14**	214
Derivative financial instruments	35	**248**	–	**215**	–
		66,326	60,476	**55,595**	33,391
Net current assets/(liabilities)		**34,493**	43,120	**(3,943)**	12,813
Non-current liabilities					
Bank overdrafts and loans	21	**31,662**	25,283	**19,379**	16,366
Trade and other payables	23	**631**	–	**48,982**	41,138
Deferred tax liabilities	24	–	118	–	–
Retirement benefit obligation	34	**1,683**	1,513	**1,683**	1,513
Long-term provisions	25	**5,396**	3,773	**3,732**	1,839
Non-equity preference shares	27	**80**	80	**80**	80
Liability for share based payments	33	**–**	4	–	4
		39,452	30,771	**73,856**	60,940
Total liabilities		**105,778**	91,247	**129,451**	94,331
Net assets		**6,269**	22,636	**14,766**	30,907
Equity attributable to equity holders of the parent					
Share capital	26	**14,205**	14,205	**14,205**	14,205
Share premium account	28	**1,357**	1,357	**1,357**	1,357
Hedging and translation reserve	28	**1,533**	(1,861)	**(1,339)**	(2)
Merger reserve	28	–	–	**8,224**	8,224
Non distributable special reserve	28	–	–	**18,125**	18,125
Retained earnings	28	**(10,826)**	8,935	**(25,806)**	(11,002)
Total equity	28	**6,269**	22,636	**14,766**	30,907

The financial statements were approved by the Board of Directors and authorised for issue on 1 June 2009. They were signed on its behalf by:

Mike McTighe
Chairman

Andrew Cherry
Group Finance Director

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

For the 53 weeks ended 5 April 2009 (52 weeks ended 30 March 2008)

		Group		Company	
	Notes	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Net cash inflow/(outflow) from operating activities	30	**13,359**	(8,654)	**(483)**	(9,391)
Cash flows from investing activities					
Dividends received from subsidiary undertakings		**–**	–	**5,092**	3,018
Interest received		**226**	205	**972**	3,333
Proceeds on disposal of intangible assets, property, plant & equipment		**283**	242	**–**	12
Purchases of property, plant & equipment		**(2,016)**	(1,712)	**(11)**	(63)
Purchases of intangible assets		**(418)**	(289)	**(181)**	(74)
Net cash outflow arising on disposal of operations		**(762)**	–	**(762)**	–
Loans to subsidiary undertakings		**–**	–	**(1,276)**	(9,032)
Net cash used in investing activities		**(2,687)**	(1,554)	**3,834**	(2,806)
Cash flows before financing activities		**10,672**	(10,208)	**3,351**	(12,197)
Cash generated/(utilised) before non recurring items		**15,966**	(6,321)	**6,524**	(10,212)
Net cash outflow arising on disposal of operations		**(762)**	–	**(762)**	–
Cash utilised in respect of non recurring items		**(4,532)**	(3,887)	**(2,411)**	(1,985)
Cash flows before financing activities		**10,672**	(10,208)	**3,351**	(12,197)
Cash flows from financing activities					
Net proceeds from issue of share capital	26	**–**	138	**–**	138
Repayments of borrowings	29	**(49,038)**	(18,823)	**–**	(5,583)
Advances of borrowings	29	**49,038**	20,410	**–**	10,912
(Decrease)/increase in bank overdrafts	29	**–**	(30)	**(2,406)**	1,065
Repayments of obligations under finance leases	29	**(42)**	(52)	**–**	–
Net cash (used in)/from financing activities		**(42)**	1,643	**(2,406)**	6,532
Net increase/(decrease) in cash and cash equivalents		**10,630**	(8,565)	**945**	(5,665)
Cash and cash equivalents at beginning of period	29	**4,317**	12,235	**–**	5,636
Effect of foreign exchange rate changes	29	**1,930**	647	**513**	29
Cash and cash equivalents at end of period	29	**16,877**	4,317	**1,458**	–

NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 5 April 2009 (52 weeks ended 30 March 2008)

1. Presentation of financial statements

Volex Group plc ('the Company') is a Company incorporated in the United Kingdom under the Companies Act 1985 and listed on the London Stock Exchange. The address of the registered office is given on page 97. The nature of the Group's operations and its principal activities are set out in the Chairman's Statement and Business and Financial Reviews on pages 20 to 27.

Accounts 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.

2. Significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') and interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) as endorsed by the European Union and those parts of the Companies Act 1985 applicable to Companies reporting under IFRS. The financial statements have also been prepared in accordance with IFRSs adopted by the European Union ('EU') and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis except for the revaluation of financial instruments. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements of Volex Group plc incorporate the financial statements of the Company and entities which it controls (its subsidiaries), (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. On acquisition, the assets and liabilities, including contingent liabilities, of a subsidiary are measured at their fair value at the date of acquisition. 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.

On consolidation, all intra-Group transactions, balances, income and expenses are eliminated.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 22 to 24. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review on pages 25 to 27. In addition note 35 to the financial statements includes the Group's 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 and liquidity risk.

As highlighted in note 35 to the financial statements, the Group meets its day to day working capital requirements through a revolving credit facility which has recently been renewed until March 2012.

The Group's forecasts and projections, taking reasonable account of possible changes in trading performance, show that the Group should be able to operate within the level of its current facility. 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 risks successfully despite the current 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 Report and Accounts.

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 is recorded in the Company's merger reserve.

Foreign currency translation

The individual financial statements of each Group company are presented 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 pounds Sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (cont)

Foreign currency translation (cont)

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 carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. 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, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

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 classified as equity and recognised in the Group's foreign currency translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

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 significant risks and rewards of ownership have been transferred to the buyer determined with reference to the specific contract in place.

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

Taxation

The tax expense represents the sum of the current and deferred tax charges.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net 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 balance sheet 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 retained earnings 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.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax 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.

2. Significant accounting policies (cont)

Property, plant and equipment

Land and buildings comprise factories, warehouses and offices. Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. 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:

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

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the fixed asset might not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds the higher of an asset's fair value less cost to sell and value in use. Any impairment charge is recorded in the income statement.

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.

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 useful economic 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.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are spread on a straight-line basis 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. Initial direct costs in negotiating and arranging such sub leases are recognised immediately in profit and loss.

Goodwill

Goodwill arising on the acquisition of subsidiaries and businesses represents an excess of the cost of acquisition over the fair value of the net identifiable assets acquired at the date of acquisition and is carried at cost less accumulated impairment losses. Goodwill is tested annually for impairment. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds the higher of an asset's fair value less cost to sell and value in use. Any impairment is recognised immediately in profit and loss and is not subsequently reversed. The gain or loss on the disposal of an entity includes the carrying amount of goodwill relating to the entity sold.

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

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and use specific software. These costs are included in the balance sheet within intangible assets and are amortised over their estimated useful lives, not exceeding three years.

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 do not carry any interest and are stated at their nominal value as reduced by appropriate allowance for estimated irrecoverable amounts.

Trade payables

Trade payables are not interest-bearing and are stated at their nominal value.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable 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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (cont)

Provisions

Provisions for restructuring costs are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is more likely than not that an outflow of resources will be required to settle the obligation and when the amount has been reliably estimated. Restructuring provisions comprise largely property and employee termination payments. Property provisions represent the expected net costs of onerous leases and are set up for payment of annual rental costs on empty properties and to meet shortfalls on sub-rented properties. Provisions are not recognised for future operating losses. Provision is also made for the anticipated net costs of onerous leases. The provisions are set up for payment of annual rental costs on empty properties and to meet shortfalls on sub-tenanted properties.

Retirement benefits

The Group has both defined benefit and defined contribution schemes.

For defined benefit schemes, the retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation less the fair value of the plan assets. The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in the statement of recognised income and expense 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.

Government grants

Government grants towards staff re-training costs are recognised as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

Government grants relating to property, plant and equipment are treated as deferred income and released to profit or loss over the expected useful lives of the assets concerned.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible 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. An intangible asset with an indefinite useful life is tested for impairment annually and whenever these is an indication that the asset may be impaired.

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.

Discontinued operations

In accordance with IFRS5 Non current assets held for sale and discontinued operations, the Group has separately disclosed the results of the Wiring Harness Division as discontinued following the disposal of the business completed on 3 April 2009. Comparative amounts in the Income Statement have been restated.

Share based payments

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 at 1 January 2005. Equity-settled share based payments are issued to certain employees and are measured at fair value at the date of grant. 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. Cash-settled share based payments are measured at the fair value at the balance sheet date and the movement in this liability is recorded in the income statement.

2. Significant accounting policies (cont)

Restructuring programme costs
These items 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 is classified within non-current liabilities.

Critical judgements and estimates in applying the accounting policies
In the process of applying the accounting policies described above, management has made the following judgements and estimates that have the most significant effect on the amounts recognised in the financial statements.

Restructuring provisions
As at 5 April 2009 the Group had restructuring provisions of £9.7 million (2008: £6.7 million) arising as a result of the Wiring Harness Division disposal completed on 3 April 2009 and prior year restructuring programmes. These provisions include amounts relating to onerous leases and termination costs. The initial determination of the size of these provisions and the subsequent timing and amount of the expenditure in relation to these provisions is inherently difficult to estimate and is based on management's judgement at the time. The provisions are regularly reviewed in the light of experience to date and the most current information available.

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.

Financial instruments
Derivative financial instruments
The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including interest rate swap and forward foreign exchange contracts. Further details of derivative financial instruments are disclosed in note 35 to the financial statements.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. 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 hedges of net investments in foreign operations.

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months.

Derivatives not designated into an effective hedge relationship are classified as a current asset or a current liability.

Hedge accounting
The Group designates certain hedging instruments, in respect of foreign currency risk as hedges of net investments in foreign operations.

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

Movements on the hedging reserve in equity are also detailed in note 28.

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 foreign currency translation reserve; the gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the other gains and losses line of the Income Statement.

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

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (cont)

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

Subsequent to initial recognition, investments in subsidiaries are measured at cost.

Other financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

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

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

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

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

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

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 changes in value.

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.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest 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 liability, or, where appropriate, a shorter period.

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

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts.

2. Significant accounting policies (cont)

New standards and interpretations applied

No new standards and interpretations have been adopted during the year ended 5 April 2009.

		Effective date
International Financial Reporting Standards (IAS/IFRSs)		
	Improvements to IASs	1 January 2009
IFRS 2	Amendments to IFRS 2 – Vesting Conditions and Cancellations	1 January 2009
IFRS 3	Business Combinations (revised 08) (not yet endorsed)	1 July 2009
IAS 8	Operating segments (early adoption permitted)	1 January 2009
IAS 1	Presentation of Financial Statements (revised September 2007)	1 January 2009
IAS 23	Borrowing costs (not yet endorsed)	1 January 2009
IAS 27	Consolidated and Separate Financial Statements (revised January 2008)	1 July 2009
International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC 12	Service concession arrangements (not yet endorsed)	1 January 2008
IFRIC 13	Customer loyalty programmes (not yet endorsed)	1 July 2008
IFRIC 14	The limit on a defined benefit asset, minimum funding requirements and their interaction (not yet endorsed)	1 January 2008
IFRIC 15	Agreements for construction of real estate (not yet endorsed)	1 January 2009
IFRIC 16	Hedges of net investments in a foreign operation (not yet endorsed)	1 October 2008
Both UK GAAP and International Financial Reporting Standards (FRS/IFRS)		
IAS 32/FRS 25	Amendment – puttable financial instruments (not yet endorsed)	1 January 2009
IAS 39/FRS 26	Amendment – eligible hedged items	1 July 2009

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

3. Business and geographical segments

Business segments

The Group's revenue predominantly relates to the sale of goods.

Following the disposal of the Wiring Harness Division on 3 April 2009 (note 9), the Group is organised for management purposes as two operating divisions – Power Products and Interconnect. These classifications are based upon the nature of products that they supply. These divisions are the basis on which the Group reports its primary segment information.

Revenue	2009 £'000	2008 £'000
Continuing operations		
Power Products	**150,680**	136,312
Interconnect	**114,436**	87,114
	265,116	223,426
Discontinued operations		
Wiring Harness	**37,704**	36,339
	302,820	259,765

Following the disposal of the Wiring Harness Division the segmental operating results of the Group for 2008 have been restated in accordance with IFRS 5 Non-current assets held for sale and discontinued operations. Corporate overhead costs previously included within the results of the Wiring Harness Division have been reallocated to the Power Products and Interconnect segments on the basis of external revenues.

NOTES TO THE FINANCIAL STATEMENTS

3. Business and geographical segments (cont)

Operating profit/(loss) before non recurring items and share based payments	2009 £'000	2008 £'000 (restated)
Continung operations		
Power Products	6,014	8,280
Interconnect	5,161	(942)
	11,175	7,338
Non recurring items and share based payments		
Power Products	(2,619)	(1,709)
Interconnect	(1,989)	(835)
	(4,608)	(2,544)
Operating profit/(loss)		
Power Products	3,395	6,571
Interconnect	3,172	(1,777)
	6,567	4,794
Investment income	226	205
Finance costs	(3,210)	(2,852)
Profit before tax from continuing operations	3,583	2,147
Tax	(1,991)	(2,515)
Profit/(loss) from continuing operations	1,592	(368)
Loss from discontinued operations (see note 9)	(20,976)	(3,015)
Loss after tax and discontinued operations	(19,384)	(3,383)

External revenue by product market sector	2009 £'000	2008 £'000
Continuing operations		
Consumer Products	150,207	139,705
Data, Telecommunications and Medical	109,862	82,855
Industrial, Vehicle and Aerospace	5,047	866
	265,116	233,426
Discontinued operations		
Industrial, Vehicle and Aerospace	37,704	36,339
	302,820	259,765

3. Business and geographical segments (cont)

Balance sheet	Power Products 2009 £'000	Interconnect 2009 £'000	Discontinued operations (Wiring Harness) 2009 £'000	Unallocated 2009 £'000	Consolidated 2009 £'000
Assets					
Segment assets	47,847	46,575	–	–	94,422
Deferred tax	–	–	–	692	692
Current tax asset	–	–	–	56	56
Cash and cash equivalents	–	–	–	16,877	16,877
Total assets	47,847	46,575	–	17,625	112,047
Liabilities					
Segment liabilities	32,791	33,565	–	–	66,356
Bank loans and overdrafts	–	–	–	31,662	31,662
Obligations under finance leases	–	–	–	2	2
Current tax liabilities	–	–	–	5,842	5,842
Retirement benefit obligations	–	–	–	1,836	1,836
Non-equity preference shares	–	–	–	80	80
Total liabilities	32,791	33,565	–	39,422	105,778
Other information					
Capital additions	1,457	628	174	174	2,433
Depreciation and amortisation	1,514	697	379	25	2,615

Segment assets consist primarily of intangible assets, property, plant and equipment, inventories and trade and other receivables. Segment liabilities consist primarily of trade and other payables and provisions. Segment assets and liabilities are those that can be allocated on a reasonable basis.

Capital additions and depreciation and amortisation comprise those relating to goodwill (note 15), property, plant and equipment (note 17) and intangible assets (note 16).

Balance sheet	Power Products 2008 £'000	Interconnect 2008 £'000	Discontinued operations (Wiring Harness) 2008 £'000	Unallocated 2008 £'000	Consolidated 2008 £'000
Assets					
Segment assets	52,797	38,352	17,752	–	108,901
Deferred tax	–	–	–	312	312
Current tax asset	–	–	–	353	353
Cash and cash equivalents	–	–	–	4,317	4,317
Total assets	52,797	38,352	17,752	4,982	113,883
Liabilities					
Segment liabilities	32,584	21,362	5,771	–	59,717
Bank loans and overdrafts	–	–	–	25,283	25,283
Obligations under finance leases	–	–	–	44	44
Current tax liabilities	–	–	–	4,343	4,343
Deferred tax liabilities	–	–	–	118	118
Retirement benefit obligations	–	–	–	1,662	1,662
Non-equity preference shares	–	–	–	80	80
Total liabilities	32,584	21,362	5,771	31,530	91,247
Other information					
Capital additions	799	959	127	65	1,950
Depreciation and amortisation	1,423	1,107	432	24	2,986

NOTES TO THE FINANCIAL STATEMENTS

3. Business and geographical segments (cont)

Geographical segments

Following the disposal of the Wiring Harness Division, headquartered in the United Kingdom, the Group's remaining operations are located in Asia, South America, North America and Europe. The following table provides an analysis of the Group's sales by geographical market, based both on source and destination of the sale. Segment assets and capital expenditure are allocated on the basis of where the assets are located.

The geographical segment analysis for 2008 has been restated. The previously reported analysis of Asia, South America and North America has been recategorised into the segments below as, in the opinion of the Board, the revised segments present a clearer understanding of the Group's geographic presence.

	External revenue by source		External revenue by destination	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Continuing operations				
Asia	**174,317**	134,769	**137,598**	104,038
Americas	**52,454**	52,352	**57,338**	56,495
United Kingdom	–	–	**6,496**	7,989
Europe	**38,345**	36,305	**63,684**	54,904
	265,116	223,426	**265,116**	223,426
Discontinued operations				
Asia	**8,334**	7,459	**46**	18
Americas	–	–	**7**	7
United Kingdom	**9,392**	7,030	**26,581**	24,795
Europe	**19,978**	21,850	**11,070**	11,519
	37,704	36,339	**37,704**	36,339
	302,820	259,765	**302,820**	259,765

	Segment assets		Capital expenditure	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Asia	**54,137**	46,640	**1,732**	1,432
Americas	**20,405**	22,103	**193**	177
United Kingdom	**8,696**	24,606	**255**	148
Europe	**11,184**	15,552	**253**	193
	94,422	108,901	**2,433**	1,950

4. Non recurring items

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Continuing operations				
Provision for onerous lease arising on disposal of discontinued operations	**(3,000)**	–	**(3,000)**	–
Aborted disposal costs	**(1,020)**	–	**(1,020)**	–
Corporate management restructuring	**(720)**	–	**(720)**	–
Major restructuring programme charge	–	(2,676)	–	(274)
	(4,740)	(2,676)	**(4,740)**	(274)
Discontinued operations				
Pre disposal restructuring programme	**(1,278)**	–	**(841)**	
Post disposal restructuring programme	**(1,350)**	–	–	
	(2,628)		**(841)**	
	(7,368)	(2,676)	**(5,581)**	(274)

4. Non recurring items (cont)

Continuing operations – Group and Company

Provision for onerous lease arising on disposal of discontinued operations
As referred to in notes 9 and 31, on 3 April 2009 the Group completed the disposal of its Wiring Harness Division. As part of the conditions pertaining to the disposal the Group retains the liability for the lease of the Wiring Harness premises in the UK until 2020 and as a consequence has reflected a provision for the resulting onerous lease. The provision represents management's best estimate, following appropriate advice, of the anticipated net cost of the lease taking into account how long the property will remain vacant and level of rental income that can be obtained from sub-tenants.

Aborted disposal costs
On 22 September 2008 the Board announced that following a strategic review of its business operations and the most effective way of generating value for shareholders, it was to investigate the potential for realising value from its Power Products Division including its potential divestment or flotation of the business on an Asian stock market.

Following the intervening period of market uncertainty caused by changing economic conditions, on 9 February 2009 the Board announced that it had terminated the divestment process. Costs of £1,020,000, which had been incurred as part of the process, were written off to the profit and loss account.

Corporate management restructuring
Following the announcement of the agreed disposal of the Wiring Harness Division the Board has commenced a review of the corporate management structure to align the organisation with the remaining Power Products and Interconnect Divisions and to gain greater leverage from the organisation's global operations. Costs of £720,000 have been incurred in the period to 5 April 2009, including an estimate of the compensation for loss of office payable to the former CEO of the Group, who left the Group on 9 March 2009.

The taxation effect of the above charges in the year was £nil (2008: £nil).

Discontinued operations – Group and Company

Pre disposal restructuring programme
In response to the continued loss making position of the Wiring Harness Division prior to its disposal on 3 April 2009, the Group announced a substantial redundancy programme to reduce the cost base of the division. A charge of £1,278,000 and £841,000, for Group and Company respectively, was made during the period to 5 April 2009 to reduce headcount in the UK and Croatia.

Discontinued operations – Group only

Post disposal restructuring programme
Following the disposal of the Wiring Harness Division, the acquirer has terminated the supply agreement for wiring harness products manufactured in China and consequently these operations are being closed. A provision of £350,000 has been established in respect of redundancy costs and an impairment charge of £750,000 in respect of inventory and £250,000 in respect of fixed assets specific to wiring harness products.

The taxation effect of the above charges in the year was £nil (2008: £nil).

5. Investment income

	Continuing Operations Group		Continuing Operations Company	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000
Interest on bank deposits	**226**	205	**162**	168
Interest on loans to Group undertakings	**–**	–	**4,643**	3,165
Total interest revenue	**226**	205	**4,805**	3,333
Dividends received from Group undertakings	**–**	–	**5,902**	3,018
	226	205	**10,707**	6,351

All investment income was derived from continuing operations.

Investment revenue 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 20). No gains or losses have been recognised on financial liabilities measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

6. Other gains and losses

	Company 2009 £'000	Company 2008 £'000
Profit on disposal of fixed asset investments	–	2,494
Impairment of fixed asset investments:		
Impairment of investment in shares	–	(3,642)
Impairment of intercompany loans	–	(4,462)
	–	(8,104)
	–	(5,610)

No other gains or losses have been recognised in respect of loans and receivables. No gains or losses have been recognised on financial liabilities measured at amortised cost.

7. Finance costs

	Note	Continuing Operations Group 2009 £'000	Continuing Operations Group 2008 £'000	Continuing Operations Company 2009 £'000	Continuing Operations Company 2008 £'000
Interest on bank overdrafts and loans	21	**2,230**	2,035	**1,620**	1,245
Interest on pension scheme liabilities	34	**775**	747	**775**	747
Return on pension assets	34	**(737)**	(762)	**(737)**	(762)
Fair value loss on interest rate swap contracts	35	**215**	–	**–**	–
Unwinding of discount on long-term provisions	25	**184**	180	**73**	72
Other		**23**	132	**29**	132
Total interest costs		**2,690**	2,332	**1,760**	1,434
Amortisation of debt issue costs		**520**	520	**520**	520
Total borrowing costs		**3,210**	2,852	**2,280**	1,954

All finance costs relate to continuing operations.

8. (Loss)/profit for the year

(Loss)/profit for the year has been arrived at after charging/(crediting):

Group	Continuing Operations 2009 £'000	Continuing Operations 2008 £'000	Discontinued Operations 2009 £'000	Discontinued Operations 2008 £'000	Total 2009 £'000	Total 2008 £'000
Net foreign exchange losses/(gains)	**2,311**	(40)	**356**	(223)	**2,667**	(263)
Research and development costs	**1,656**	1,107	**–**	–	**1,656**	1,107
Depreciation of property, plant and equipment	**2,213**	2,488	**362**	418	**2,575**	2,906
Impairment of property, plant and equipment	**–**	–	**250**	–	**250**	–
Amortisation of acquired intangible assets	**27**	66	**15**	14	**42**	80
Cost of inventories recognised as an expense	**181,123**	148,400	**26,209**	27,558	**207,332**	175,958
Write down of inventories recognised as an expense	**1,427**	205	**750**	78	**2,177**	283
Staff costs (see note 11)	**37,590**	33,986	**10,670**	7,430	**48,260**	41,416
Impairment loss recognised/(reversed) on trade receivables	**267**	71	**74**	(104)	**341**	(33)
Loss on disposal of property, plant and equipment	**18**	4	**–**	–	**18**	4

Company	Continuing Operations 2009 £'000	Continuing Operations 2008 £'000	Discontinued Operations 2009 £'000	Discontinued Operations 2008 £'000	Total 2009 £'000	Total 2008 £'000
Net foreign exchange (gains)/losses	**4,235**	3,181	**(356)**	(62)	**3,879**	(3,119)
Depreciation of property, plant and equipment	**8**	28	**188**	270	**196**	298
Amortisation of acquired intangible assets	**24**	16	**14**	14	**38**	30
Cost of inventories recognised as an expense	**24,433**	21,233	**30,095**	30,389	**54,528**	51,622
Write down of inventories recognised as an expense	**–**	–	**–**	78	**–**	78
Staff costs (see note 11)	**3,409**	6,088	**5,245**	2,835	**8,654**	8,923
Impairment loss recognised on trade receivables	**–**	4	**17**	2	**17**	6
Loss on disposal of property, plant and equipment	**–**	4	**–**	–	**–**	4

9. Discontinued operations

On 12 February 2009 the Group entered into a sale agreement to dispose of the Wiring Harness Division. Immediately prior to the completion of the disposal on 3 April 2009 the business and assets of the Wiring Harness Division were transferred to Wiring Systems Limited, previously a non trading entity, pursuant to a hive down agreement. The disposal of the Wiring Harness Division was effected due to the continuing loss making status of the division and to facilitate the Group's evolving strategic focus on its Interconnect and Power Products Divisions. The Board believes that the disposal is in the best interest of the wider Group and its stakeholders.

The results of the discontinued operations, which have been included in the consolidated income statement, were as follows:

		Group		Company	
	Notes	Period ended 3 April 2009 £'000	Year ended 2008 £'000	Period ended 3 April 2009 £'000	Year ended 2008 £'000
Revenue	3	**37,704**	36,339	**37,204**	38,289
Expenses	4,9	**(44,408)**	(39,339)	**(39,152)**	(39,991)
Loss before tax		**(6,704)**	(3,000)	**(1,948)**	(1,702)
Attributable tax expenses	12	**101**	(15)	–	–
		(6,603)	(3,015)	**(1,948)**	(1,702)
Loss on disposal of discontinued operations	31	**(14,373)**	–	**(19,516)**	–
		(20,976)	(3,015)	**(21,464)**	(1,702)
Attributable tax expenses		–	–	–	–
Net loss attributable to discontinued operations		**(20,976)**	(3,015)	**(21,464)**	(1,702)

During the year, the Wiring Harness Division consumed £3.2m (2008: £8.1m) of the Group's net operating cash flows and paid £0.2m (2008: £0.5m) in respect of investing activities.

A loss of £14.4m (Company: £19.5m) arose on the disposal of the Wiring Harness Division; being the proceeds of disposal less the carrying amount of the division's net attributable assets, see note 31. No goodwill was attributable to the disposal.

The effect of discontinued operations on segment results is disclosed in note 3.

10. Auditors' remuneration

The analysis of auditors' remuneration is as follows:

	2009 £'000	2008 £'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**110**	105
Fees payable to the Company's auditors and their associates for other services to the Group		
– The audit of the Company's subsidiaries pursuant to legislation	**336**	313
Total audit fees	**446**	418
Other services pursuant to legislation:		
Tax services	**313**	260
Corporate finance services	**115**	–
Total non-audit fees	**428**	260
Fees payable to the Company's auditors and their associates in respect of the audit of associated pension schemes	**10**	10

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

A description of the work of the Audit Committee is set out in the Corporate Governance Report on page 32 and includes an explanation of how auditor objectivity and independence is safeguarded when the auditors provide non-audit services.

NOTES TO THE FINANCIAL STATEMENTS

11. Staff costs

The average monthly number of employees (including executive Directors) was:

	Group		Company	
	2009 No.	2008 No.	2009 No.	2008 No.
Production	**5,768**	7,366	**128**	128
Sales and distribution	**253**	274	**19**	22
Administration	**1,617**	1,553	**91**	121
	7,638	9,193	**238**	271

The aggregate remuneration comprised:	£'000	£'000	£'000	£'000
Wages and salaries	**42,821**	36,542	**7,625**	7,906
Social security costs	**3,982**	3,822	**689**	764
Other pension costs (see note 35)	**1,457**	1,052	**340**	253
	48,260	41,416	**8,654**	8,923

The Group has received grant assistance from the Industrial Development Agency in Ireland conditional on 60 employees being employed in Ireland through to 6 June 2009. Employee numbers in Ireland are currently at this level; however, should they reduce below this level €1.4 million (approximately £1.1 million) would be repayable on demand.

Details of Directors' remuneration, share options, pension contributions, pension entitlements, fees for consulting services and interests for the year required by the Companies Act 1985 are provided in the audited part of the Directors' Remuneration Report on pages 36 to 49 and form part of the financial statements.

12. Taxation

Group	Continuing Operations		Discontinued Operations		Total	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Current tax – charge for the year	**2,685**	2,749	–	–	**2,685**	2,749
Current tax – adjustment in respect of previous years	**(205)**	(253)	–	52	**(205)**	(201)
Deferred tax (note 24)	**(489)**	19	**(101)**	(37)	**(590)**	(18)
	1,991	2,515	**(101)**	15	**1,890**	2,530

Company	Continuing Operations		Discontinued Operations		Total	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Current tax – charge for the year	**325**	(17)	–	–	**325**	(17)
Current tax – adjustment in respect of previous years	**–**	(190)	–	–	**–**	(190)
Deferred tax (note 24)	**–**	–	–	–	**–**	–
	325	(207)	**–**	–	**325**	(207)

UK corporation tax is calculated at 28% (2008: 30%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Of the charge to current tax, £nil (2008: £nil) related to losses arising in the Wiring Harness Division which was disposed of during the year. No tax charge/(credit) arose on the disposal of the business.

12. Taxation (cont)

The charge for the year can be reconciled to the loss per the income statement as follows:

Group	2009 £'000	2009 %	2008 £'000	2008 %
Profit on ordinary activities before tax:				
Continuing operations	3,583	–	2,147	–
Discontinued operations	(6,704)	–	(3,000)	–
Loss on disposal	(14,373)	–	–	–
Loss before tax	(17,494)	100	(853)	100
Tax at the UK corporation tax rate of 28% (2008: 30%)	(4,898)	28	(256)	30
Tax effect of expenses that are not deductible and income that is not taxable in determining taxable profit	4,325	(25)	407	(48)
Tax effect of non-utilisation of tax losses	3,159	(18)	3,535	(414)
Tax effect of adjustments in respect of previous periods	(256)	1	(527)	62
Effect of different tax rates of subsidiaries operating in other jurisdications	(649)	4	(1,071)	126
Tax effect of unrecognised deferred tax	829	(5)	644	(76)
Tax effect of loss utilisation	(620)	4	(202)	23
Tax expense and effective tax rate for the year	1,890	(11)	2,530	(297)

Company	2009 £'000	2009 %	2008 £'000	2008 %
Profit on ordinary activities before tax:				
Continuing operations	8,226	–	(3,450)	–
Discontinued operations	(1,948)	–	(1,702)	–
Loss on disposal	(19,516)	–	–	–
Loss before tax	(13,238)	100	(5,152)	100
Tax at the UK corporation tax rate of 28% (2008: 30%)	(3,971)	28	(1,546)	30
Tax effect of expenses that are not deductible and income that is not taxable in determining taxable profit	4,334	(33)	625	(12)
Tax effect of non-utilisation of tax losses	–	–	805	(16)
Tax effect of adjustments in respect of previous periods	–	–	(190)	4
Tax effect of unrecognised deferred tax	67	(1)	99	(2)
Tax effect of loss utilisation	(105)	1	–	–
Tax expense and effective tax rate for the year	325	(5)	(207)	4

The tax charge/(credit) on items taken directly to equity is £nil (2008: £nil).

13. Dividends

The Directors do not recommend a dividend on the ordinary shares for the year (2008: £nil).

14. Earnings/(loss) per ordinary share

From continuing and discontinued operations

The calculations of the earnings per share are based on the following data:

(Loss)/earnings	Note	2009 £'000	2008 £'000
Loss for the purpose of basic loss per share being net loss attributable to equity holders of the parent		(19,384)	(3,383)
Adjustments for:			
Non recurring items	4	7,368	2,676
Share based payments credit	33	(132)	(132)
Loss on disposal of discontinued operations		14,373	–
Adjusted earnings/(loss)		2,225	(839)

Number of shares	No. shares	No. shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	56,821,563	56,780,292
Effect of dilutive potential ordinary shares – share options	45,579	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	56,867,142	56,780,292

Basic earnings/(loss) per share	2009 Pence	2008 Pence
Basic loss per share	(34.1)	(6.0)
Adjustments for:		
Non recurring items	13.0	4.7
Share based payments credit	(0.2)	(0.2)
Loss on disposal of discontinued operations	25.2	–
Adjusted basic earnings/(loss) per share	3.9	(1.5)

Diluted earnings/(loss) per share	2009 pence	2008 pence
Diluted loss per share	(34.1)	(6.0)
Adjustments for:		
Non recurring items	13.0	4.7
Share based payments credit	(0.2)	(0.2)
Loss on disposal of discontinued operations	25.2	–
Adjusted diluted earnings/(loss) per share	3.9	(1.5)

The adjusted earnings/(loss) per share has been calculated on the basis of continuing activities before non recurring items, share based payments and loss on disposal of discontinued operations, net of tax. The Directors consider that this earnings per share calculation gives a better understanding of the Group's earnings/(loss) per share in the current and prior year. As the Group recorded a loss per share in 2008, the share options in that year were anti-dilutive and therefore there was no difference between the basic and diluted loss per share in that period.

14. Earnings/(loss) per ordinary share (cont)

Earnings/(loss) per share from continuing operations

	Notes	2009 £'000	2008 £'000
Loss for the purpose of basic loss per share being net loss attributable to equity holders of the parent		**(19,384)**	(3,383)
Adjustments to exclude loss for the period from discontinued operations		**20,976**	3,015
Earnings/(loss) from continuing operations for the purpose of basic earnings/(loss) per share		**1,592**	(368)
Adjustments for:			
Non recurring items	4	**4,740**	2,676
Share based payments credit	33	**(132)**	(132)
Earnings from continuing operations for the purpose of adjusted earnings per share		**6,200**	2,176

The denominators are the same as those detailed for both basic and diluted earnings per share from continuing and discontinued operations.

	2009 Pence	2008 Pence
Basic earnings/(loss) per share from continuing operations	**2.8**	(0.7)
Adjustments for:		
Non recurring items	**8.3**	4.7
Share based payments credit	**(0.2)**	(0.2)
Adjusted basic earnings per share	**10.9**	3.8
Diluted earnings/(loss) per share from continuing operations	**2.8**	(0.7)
Adjustments for:		
Non recurring items	**8.3**	4.7
Share based payments credit	**(0.2)**	(0.2)
Adjusted basic earnings per share	**10.9**	3.8

Loss per share from discontinued operations	2009 Pence	2008 Pence
Basic and diluted loss per share from discontinued operations	**(36.9)**	(5.3)

15. Goodwill

	2009 £'000	2008 £'000
Cost		
At beginning and end of the year	**3,798**	3,798
Accumulated impairment losses		
At beginning and end of the year	**1,868**	1,868
Carrying amount	**1,930**	1,930

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

	2009 £'000	2008 £'000
Power Products	**1,495**	1,495
Interconnect	**435**	435
	1,930	1,930

The Group annually tests goodwill for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amount of goodwill is determined from value in use calculations. The key assumptions used in the value in use calculations are those regarding the discount rates, revenue and cost growth rates and the level of capital expenditure required during the period. The Group prepares cash flow forecasts derived from the most recently approved three-year forecasts of the relevant businesses. The cash flow forecasts reflect the risk associated with each asset. Cash flow for years beyond 2012 are extrapolated based on estimated growth rates, which do not exceed the average long-term growth rates for the relevant markets and a discount rate of 10% (2008: 10%) which reflects the Group's estimated cost of capital.

16. Other intangible assets

Computer software	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Cost				
At beginning of the year	**601**	319	**124**	50
Additions	**418**	225	**181**	74
Disposals	**(107)**	64	**–**	–
Disposal arising from sale of Wiring Harness Division	**(89)**	–	**(86)**	–
Exchange differences	**172**	(7)	**–**	–
At end of the year	**995**	601	**219**	124
Accumulated amortisation				
At beginning of the year	**340**	237	**50**	20
Amortisation charge for the year	**42**	80	**38**	30
Disposal	**(30)**	–	**–**	–
Disposal arising from sale of Wiring Harness Division	**(47)**	–	**(46)**	–
Exchange differences	**124**	23	**–**	–
At end of the year	**429**	340	**42**	50
Carrying amount	**566**	261	**177**	74

Computer software is amortised over the estimated useful life, not exceeding 3 years.

17. Property, plant and equipment

Group	Land and buildings Freehold £'000	Land and buildings Long leasehold £'000	Plant and machinery £'000	Total £'000
Cost				
At 2 April 2007	65	2,453	25,871	28,389
Additions	–	46	1,679	1,725
Reclassification	(26)	45	(104)	(85)
Disposals	–	–	(2,384)	(2,384)
Exchange differences	(2)	(47)	666	617
At 30 March 2008	37	2,497	25,728	28,262
Additions	**–**	**121**	**1,895**	**2,016**
Reclassification	**–**	**(2)**	**(574)**	**(576)**
Disposals	**–**	**(276)**	**(2,438)**	**(2,714)**
Disposal arising from sale of Wiring Harness Division	**–**	**(801)**	**(4,189)**	**(4,990)**
Exchange differences	**13**	**1,228**	**5,462**	**6,703**
At 5 April 2009	**50**	**2,767**	**25,884**	**28,701**
Accumulated depreciation and impairment				
At 2 April 2007	–	1,155	18,043	19,198
Depreciation charge for the year	–	391	2,515	2,906
Reclassification	–	–	(19)	(19)
Disposals	–	–	(2,163)	(2,163)
Exchange differences	–	(40)	596	556
At 30 March 2008	–	1,506	18,972	20,478
Depreciation charge for the year	**–**	**400**	**2,175**	**2,575**
Impairment loss	**–**	**–**	**250**	**250**
Reclassification	**–**	**–**	**(571)**	**(571)**
Disposals	**–**	**(362)**	**(2,128)**	**(2,490)**
Disposal arising from sale of Wiring Harness Division	**–**	**(473)**	**(3,644)**	**(4,117)**
Exchange differences	**–**	**707**	**3,829**	**4,536**
At 5 April 2009	**–**	**1,778**	**18,883**	**20,661**
Carrying amount				
At 5 April 2009	**50**	**989**	**7,001**	**8,040**
At 30 March 2008	37	991	6,756	7,784

The carrying amount of the Group's fixtures and equipment includes an amount of £2,000 (2008: £44,000) in respect of assets held under finance leases. At 5 April 2009, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £nil (2008: £42,000).

17. Property, plant and equipment (cont)

Company	Land and buildings Freehold £'000	Long leasehold £'000	Plant and machinery £'000	Total £'000
Cost				
At 2 April 2007	–	787	4,176	4,963
Additions	–	11	50	61
Disposals	–	10	(238)	(228)
Exchange differences	–	(10)	2	(8)
At 30 March 2008	–	798	3,990	4,788
Additions	–	–	**11**	**11**
Disposals	–	–	–	–
Disposal arising from sale of Wiring Harness Division	–	**(798)**	**(3,420)**	**(4,218)**
Exchange differences	–	–	**201**	**201**
At 5 April 2009	–	–	**782**	**782**
Accumulated depreciation and impairment				
At 2 April 2007	–	408	3,455	3,863
Charge for the year	–	32	266	298
Disposals	–	–	(222)	(222)
At 30 March 2008	–	440	3,499	3,939
Charge for the year	–	–	**196**	**196**
Disposals	–	–	–	–
Disposal arising from sale of Wiring Harness Divsion	–	**(440)**	**(3,120)**	**(3,560)**
Exchange differences	–	–	**192**	**192**
At 5 April 2009	–	–	**767**	**767**
Carrying amount				
At 5 April 2009	–	–	**15**	**15**
At 30 March 2008	–	358	491	849

At 5 April 2009, the Company had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £nil (2008: £nil).

18. Investments

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

	Shares £'000	Loans £'000	Total £'000
Cost			
At 2 April 2007	31,148	55,068	86,216
Additions	3,425	195	3,620
Disposals	(255)	-	(255)
Repaid	–	(2,650)	(2,650)
Loans capitalised	–	(679)	(679)
Exchange differences	–	(37)	(37)
At 30 March 2008	34,318	51,897	86,215
Disposals	**(100)**	**(3,154)**	**(3,254)**
Additions	–	**1,276**	**1,276**
Exchange differences	–	**16,547**	**16,547**
At 5 April 2009	**34,218**	**66,566**	**100,784**

18. Investments (cont)

	Shares £'000	Loans £'000	Total £'000
Accumulated depreciation and impairment			
At 2 April 2007	–	–	–
Impairment charge	(3,642)	(4,462)	(8,104)
At 30 March 2008	(3,642)	(4,462)	(8,104)
Exchange differences	–	(307)	(307)
At 5 April 2009	(3,642)	(4,769)	(8,411)
Carrying amount			
At 5 April 2009	30,576	61,797	92,373
At 30 March 2008	30,676	47,435	78,111

The Company sold 100% of its shareholding in Volex d.o.o., Croatia and Volex Estonia OU as part of the Wiring Harness Division disposal, see note 31.

In the United Kingdom, Volex Group plc includes an operational division, Volex Powercords Europe. Details of the Company's principal subsidiary undertakings are set out on page 95.

19. Inventories

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Raw materials	10,729	15,938	16	3,081
Work-in-progress	1,489	2,637	–	851
Finished goods	11,917	16,475	3,448	6,728
	24,135	35,050	3,464	10,660

The Group wrote off inventory in the period of £1,427,000 (2008: £1,062,000). In addition there was an impairment charge of £750,000 in respect of remaining inventory specific to Wiring Harness products.

20. Other financial assets

Trade and other receivables

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Amounts receivable for the sale of goods	52,090	59,157	4,045	13,284
Allowance for doubtful debts	(575)	(326)	(69)	(121)
	51,515	58,831	3,976	13,163
Amounts due from Group undertakings	–	–	42,672	22,216
Other debtors and prepayments	8,236	5,045	82	165
	59,751	63,876	46,730	35,544

The average credit period taken on sales of goods is 77 days (2008: 77 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. The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables.

Bank 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 their fair value.

The Group's credit risk is primarily attributable to its trade receivables. The Group has one customer which represents approximately 13% (2008: 12%) of Group turnover. Other than this customer the Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. Further information can be found in the Finance Review on pages 25 to 27.

20. Other financial assets (cont)

Included in trade receivables are debtors with a carrying value of £6,951,000 (2008: £8,080,000) and £1,231,000 (2008: £688,000) for the Group and Company respectively which are past due at the reporting date and 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. The average age of these receivables in excess of trading terms is 32 days and 45 days (2008: 36 days and 68 days) for the Group and Company respectively.

Ageing of past due but not impaired receivables	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
0 – 60 days	**6,350**	7,028	**1,177**	538
60 – 90 days	**207**	683	**–**	63
90 – 120 days	**270**	177	**–**	28
120+ days	**124**	192	**54**	61
	6,951	8,080	**1,231**	688

Movement in the allowance for doubtful debts	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Balance at beginning of the year	**326**	459	**121**	115
Amounts written off during the year	**(206)**	–	**(188)**	–
Amounts recovered during the year	**–**	(100)	**–**	–
Increase/(decrease) in allowance recognised in profit or loss	**455**	(33)	**136**	6
Balance at end of the year	**575**	326	**69**	121

In determining the recoverability of the 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. 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.

Included in the allowance for doubtful debts are specific trade receivables with a balance of £336,000 (2008: £nil) for the Group and £nil (2008: £nil) for the Company which have been placed under liquidation. The impairment represents the difference between the carrying amount of the specific trade receivable and present value of the expected liquidation dividend. The Group does not hold any collateral over these balances.

Ageing of impaired trade receivables	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
0 – 60 days	**336**	–	**–**	–
60 – 90 days	**5**	10	**–**	20
90 – 120 days	**24**	10	**17**	7
120+ days	**210**	306	**52**	94
	575	326	**69**	121

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

Cash and cash equivalents	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Cash and cash equivalents	**16,877**	4,317	**1,458**	–

Cash and cash equivalents 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 their fair value.

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21. Borrowings

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Secured borrowings at amortised cost				
Bank overdrafts	–	–	–	1,695
Bank loans	**31,662**	25,283	**19,379**	14,671
	31,662	25,283	**19,379**	16,366
Amount due for settlement after 12 months	**31,662**	25,283	**19,379**	16,366

Drawings under the facilities can be made in various currencies. Borrowings can be analysed by currency as follows:

Group	2009 Bank loans £'000	2008 Bank loans £'000
US dollar	**20,831**	15,276
Euro	**12,313**	10,614
	33,144	25,890
Less: debt issue costs	**(1,482)**	(607)
	31,662	25,283

The Group's principal funding is provided via a $76.0 million multi currency revolving, overdraft and guarantee facility. The facility commenced on 8 December 2006 and was extended for a further 3 years to March 2012. The amount available under the facility at 5 April 2009 was $62.7 million (2008: $69.3 million). Under the terms of the restated facility the amount available will be reduced by a minimum, depending on the level of surplus funds available, of $5.0 million at 31 March 2010 and by $2.5 million for each financial quarter thereafter. The facility is secured by fixed and floating charges over the assets of certain Group companies. At 5 April 2009, the facility incurred interest at a margin of 4% (2008: 2.25%) above LIBOR.

The weighted average interest rates paid during the period were as follows:

	2009 %	2008 %
Bank loans and overdrafts	**5.9**	6.2

Undrawn borrowing facilities

At 5 April 2009, the Group had available £14,742,000 (2008: £8,135,000) of undrawn committed borrowing facilities.

22. Obligations under finance leases

Group	Minimum lease payments 2009 £'000	Minimum lease payments 2008 £'000	Present value of minimum lease payments 2009 £'000	Present value of minimum lease payments 2008 £'000
Amounts payable under finance leases:				
Within one year	**2**	44	**2**	44
	2	44	**2**	44
Less: future finance charges	–	–		
Present value of lease obligations	**2**	44		
Less: amount due for settlement within 12 months	**(2)**	(44)	**(2)**	(44)
Amount due for settlement after 12 months	–	–	–	–

It is the Group's policy to lease certain of its plant and machinery under finance leases. The average lease term is 3 years. For the current period the average effective borrowing rate was 6% (2008: 6%). 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.

22. Obligations under finance leases (cont)

The Group's lease obligations are denominated in the following currencies:

	2009 £'000	2008 £'000
US dollar	**2**	44

The Company has no obligations under finance leases (2008: £nil).

23. Other financial liabilities

Trade and other payables

	Group		Company	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000
Due for settlement within 12 months:				
Trade creditors	**41,957**	41,586	**650**	2,696
Amounts owed to Group undertakings	**–**	–	**47,481**	27,068
Other taxes and social security	**911**	1,233	**–**	383
Accruals and deferred income	**13,464**	9,548	**5,166**	2,446
	56,332	52,367	**53,297**	32,593
Due for settlement after 12 months:				
Amounts owed to Group undertakings	**–**	–	**48,351**	41,138
Accruals	**631**	–	**631**	–
	631	–	**48,982**	41,138

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 75 days (2008: 75 days). The Group has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

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

24. Deferred tax

Group

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

	Accelerated tax depreciation £'000	Other short term timing differences £'000	Total £'000
At 2 April 2007	152	(290)	(138)
(Credit)/charge to income	(190)	172	(18)
Exchange differences	(29)	(9)	(38)
At 30 March 2008	**(67)**	**(127)**	**(194)**
Credit to income	**(70)**	**(519)**	**(589)**
Disposal	**–**	**184**	**184**
Exchange differences	**(41)**	**(52)**	**(93)**
At 5 April 2009	**(178)**	**(514)**	**(692)**

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:

	2009 £'000	2008 £'000
Deferred tax liabilities	**–**	118
Deferred tax assets	**(692)**	(312)
	(692)	(194)

NOTES TO THE FINANCIAL STATEMENTS

24. Deferred tax (cont)

At the balance sheet date, the Group had unused tax losses of £46 million (2008: £37 million) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of £19 million (2008: £13 million) that cannot be carried forward indefinitely. Of this amount, no losses (2008: £1 million) expire during the next five accounting periods. Other losses may be carried forward indefinitely.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was £78 million (2008: £54 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Company

The Company has no recognised deferred tax assets or liabilities. At the balance sheet date, the Company has unused tax losses of £15 million (2008: £14 million) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

25. Provisions

Group	Restructuring provisions				
	Property £'000	Corporate management restructuring £'000	Other £'000	Other £'000	Total £'000
At 30 March 2008	4,612	–	2,067	453	7,132
Charge in the year	3,000	720	1,628	20	5,368
Utilisation of provision	(1,178)	–	(3,026)	(86)	(4,290)
Interest (note 8)	184	–	–	–	184
Transferred with disposal of Wiring Harness Division	–	–	(462)	–	(462)
Transfers	14	–	(14)	–	–
Exchange differences	739	–	457	3	1,199
At 5 April 2009	7,371	720	650	390	9,131
Less: included in current liabilities					3,735
Non-current liabilities					5,396

Company	Restructuring provisions		
	Property £'000	Corporate management restructuring £'000	Total £'000
At 30 March 2008	2,274	–	2,274
Charge in the year	4,056	720	4,776
Utilisation of provision	(1,538)	–	(1,538)
Interest (note 8)	73	–	73
At 5 April 2009	4,865	720	5,585
Less: included in current liabilities			1,853
Non-current liabilities			3,732

Property provisions

Property provisions represent the anticipated net costs of onerous leases. The provisions have been recorded taking into account management's best estimate of the period for which the properties will remain vacant and the level of rental income, if any, that can be obtained from sub-tenants. This provision will be utilised as the rental payments fall due through to 2020.

As referred to in notes 9 and 31, on 3 April 2009 the Group completed the disposal of its Wiring Harness Division. As part of the conditions pertaining to the disposal the Group retains the liability for the lease of the Wiring Harness premises in the UK until 2020 and as a consequence has reflected a provision for the resulting onerous lease. The provision represents management's best estimate, following appropriate advice, of the anticipated net cost of the lease taking into account how long the property will remain vacant and level of rental income that can be obtained from sub-tenants.

25. Provisions (cont)

Corporate management restructuring

Following the announcement of the agreed disposal of the Wiring Harness Division the Board has commenced a review of the corporate management structure to align the organisation with the remaining Power Products and Interconnect Divisions and to gain greater leverage from the organisation's global operations. Costs of £720,000 have been incurred in the period to 5 April 2009, including an estimate of the compensation for loss of office payable to the former CEO of the Group, who left the Group on 9 March 2009.

Post disposal restructuring programme

Following the disposal of the Wiring Harness Division, the acquirer has terminated the supply agreement for wiring harness products manufactured in China and consequently these operations are being closed. A provision of £350,000 has been established in respect of redundancy costs specific to wiring harness products.

26. Equity share capital

	2009 £'000	2008 £'000
Authorised:		
75,000,000 (2008: 75,000,000) ordinary shares of 25p each	**18,750**	18,750
Issued and fully paid:		
56,821,563 (2008: 56,821,563) ordinary shares of 25p each	**14,205**	14,205

Under the terms of the Group's various share option and long-term incentive schemes, the following options to subscribe for ordinary shares are outstanding:

Date of Grant	Option price (pence)	Exercise period	Number of shares 2009	2008
Discretionary Share Option Schemes				
3 July 2000	1,475.0	July 2003 - July 2010	**17,500**	19,000
18 June 2001	788.0	June 2004 - June 2011	**18,500**	18,500
20 June 2003	87.0	June 2006 - June 2013	**60,000**	60,000
Long-term Incentive Plan				
Performance shares				
29 September 2006	25.0	Sept 2009 - Mar 2010	**482,652**	699,519
13 November 2006	25.0	Nov 2009 - May 2010	**49,788**	49,788
1 February 2007	25.0	Feb - Aug 2010	**–**	71,533
15 June 2007	25.0	Jun - Dec 2010	**171,736**	318,356
9 July 2008	25.0	July 2011 - Jan 2012	**651,646**	–
Matching shares				
9 November 2006	25.0	Nov 2009 – May 2010	**493,726**	927,460
2 February 2007	25.0	Feb 2010 – Aug 2010	**–**	138,296
			1,945,548	2,302,452

For further details of the Group's share option and long-term incentive schemes see note 33.

27. Non-equity preference shares

The Company has authorised and issued 80,000 cumulative preference shares of £1 each with the rights to a fixed cumulative preference dividend payable, at the rate of 7% per annum, on the amount paid up or credited as paid up thereon on 31 March and 30 September in each year but not to any further participation in the profits of the Company. The preference shares confer the right on a winding up to have the capital paid or credited as paid up, including all arrears of dividend whether declared or not up to the commencement of the winding up, paid in priority to any payment of capital on the ordinary shares but without any further right to participate in profits or assets. There is no fixed repayment date.

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

These preference shares are recorded as non-current liabilities.

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28. Movements in shareholders' equity

Group	Share capital £'000	Share premium £'000	Hedging & translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 2 April 2007	14,158	1,219	(1,020)	11,702	26,059
Net proceeds from issue of equity shares	47	91	–	–	138
Reserve transfer on exercise of warrants	–	47	–	(47)	–
Net profit for the year	–	–	–	(3,383)	(3,383)
Reserve entry for share option charge	–		–	(113)	(113)
Actuarial gains on defined benefit pension schemes	–	–	–	776	776
Exchange differences on translation of overseas operations	–	–	2,513	–	2,513
Loss recognised on net investment hedge	–	–	(3,354)	–	(3,354)
Balance at 30 March 2008	**14,205**	**1,357**	**(1,861)**	**8,935**	**22,636**
Net loss for the year	–	–	–	**(19,384)**	**(19,384)**
Reserve entry for share option charge	–	–	–	**(92)**	**(92)**
Actuarial gains on defined benefit pension schemes	–	–	–	**(285)**	**(285)**
Exchange differences on translation of overseas operations	–	–	**8,948**	–	**8,948**
Loss recognised on net investment hedge	–	–	**(5,554)**	–	**(5,554)**
Balance at 5 April 2009	**14,205**	**1,357**	**1,533**	**(10,826)**	**6,269**

Group retained earnings include non-distributable reserves in subsidiary companies of £3.0 million (2008: £2.2 million).

Company	Share capital £'000	Share premium £'000	Hedging & translation reserve £'000	Merger reserve £'000	Non distributable special reserve £'000	Retained earnings £'000	Total £'000
Balance at 2 April 2007	14,158	1,219	(2)	8,224	17,987	(6,535)	35,051
Loss for the year	–	–	–	–	–	(4,945)	(4,945)
Transfer from retained earnings	–	–	–	–	138	(138)	–
Net proceeds from issue of equity shares	47	91	–	–	–	–	138
Reserve transfer on exercise of warrants		47	–	–	–	(47)	–
Reserve entry for share option charge	–	–	–	–	–	(113)	(113)
Actuarial gains on defined benefit pension schemes	–	–	–	–	–	776	776
Balance at 30 March 2008	**14,205**	**1,357**	**(2)**	**8,224**	**18,125**	**(11,002)**	**30,907**
Loss for the year	–	–	–	–	–	**(14,427)**	**(14,427)**
Exchange differences on translation of overseas operations	–	–	**(1,337)**	–	–	–	**(1,337)**
Reserve entry for share option charge	–	–	–	–	–	**(92)**	**(92)**
Actuarial gains on defined benefit pension schemes	–	–	–	–	–	**(285)**	**(285)**
Balance at 5 April 2009	**14,205**	**1,357**	**(1,339)**	**8,224**	**18,125**	**(25,806)**	**14,766**

Following a review of the investments in the year ended 1 April 2007, the Company has restated the carrying value of certain investments to reflect the fair value of shares issued in consideration for the purchase of these investments, rather than the nominal value of shares issued. In accordance with IAS 27, consolidated and separate financial statements, the directors have concluded that this carrying value is more appropriate.

On 12 October 2005, the cancellation of the Company's share premium was approved and the balance of £32 million on the share premium account at that date was utilised to eliminate the deficit on the Company's retained earnings account. As a condition of this cancellation, the Company has established a non-distributable 'special reserve' within retained earnings. At 5 April 2009, the balance on this special reserve was £18.1 million (2008: £18.1 million).

The exchange difference on translation of overseas operations arising in the Company are due to overseas operations being denominated in US dollar functional currency.

29. Analysis of net debt

Group	30 March 2008 £'000	Cash flow £'000	Exchange movement £'000	Other non-cash changes £'000	5 April 2009 £'000
Cash at bank and in hand	4,317	10,630	1,930	–	16,877
Debt due after one year	(25,890)	251	(7,505)	–	(33,144)
Finance leases	(44)	44	–	–	–
Debt issue costs	607	–	–	875	1,482
Net debt	(21,010)	10,925	(5,575)	875	(14,785)

Debt issue costs include facility arrangement fees of £1,396,000 which are payable in equal instalments in May 2009 and April 2010, and amortisation of prior issue costs of £520,000.

30. Notes to the cash flow statement

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Loss for the year	(19,384)	(3,383)	(14,427)	(4,945)
Adjustments for:				
Investment revenues	(226)	(205)	(10,707)	(6,351)
Other gains and losses	–	–	–	5,610
Finance costs	3,210	2,852	2,280	1,954
Income tax expense	1,890	2,530	325	(207)
Loss on disposal of discontinued operations	14,373	–	19,516	–
Depreciation on property, plant & equipment	2,575	2,906	196	298
Impairment on property, plant & equipment	250	–	–	–
Amortisation of intangible assets	42	80	38	30
Loss on disposal of property, plant & equipment	18	4	–	4
Share option expense	(92)	(113)	(92)	(113)
Effect of foreign exchange rate changes	–	–	(12,791)	3,072
Increase/(decrease) in provisions	929	(1,469)	3,041	(2,094)
Operating cash flow before movement in working capital	3,585	3,202	(12,621)	(2,742)
Decrease/(increase) in inventories	12,660	(2,791)	3,485	(2,112)
Decrease/(increase) in receivables	10,709	(12,506)	(14,825)	(18,827)
(Decrease)/increase in payables	(9,702)	5,994	25,172	15,423
Movement in working capital	13,667	(9,303)	13,832	(5,516)
Cash generated by operations	17,252	(6,101)	1,211	(8,258)
Cash generated by operations before non recurring items	21,784	(2,214)	3,622	(6,273)
Cash utilised by non recurring items	(4,532)	(3,887)	(2,411)	(1,985)
Cash generated by operations	17,252	(6,101)	1,211	(8,258)
Taxation paid	(1,622)	(887)	(262)	(45)
Interest paid (net)	(2,271)	(1,666)	(1,432)	(1,088)
Net cash inflow from operating activities	13,359	(8,654)	(483)	(9,391)

31. Disposal of Wiring Harness Division

As referred to in note 9, on 3 April 2009 the Group disposed of its Wiring Harness Division.

The net assets of the Wiring Harness Division at the date of disposal and at 30 March 2008 were as follows:

	Group		Company	
	3 April 2009 £'000	2008 £'000	3 April 2009 £'000	2008 2008 £'000
Intangible assets	**42**	36	**40**	36
Property, plant and equipment	**874**	1,055	**658**	837
Investments	**–**	–	**101**	101
Deferred tax asset	**199**	86	**–**	–
Inventories	**6,366**	8,091	**5,016**	5,848
Trade and other receivables	**8,099**	8,529	**12,934**	7,990
Cash and cash equivalents	**608**	190	**608**	27
Trade payables	**(3,723)**	(4,505)	**(2,211)**	(2,831)
Provisions	**(462)**	(998)	**–**	(998)
Net assets disposed	**12,003**	12,484	**17,146**	11,010
Loss on disposal	**(14,373)**	–	**(19,516)**	–
	(2,370)	12,484	**(2,370)**	11,010

Satisfied by:	Group £'000	Company £'000
Deferred cash contribution	**(1,268)**	**(1,268)**
Costs of disposal	**(554)**	**(554)**
Provision for indemnities included in the sale agreement	**(548)**	**(548)**
	(2,370)	**(2,370)**

Net cash outflow arising on disposal:	Group £'000	Company £'000
Costs of disposal discharged prior to 5 April 2009	**(154)**	**(154)**
Cash and cash equivalents disposed of	**(608)**	**(608)**
	(762)	**(762)**

The deferred cash contribution includes two elements:

- An amount of £1,018,000 determined by reference to changes in working capital and agreed restructuring expenditure incurred between the agreement and completion of the sale contract. This element has been settled since 5 April 2009; and
- An amount up to £250,000 depending on movements in Sterling/Euro exchange rates in the period from 3 April to September 2009. Any amount due is required to be settled by 3 November 2009.

The sale agreement provides certain indemnities to the purchaser as to the recoverability of specific trade receivables. The provision of £548,000 shown above represents the Board's estimate of the potential exposure under the indemnity at the balance sheet date. Should a claim arise under the indemnity the Company is required to settle any such claim by 3 August 2009.

32. Operating lease arrangements

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
The following have been recognised during the year:				
Minimum lease payments made under operating leases	**7,671**	6,601	**496**	485
Minimum sub-lease payments received under operating leases	**1,219**	739	**–**	–

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 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Within one year	**6,637**	6,073	**329**	688
In the second to fifth years inclusive	**7,964**	9,947	**1,314**	2,750
After five years	**1,550**	5,363	**687**	2,523
	16,151	21,383	**2,330**	5,961

Operating lease payments represent rentals payable by the Group for certain of its office and manufacturing properties. Leases are negotiated for an average term of 8 years and rentals are fixed for an average of 4 years.

At the balance sheet date, the Group expects to receive £2.6 million (2008: £2.5 million) under non-cancellable sub-leases.

33. Share based payments

Equity-settled share option schemes

During the year the remaining outstanding awards under the Employee Share Saving Scheme lapsed and the scheme is now closed. The Long-Term Incentive Plan ('LTIP') was approved by shareholders at the AGM on 28 September 2006. The Group's Discretionary Share Option Schemes ('DSOS') remain in operation; however following shareholders approving the Volex Group plc Performance Share Plan at the Extraordinary General Meeting held on 5 December 2008, it is not expected that any further options will be granted under either the LTIP or the DSOS schemes.

Options issued under the DSOS, prior to approval of the LTIP, are exercisable between three and ten years from the date of the grant and are subject to the continued employment of the participant and the achievement of earnings per share performance targets. The exercise price was determined based on the market share price at date of grant. One award was made under this scheme during the year and has subsequently lapsed during the year.

Under the LTIP, the Remuneration Committee can recommend the grant of options to an eligible employee. Awards take the form of either Performance Shares or Matching Shares. Full details of how the scheme operates are explained on pages 37 to 40 of the Directors' Remuneration Report. Options issued under the LTIP are exercisable between three years and three years and six months from the date of grant subject to the continued employment of the participant and achievement of both 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.

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

	2009 Number of share options	2009 Weighted average exercise price (in pence)	2008 Number of share options	2008 Weighted average exercise price (in pence)
Outstanding at beginning of period	**2,302,452**	**45**	3,452,565	56
Granted during the period	**1,644,292**	**25**	416,664	25
Expired during the period	**(2,001,196)**	**25**	(1,566,777)	57
Outstanding at the end of the period	**1,945,548**	**48**	2,302,452	45

The options outstanding at 5 April 2009 had a weighted average remaining contractual life of 1.2 years (2008: 2.2 years).

In 2009, the aggregate of the estimated fair values of the options granted under the LTIP on the dates stated in note 27 was £263,000 (2008: £421,000).

33. Share based payments (cont)

The fair values of the DSOS awards were calculated at the date of grant using the Black Scholes model whilst those for the LTIP awards were calculated using a stochastic (Monte-Carlo binomial) model. The inputs into the valuation models were as follows:

	2009	2008
Weighted average share price	**61.2p**	101.0p
Weighted average exercise price	**25p**	25p
Expected volatility	**50%**	50%
Expected life	**3.25 years**	3.25 years
Risk-free rate	**4.87%**	6%
Expected dividends	**–**	–

Expected volatility was determined with reference to historical volatility of the Group's share price over the previous 3.25 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 Group and Company recognised a total credit of £92,000 (2008: credit of £113,000) respectively. The credit in the year arose due to the number of share options expiring during the year and the impact of performance conditions as detailed on pages 37 and 45 of the Directors' Remuneration Report.

Cash-settled share-based payments
During 2006, the Company issued to a non-executive Director share appreciation rights ('NED SAR') that require the Company to pay the intrinsic value of the NED SAR at three fixed dates. The NED SAR expired during the year, no payment was made due to the share price at the anniversary date being below the exercise price. In September 2006, the Company issued to Richard Arkle who was chairman at that time a share appreciation right ('Chairman SAR') that requires the Company to pay the intrinsic value of the SAR at the date of exercise conditional upon the achievement of certain performance targets. For further details regarding each of these arrangements please see pages 40, 41 and 48 of the Directors' Remuneration Report.

At 5 April 2009, the Group and the Company has recorded a liability of £14,000 (2008: £54,000) in respect of these arrangements. The fair value of the Chairman SAR has been calculated using a stochastic (Monte-Carlo binomial) model. The inputs into the valuation models were as follows:

	Chairman SAR	
	2009	2008
Share price	**77.5p**	77.5p
Exercise price	**25.0p**	25.0p
Expected volatility	**51%**	40%
Expected life	**0.75 years**	1.75 years
Risk-free rate	**0.66%**	4.2%

In 2009, the Group and Company recorded a credit of £40,000 (2008: credit of £19,000) respectively.

34. 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 £1,457,000 (2008: £1,052,000). The total cost charged to the Company's income statement in the year was £340,000 (2008: £253,000).

Defined benefit schemes

The Company maintains two Inland Revenue approved defined benefit schemes that are funded by payments held in independent trusts. Future accrual of retirement benefits under both schemes ceased on 31 March 2003 when the schemes were replaced with defined contribution arrangements. The last full actuarial valuation of the schemes was carried out by a qualified independent actuary on 1 August 2007. This valuation has been updated on an approximate basis to 5 April 2009 and utilises the projected unit valuation method.

The key assumptions utilised are:	Valuation at 2009	2008
Discount rate	**7.0%**	6.0%
Expected return on scheme assets	**6.3%**	6.5%
Future pension increases	**2.9%**	3.4%
Price inflations	**3.0%**	3.5%

The following mortality assumptions have been made:	Males	Females
Future life expectancy for a pensioner currently aged 65	**22.0**	24.8
Future life expectancy at age 65 for a non-pensioner currently aged 55	**22.6**	25.4

Amounts recognised in income statement (note 7)	2009 £'000	2008 £'000
Interest cost	**(775)**	(747)
Expected return on scheme assets	**737**	762
Finance costs	**(38)**	15

No other amounts have been recognised in the income statement (2007: £nil).

Actuarial losses of £285,000 (2008: £776,000 actuarial gain) have been reported in the statement of recognised income and expense.

Amounts recognised in balance sheet	2009 £'000	2008 £'000
Fair value of scheme assets	**9,217**	11,519
Present value of defined benefit obligations	**(11,053)**	(13,181)
Deficit in scheme recognised in the balance sheet	**(1,836)**	(1,662)
Current liabilities	**153**	149
Non-current liabilities	**1,683**	1,513
	1,836	1,662

The Company expects to contribute £149,000 to its defined pension plans in the year ended 5 April 2009.

Movements in the present value of defined benefit obligations	2009 £'000	2008 £'000
At beginning of year	**(13,181)**	(14,614)
Interest cost	**(775)**	(747)
Actuarial gains and losses	**2,388**	1,682
Benefits paid	**515**	498
At end of year	**11,053**	(13,181)

34. Retirement benefit schemes (cont)

Movements in the fair value of scheme assets	2009 £'000	2008 £'000
At beginning of year	11,519	11,778
Expected return on scheme assets	737	762
Actuarial gains	(2,673)	(906)
Contributions from the sponsoring company	149	383
Benefits paid	(515)	(498)
At end of year	9,217	11,519

Composition of assets	2009 £'000	2008 £'000
Equity instruments	6,408	8,523
Debt instruments	2,673	2,996
Property	136	-
	9,217	11,519

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 (2008: £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:	2009 %	2008 %
Equity instruments	7.1	7.2
Debt instruments	4.6	4.7
Property	7.1	7.2
	6.3	6.5

The actual return on scheme assets for the year was a loss of £1,936,000 (2008: gain £144,000).

Cumulative actuarial gains and losses recognised in equity	2009 £'000	2008 £'000
At beginning of year	1,004	227
Net actuarial (losses)/gains recognised in the year	(285)	776
At end of year	719	1,003

Five-year history of experience adjustments	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Fair value of scheme assets	9,217	11,519	11,778	11,148	9,216
Present value of defined benefit obligations	(11,053)	(13,181)	(14,614)	(14,659)	(13,311)
Deficit in scheme	(1,836)	(1,662)	(2,836)	(3,511)	(4,095)
Experience adjustments on scheme liabilities					
£'000	(60)	493	-	-	355
% scheme liabilities	0.5%	4.0%	-	-	3%
Experience adjustments on scheme assets					
£'000	2,673	906	12	1,478	431
% scheme assets	29.07	8.0%	-	13%	5%

35. 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 21, cash and cash equivalents disclosed in note 29 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 28.

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

The Group has US$76.0m available under a revolving credit facility, which after amortisation had an available limit of US$62.7m as at 5 April 2009, comprising both a US Dollar and a Euro component. At 5 April 2009 the amounts drawn under this facility were US$30.7m and €13.5m. The US Dollar amount drawn has not changed since November 2008 and the Euro drawing is unchanged throughout the year. The average combined utilisation during the year was US$50.9m. In addition, the Group has a further €6.8m of undrawn committed facilities available at 5 April 2009.

At 5 April 2009 the Group had undrawn committed borrowing facilities of £14.7m (2008: £8.1m).

The revolving credit facility had been due to mature in December 2009. However, in February 2009 the Group secured a 3 year extension of this facility to March 2012. As detailed in note 21, the terms of this extension are broadly consistent with the pre-existing facility save for small increases in the margin over LIBOR to reflect current market rates. As part of the facility extension the Group negotiated an amortisation holiday under which the available facility does not reduce until March 2010. At the same time the Group extended the additional undrawn facility to the same March 2012 maturity date. Based on the Group's projected financial performance the Board is confident that the combination of the above facilities provides adequate liquidity headroom for the successful execution of the Group's operations.

The extended revolving credit facility simplified the covenant structure under which the Group was operating from a set of four profit and cash flow covenants to a single leverage ratio being the ratio of Adjusted Net Debt to Adjusted EBIT (where Adjusted Net Debt is the average balance over the preceding three month ends discounted for cash balances held outside of the UK, and Adjusted EBIT is calculated on a rolling twelve month basis after adjustment for customary items including agreed exceptional items). Based on the Group's projected financial performance the Board is confident that the Group will be able to operate in compliance with the agreed 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, trade receivables and payables. The Group also enters into derivative transactions, principally forward currency contracts to manage the currency risks arising from its operations.

Set out below is a comparison by category of carrying amounts and fair values of all the Group's financial instruments that are carried in the financial statements.

	Book value 2009 £'000	Book value 2008 £'000	**Fair value 2009 £'000**	Fair value 2008 £'000
Financial assets				
Cash	**16,877**	4,317	**16,877**	4,317
Trade and other receivables	**59,751**	63,879	**59,751**	63,876
Financial liabilities				
Interest-bearing loans and borrowings	**31,662**	25,283	**31,622**	25,283
Finance lease and hire purchase obligations	**2**	44	**2**	44
Trade and other payables	**56,332**	52,367	**56,332**	52,367
Derivative financial instruments	**248**	–	**248**	–

Financial risk management

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. 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.

NOTES TO THE FINANCIAL STATEMENTS

35. Financial instruments (cont)

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.

The Group manages its exposure to interest rate risk by fixing approximately 50% of its borrowings through the use of interest rate swap contracts.

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
Fixed rate:							
Obligations under finance leases	2	–	–	–	–	–	2
Floating rate:							
Cash assets	16,877	–	–	–	–	–	16,877
Bank loans and borrowings	–	–	(31,662)	–	–	–	(31,662)

Interest rate sensitivity
A sensitivity analysis has been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant through the reporting period. A 0.5% change is used and represents management's assessment of the possible changes in interest rates.

At the reporting date, if interest rates had been 0.5% higher/lower and all other variables were constant, the Group's:
Profit (before tax) would increase/decrease by £132,000, (2008: increase/decrease of £133,000). This is due to the Group's exposure on variable rate borrowings.

Interest rate swap contracts
Under interest rate swap contracts, the Group agrees to exchange the difference 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 interest rate on 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.

Outstanding receive floating pay fixed contracts	Average contract fixed interest 2009 %	2008 %	Notional principal amount 2009 £'000	2008 £'000	Fair value 2009 £'000	2008 £'000
Less than one year	3.9	–	16,571	–	(215)	-
			16,571	–	(215)	-

The interest rate swap contracts are not designated as either cash flow or fair value hedges and consequently the fair value adjustment of £215,000 has been reflected in the results for the year (note 7).

Foreign currency risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, Euro, Indian Rupee and UK Sterling. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group utilises currency derivatives to hedge significant future transactions and cash flows. The Group is party to a variety of foreign currency forward contracts and options in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Group's principal markets. At the balance sheet date the Group has £1,357,000 (2008: £nil) of US Dollar/Indian Rupee forward exchange contracts in existence. A fair value adjustment of £33,000 to reflect the value of the contracts at the balance sheet date has been charged to the profit and loss account.

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.

35. Financial instruments (cont)

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

	Liabilities		Assets	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Euro	**18,666**	14,783	**8,695**	8,075
US Dollar	**42,869**	45,796	**34,772**	29,329
Indian Rupee	**5,709**	1,997	**10,522**	5,364

Foreign currency sensitivity

The following table details the Group's sensitivity to a 10 per cent change in exchange rates against the Sterling equivalents. The 10 per cent rate used represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis of the Group's exposure to foreign exchange risk at the reporting date has been determined based on the change taking place at the beginning of the financial year and held constant throughout the reporting period.

	USD impact		EURO impact		INR impact	
	2009	2008	**2009**	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
10 per cent depreciation in rates						
(i) Profit or loss before tax	**(1,187)**	(570)	**(262)**	(96)	**(345)**	(372)
(ii) Equity*	**389**	(194)	**(1,680)**	(1,795)	**(62)**	–
10 per cent appreciation in rates						
(i) Profit or loss before tax	**1,450**	695	**322**	117	**422**	454
(ii) Equity*	**(475)**	238	**2,053**	2,194	**75**	–

(i) This is mainly attributable to the exposure on net USD/EURO sales offset by gains against USD/EURO purchases, gains/(losses) on foreign exchange contracts and retranslation of foreign currency balance sheet items.

(ii) This is mainly attributable to the issue above and change in fair value of derivatives at the end of the financial year and the impact of the translation of foreign owned subsidiaries translated into Sterling.

*Excludes any deferred tax impact

Credit risk

This refers to the risk that a counterparty will fault on its contractual obligations resulting in financial loss to the Group.

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 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.

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 21 is a description of undrawn facilities as at the balance sheet date. Subsequent to the balance sheet date the Group has arranged further committed facilities of £2 million to further reduce liquidity risk.

36. Contingent liabilities

The Mexican government has issued a claim against Volex de Mexico SA de CV, a subsidiary Company, for 22 million pesos (c. £1 million) alleging misstatement on customs returns for fiscal years 2000 and 2001. The Group's legal advisors, as instructed by the directors, have filed a response on behalf of the Company strongly rebutting such allegations. The case continues before the Mexican Federal Tax Court.

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.

37. 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.

Compensation of key management – Directors of parent company	2009 £'000	2008 £'000
Short-term employee benefits	**852**	669
Money purchase pension contributions	**88**	84
Other long-term benefits	**(159)**	53
Share based payments	**(43)**	(92)
	738	714

Other long term benefits in the year is shown as a credit balance due to benefits previously accrued reversing as the vesting conditions were not achieved.

Details of Directors' remuneration, share options, pension contributions, pension entitlements, fees for consulting services and interests for the year are provided in the audited part of the Directors' remuneration report on pages 47 to 49.

Company

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

	2009 £'000	2008 £'000
Management fees	**4,633**	4,019
Royalty fees	**2,547**	889
Interest	**4,643**	3,165
	11,823	8,073

Amounts due to and from subsidiary undertakings are shown in notes 18, 20 and 23.

INDEPENDENT AUDITORS' REPORT

to the Members of Volex Group plc

We have audited the Group and parent Company financial statements of Volex Group plc for the 53 week period ended 5 April 2009 which comprise the Consolidated and Parent Company Income Statements, Consolidated and Parent Company Statements of Recognised Income and Expense, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements and the related notes 1 to 37. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of Directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Business and Financial Review and Corporate Responsibility Statement that is cross referenced from the 'Principal activities and business review' section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

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

INDEPENDENT AUDITORS' REPORT

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's and the parent Company's affairs as at 5 April 2009 and of the Group's and the parent Company's loss for the 53 week period then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

Separate opinion in relation to IFRSs

As explained in Note 2 to the Group financial statements, the Group in addition to complying with its legal obligations to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the Group financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 5 April 2009 and of its loss for the 53 week period then ended.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
Manchester
United Kingdom
1 June 2009

PRINCIPAL OPERATING SUBSIDIARIES

United Kingdom
Volex Powercords Europe is a trading division of Volex Group plc.

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

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

Name of entity	Note	Country of incorporation/registration and operation
Volex (Asia) Pte Ltd	1	Singapore
PT Volex Indonesia	2	Indonesia
PT Volex Cable Assembly	2	Indonesia
Volex Cable Assemblies (Phils) Inc.	2	Philippines
Volex Japan KK	2	Japan
Volex (Taiwan) Co. Ltd	2	Taiwan
Volex (Thailand) Co. Ltd	2	Thailand
Volex Cable Assembly (Vietnam) Pte Ltd	2	Vietnam
Volex Cable Assemblies Sdn Bhd	3	Malaysia
Volex Cables (HK) Ltd	3	Hong Kong
Volex Interconnect (India) Pvt Ltd	3	India
Volex Interconnect Systems (Suzhou) Co. Ltd	3	China
Volex Cable Assembly (Shenzhen) Co. Ltd	3	China
Volex Cable Assembly (Zhongshan) Co. Ltd	3	China
Volex Inc.	1	USA
Volex Canada Inc.		Canada
Volex de Mexico SA de CV	4	Mexico
Volex do Brasil Ltda	1	Brazil
Volex Europe Ltd	3	Ireland
Volex Poland SP z.o.o.		Poland

1. Interests are held through 100% owned local parent companies.
2. Interests held by Volex (Asia) Pte Ltd.
3. Interests held by Volex Group Holdings Ltd.
4. Interests held by Volex Inc.

FIVE YEAR SUMMARY

Results	IFRS 2009 £'000	IFRS 2008 £'000	IFRS 2007 £'000	IFRS 2006 £'000	IFRS 2005 £'000
Revenue from continuing operations	**265,116**	223,426	214,584	217,673	215,291
Revenue from discontinued operations	**37,704**	36,339	34,141	32,705	29,260
Revenue – continuing and discontinued operations	**302,820**	259,765	248,725	250,378	244,551
Operating profit before goodwill amortisation and exceptional operating items[1]	**7,231**	4,470	9,263	5,329	1,768
Exceptional operating items[1]	**(7,368)**	(2,676)	(1,994)	(8,598)	(6,746)
Loss on disposal of discontinued operations	**(14,373)**	–	–	–	–
Operating (loss)/profit	**(14,510)**	1,794	7,269	(3,269)	(4,978)
(Loss)/profit on ordinary activities before taxation	**(17,494)**	(853)	2,816	(6,658)	(9,236)
(Loss)/profit on ordinary activities after taxation	**(19,384)**	(3,383)	866	(9,106)	(13,660)

	pence	pence	pence	pence	pence
Adjusted earnings/(loss) per share	**3.9**	(1.5)	8.4	(1.0)	(23.4)
Basic (loss)/earnings per share	**(34.1)**	(6.0)	1.5	(18.5)	(46.2)

Balance sheet	£'000	£'000	£'000	£'000	£'000
Non-current assets	**11,228**	10,287	11,550	13,837	15,498
Other assets and liabilities	**9,828**	33,359	24,092	25,532	30,161
	21,056	43,646	35,642	39,369	45,659
Less net debt	**(14,787)**	(21,010)	(9,583)	(13,274)	(30,534)
Net assets	**6,269**	22,636	26,059	26,095	15,125
Financed by: Shareholders' funds[2]	**6,269**	22,636	26,059	26,095	15,125
Gearing	**236%**	93%	37%	51%	202%

1. Under IFRS, non recurring operating items equate to the major restructuring programme charge.
2. For 2004 shareholders' funds include non-equity interests of £80,000.

SHAREHOLDER INFORMATION

Financial calendar

2008/09

Final results announced	1 June 2009
Annual General Meeting	29 July 2009

2009/10

Interim results announced	November 2009
Year end	4 April 2010
Final results announced	June 2010

REGISTERED OFFICE AND ADVISORS

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www.volex.com

Registered number
158956 (Registered in England and Wales)

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Auditors	Deloitte LLP
Financial advisors	Hoare Govett ABN Amro NM Rothschild Ltd
Bankers	LloydsTSB Bank plc
Stockbrokers	Hoare Govett ABN Amro
Solicitors	Eversheds LLP

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