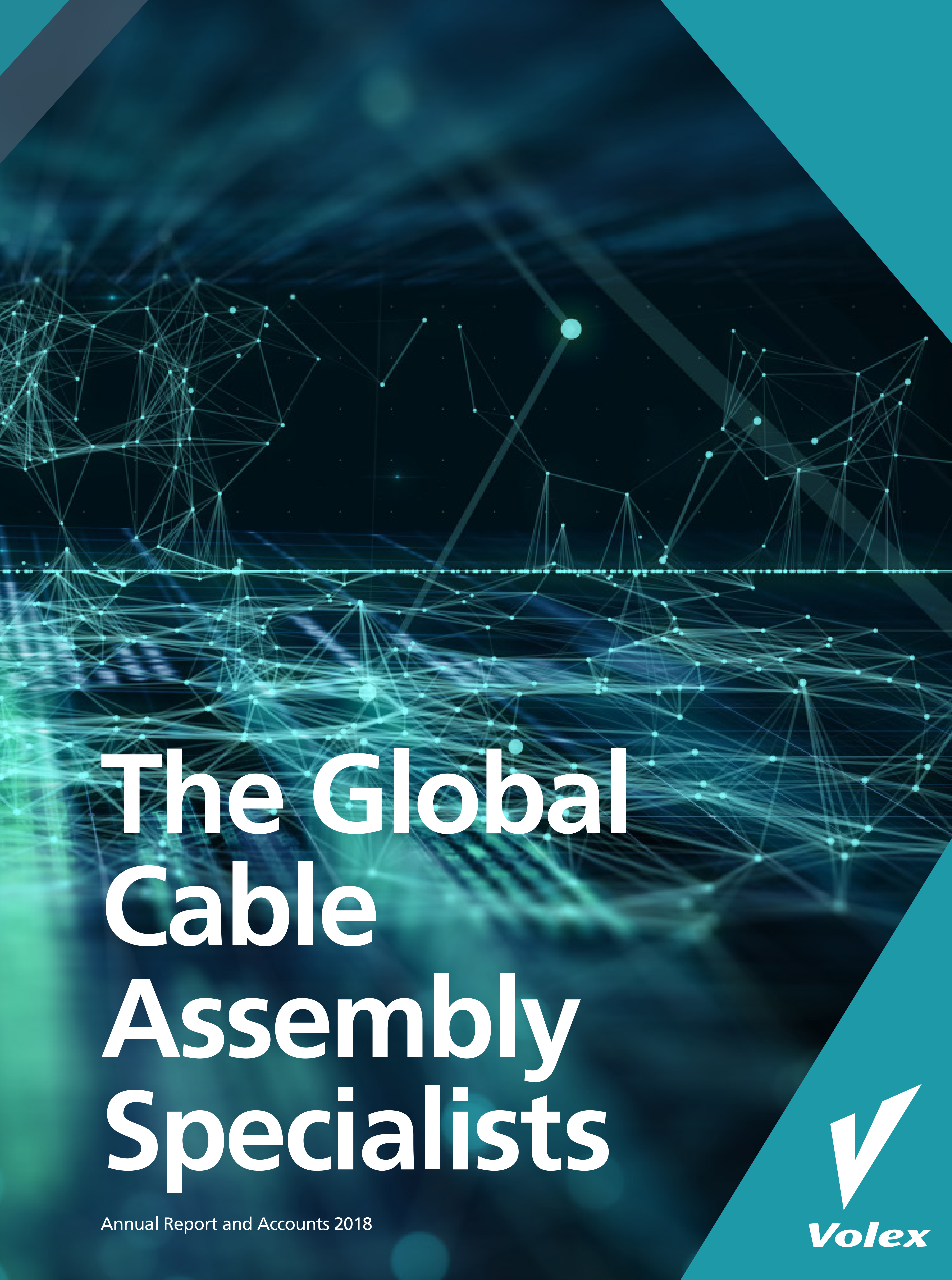


The Global Cable Assembly Specialists
Annual Report and Accounts 2018
Volex

Welcome to our 2018 Annual Report

Who we are

We are a leading global supplier of power cords and cable assembly solutions servicing a diverse range of markets including consumer electronics, medical equipment, data centres, telecommunications, industrial robotics and the automotive industry.

Volex is headquartered in the UK but we operate from eight manufacturing locations and we employ approximately 6,500 staff across nineteen countries. Volex's products are sold through its own global sales force and distributors to Original Equipment Manufacturers (OEMs) and Electronic Manufacturing Services (EMS) companies.

Volex's products and services are integral to the increasingly sophisticated digital world in which we live, providing power and connectivity to everyday items as well as complex machinery.

How we do it

Volex has eight manufacturing facilities located across six countries. These factories are supported by sales offices in a further thirteen countries and a number of leased warehouses and stock hubs close to our key customers in order to support their global operational requirements.

Whilst all of our factories are capable of power cord and cable assembly production, the majority of power cord production is performed in China, close to the raw material suppliers and where the labour cost is still relatively low. Power cord procurement and engineering is managed centrally from our Asian head office in Singapore.

Cable Assembly production tends to be more bespoke and therefore our key factories have developed their own manufacturing, procurement and engineering processes. Our factory in Suzhou caters primarily for the high speed data transmission cables, our factory in Poland for European healthcare and telecommunications customers and our factory in Mexico for North American healthcare and industrial customers.

Our key differentiators

Volex differentiates itself from the competition in three key aspects:

Scale

Volex is one of the two largest power cord manufacturers in the world, allowing it to benefit from economies of scale. Our global manufacturing footprint, spanning three continents, is a key competitive advantage.

Quality

Volex has an unrivalled reputation in the industry for quality. Whilst our competition may be cheaper, few have the consistent safety record of Volex.

Experience

With over a 100 years' experience in energy storage and transmission, there are few cabling problems that our engineering team can't solve. Volex continues to be at the forefront of rapid high power transmission cable solutions.

Read more about **Our Business Model** on page 10

Our Performance Highlights

Return to statutory profitability after 5 years

2013	2014	2015	2016	2017	2018
(0.9)	(14.2)	(10.7)	(2.3)	(7.0)	3.9

($'m)

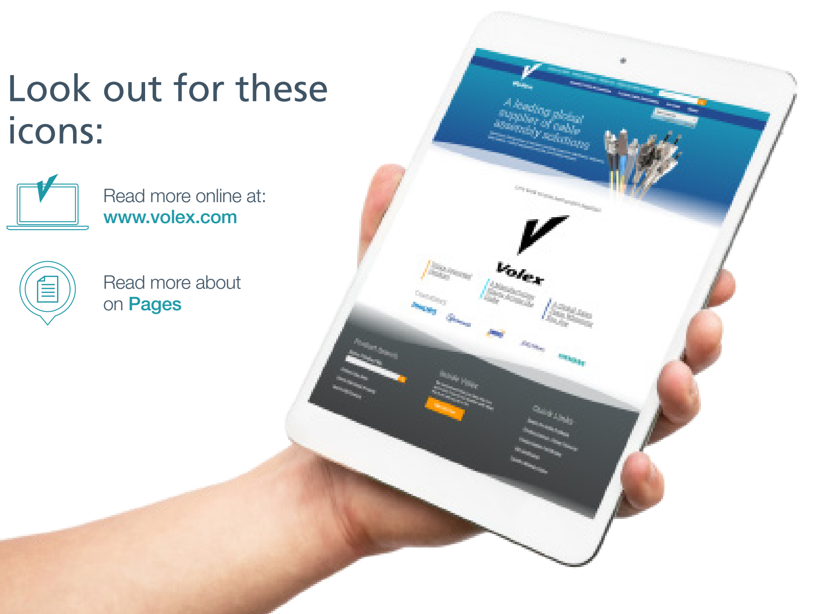
In January 2018, Volex plc completed its transition to AIM

Post year end **£36 million** equity proceeds raised to fund an acquisition and deleverage the balance sheet

Look out for these icons:

Read more online at: **www.volex.com**

Read more about on **Pages**



Contents

Strategic Report

Executive Chairman's Statement	02
About Volex PLC	06
Our Locations	07
Our Marketplace	08
Our Business Model	10
Strategy	12
Key Performance Indicators	14
Operational Review	15
Divisional Review	16
Financial Review	20
Group Risk Management	24
Corporate and Social Responsibility	30

Governance

Board of Directors	34
Executive Chairman's Introduction	35
Corporate Governance Report	36
Audit Committee Report	41
Directors' Remuneration Report	44
Directors' Report	59
Independent Auditors' Report	64

Financial Statements

Consolidated Income Statement	72
Consolidated Statement of Comprehensive Income	73
Consolidated and Company Statements of Financial Position	74
Consolidated and Company Statements of Changes in Equity	75
Consolidated and Company Statements of Cash Flows	76
Notes to the Financial Statements	77

Other Financial Information

Five Year Summary	120
Related Undertakings of the Group	121
Shareholder Information	123
Registered Office and Advisors	123

Executive Chairman's Statement

Nathaniel Rothschild

> "Best financial performance in five years together with two strategic acquisitions and a capital raise post year-end, leaves Volex strongly positioned for future growth."

The year ended 1 April 2018 ('FY2018') has been successful, both operationally and strategically, as we have consolidated the gains we have made on behalf of our shareholders since late 2015. Post year end we have completed two acquisitions, in line with our stated consolidation strategy and we continue to look for growth and margin improvements across both of our divisions against a backdrop of intense competition, cost inflation in both raw materials and labour rates as well as adverse movements in foreign exchange. We have demonstrated modest top line growth and also a return to profitability. As such, we are confident about the future outlook of the Group.

The improved trading position has enabled the Board to consider its longer term strategic objectives and in this regard I am grateful for the support we have received from our shareholders post year end in raising £36.0 million of equity capital. These funds will be used to strengthen our balance sheet, enable factory automation and for targeted acquisitions. Volex is in a much stronger position now, than it has been for many years.

Recent performance

Revenue for FY2018 was $322.4 million, up 1% on the prior year. Stripping out the impact of our largest Power Cords customer, which continued its managed decline, revenue was up 5% year on year. This growth came from both new and existing customers within the Cable Assemblies division as we continue to win new accounts and sell into our existing customer base. Revenue from our Power Cords division was down due to the division's largest customer continuing to decline, however, this was partially offset by significant new business from a globally recognised name within the electric vehicle sector.

The underlying gross margin[1] was maintained year on year at 17.4% despite the aforementioned cost inflation and adverse foreign exchange. The decline in revenue from the Power Cord division's largest customer had been forecast and hence the restructuring and optimisation activities taken in the prior year had been focussed on this division. With a reduced cost base, the Power Cords division has seen an improvement in gross margin year on year. Our Cable Assemblies division experienced a reduction in gross margin, as a result of cost inflation, the costs to ramp-up and invest in new business growth and due to operational inefficiencies at our Mexican facility as it struggled to cope with the increase in customer demand.

Underlying operating expenses[2] at $44.5 million are down 4% year on year due to the tight cost control enacted throughout the Group. We continue to monitor closely the cost base of the Group and we expect further cost reduction actions as we invest in automation in our production facilities during the coming year.

As a consequence of the above, underlying operating profit[2] for the year was $11.5 million, up 26% from $9.1 million in the prior year.

1. Gross margin before non-recurring items.
2. Operating expenses/profit before non-recurring items and share-based payments expense.

After non-recurring operating costs of $1.6 million (principally restructuring costs in our Chinese facilities and professional fees associated with strategic initiatives), a share-based payments expense of $1.1 million, financing costs of $1.6 million and a tax charge of $3.1 million (including the impact of US tax changes following the US 'Tax Cuts and Jobs Act of 2017'), the Group has recorded a profit after tax of $3.9 million. This is the first time a profit after tax has been recognised by the Group since FY2012.

Move to 'AIM'

In January 2018, Volex plc moved from the Main Market of the London Stock Exchange to AIM. The reasons for this were that AIM has the benefit of:

- Lower ongoing annual costs;
- Simpler administration and regulatory requirements more appropriate for a company of Volex's size; and
- Lower transaction costs associated with corporate activity, specifically acquisitions and disposals.

We believe that there exists an opportunity to further consolidate the Cable Assemblies industry, which will help us to diversify our customer base, realise synergy benefits and generate improved returns for our shareholders. Our own turnaround experience since we assumed the leadership of Volex in late 2015, has provided insight into the operational excellence required to optimise returns in an industry that is extremely fragmented and inefficient. We can bring this insight to many of the businesses we wish to acquire.

Our Power Cords business is unique in that it has relationships with many of the leading blue chip customers in the consumer electronics industry who turn to Volex due to our outstanding reputation for engineering expertise and the highest-quality standards in an increasingly commoditised industry. However, we lack vertical integration, which means that it is difficult to compete against low-cost Chinese competitors in the higher-volume segments of the Power Cords market. By moving to AIM, we will have greater flexibility to engage in strategic alternatives that will challenge the status quo and turnaround the perception that our Power Cords business cannot generate returns for our shareholders.

Post year end equity raise and strategic acquisitions

Post year end, we acquired MC Electronics LLC, a North-American based manufacturer of customised complex medical and industrial cables, wire harnesses and electro-mechanical assemblies for medical and industrial applications.

On 5 June 2018, we completed a £36.0 million capital raise (approx. $48.3 million). $10.9 million of these funds was used in the initial consideration to acquire the trade and assets of Silcotec Europe Limited, a European manufacturer of customised complex medical and industrial cables and sub-assemblies for the medical industry. The remaining proceeds will be applied to de-leverage our balance sheet and will be available for future accretive M&A transactions, investment in automation and for general working capital requirements.

People

It is evident that Volex's recent success is a result of the skill and dedication of our 6,500 employees, supported by common values and cultures which combined have helped to turn around the fortunes of the Group. Great sacrifices have been made by our employees as we have reduced our production capacity and made significant savings in order to return Volex to financial health and operational competitiveness. Our employees have embraced the change that was required in streamlining our operations and on behalf of the Board, I would like to thank them for their efforts and am proud of what we have achieved together.

In April 2018, John Molloy the CEO of the Volex Power division was appointed as Chief Operating Officer of Volex, with responsibility for all of our manufacturing sites across the globe. I look forward to working with John as we continue to grow our business in the coming year.

Outlook

Volex's core markets are expected to remain highly competitive in the near term but we remain focussed on delivering our targets for both the Power Cords and Cable Assemblies divisions. Both businesses occupy market leading positions and are well placed by their unique geographic footprint. With an encouraging set of projects in the sales pipeline, which we believe will offset any further revenue reduction from our largest Power Cords customer, we anticipate that our underlying revenues will continue to deliver organic growth in the coming year.

Cost inflation in both raw materials and labour rates is expected to continue and we expect to experience further pressure from foreign exchange rate movements. Where possible we will look to pass these increases onto our customers. We will also be looking to improve factory operational efficiency further, through automation in our Power Cords division and through resolution of the issues that we are experiencing in our Mexican facility.

Given the above, I am confident in Volex's ability to continue to make progress and deliver further value to our shareholders in the year ahead.

Nathaniel Rothschild
Executive Chairman

Strategic Report

About Volex PLC	06
Our Locations	07
Our Marketplace	08
Our Business Model	10
Strategy	12
Key Performance Indicators	14
Operational Review	15
Divisional Review	16
Financial Review	20
Group Risk Management	24
Corporate and Social Responsibility	30

About Volex PLC

What we do

Volex specialises in the delivery of cabling solutions, ensuring the customer is provided with a fully suitable product.
We achieve this in two ways:

Volex CONTRACT MANUFACTURING

Taking a customer blueprint, Volex can source the raw materials, build the manufacturing line and develop rigorous testing procedures to ensure the cable is produced in the required volumes, in accordance with national safety requirements, at a low cost price point.

Further, our global network of manufacturing facilities, warehouses and hubs can help ensure that the cables are held in the right locations to minimise our customers' stock holding needs.

Volex PRODUCT DEVELOPMENT

Should a customer choose to outsource its entire cabling function, our team of experienced engineers can engage with the customer's product development team at an early stage to design and build the best cabling solution for their needs.

Whatever the challenge, whether it be data transmission rates, signal degradation issues, durability or aesthetics, our team of engineers will produce the ideal cable at the ideal price point.

WE OPERATE ACROSS TWO DIVISIONS:

POWER CORDS DIVISION

Volex designs and manufactures power cords, duck heads and related products that are sold to manufacturers of a broad range of electrical and electronic devices and appliances. Volex products are used in laptops, PCs, tablets, printers, TVs, games consoles, power tools, kitchen appliances, vacuum cleaners and electric vehicles.

Volex is one of the world's top two global power cable suppliers with an estimated 7% market share of a fragmented market estimated to be worth $2.4 billion globally[1].

Read more about **our Power Cord division** on page 16

CABLE ASSEMBLIES DIVISION

Volex designs and manufactures a broad range of cables and connectors (ranging from high-speed copper and fibre-optic cables to complex customised optical cable assemblies) that transfer electronic, radio-frequency and optical data. Volex products are used in a variety of applications including data networking equipment, data centres, wireless base stations and cell site installations, mobile computing devices, medical equipment, factory automation, vehicle telematics, agricultural equipment and alternative energy generation.

Read more about **our Cable Assemblies division** on page 18

Did you know?

One of the many safety tests on our new electric vehicle charging cables is for it to survive 22 hours in battery acid. Provided no visible degradation, the cable will pass.

Did you know?

The average UK home download speed is 16.5 MBPS. One of our high speed data cable transmits data at 100GBPS – equivalent to over 6,000 UK homes.

1. Based upon last available market reported dated February 2016.

Our Locations

As the trend towards globalisation continues, Volex is well positioned to serve and engage with customers on a global basis, from engineering design to manufacturing and delivery to account management.

We maintain production and distribution facilities across three continents in order to be a “local partner” to customers, better supporting their global operational requirements.

AMERICAS

Sales offices in Canada and North America. Distribution centres throughout North America. Manufacturing facility in Mexico.

EUROPE

Head office in London. Sales offices in Ireland, France, Germany and Sweden.

Manufacturing facility in Poland.

ASIA

Regional head office in Singapore. Sales offices in Singapore, China, Malaysia, Thailand, Philippines, Japan, Taiwan, South Korea and India. Manufacturing facilities in China, Indonesia, Vietnam and India.

Revenue by location ($’000)

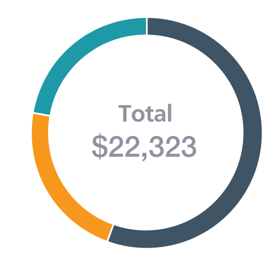
Americas $90,421 Europe $51,959 Asia $179,997

Employees by location

Total 6,466

Americas 904 Europe 340 Asia 5,222

Non-current assets by location ($’000)*



Americas $1,088 Europe $3,899 Asia $17,336

*excluding deferred tax asset

Our Marketplace

	Consumer Electronics	Electric Vehicles ("EV")
Trends affecting the market	• Global PC sales volumes dropped in FY2018 by 3% marking the sixth consecutive year of decline due to further cannibalisation of the market by the smartphone. • Our largest Power customer began selling laptops without a power cord, instead charging with a USB cable. The Power Cord can be bought as an optional extra. This highlights the trend in product miniaturisation with the traditional power cord being replaced by the USB cable. • Global television shipments declined by an estimated 4.2% in 2017. • Improving battery technology sees increase in cordless domestic appliances.	• An estimated 1.3 million new global registrations of battery electric cars and plug-in hybrids during 2017. This is up 65% on prior year. • 2019 new registrations expected to be 1.9 million and 3.0 million by 2021. • China dominates the global market with more than half of all global registrations.
What this means to Volex	• Volex's traditional markets for power cords are in decline due to changing tastes and disruptive technology. • The competition for power cord sales to this reducing market will continue to intensify putting further pricing pressure on already thin margins.	• New high growth market for power cables to EV's. • Rapid charging of cars requires rapid power transmission. The high draw from the charger at maximum power over several hours will increase wear on a cable / socket and increase the likelihood of fire or electrical injury. Therefore quality and reliability in the power cord will be essential.
How we are responding	• Targeting only those global customers with a premium brand name for which product quality and service reliability are as important as cost. • Diversify our sales to new markets which will require Volex's expertise in power cord production. • Look at strategic initiatives to further reduce our cost base. The setting up of the joint venture to develop and manufacture cheaper Volex-branded AC raw cables is the first such initiative.	• During FY2018, Volex commenced shipment of power cords to a leading name in the manufacture of EV's. • Our Shenzhen facility in South East China is our dedicated EV power cord factory. • Significant growth is forecast in the FY2019 budget for EV power cords. • Volex entered into a strategic partnership with Nexen Tech, a leading South Korean manufacturer of automotive harnesses and connectors. Together Volex and Nexen Tech will jointly expand their product offering and customer reach into the high growth EV market.

Global PC Sales

Year	Millions of units
2022	248.2
2021	248.1
2020	249.1
2019	272.6
2017	262.4
2016	267.3
2015	276.7
2014	308.1

EV and Hybrids – new registrations

Year	Millions of units
2021	3,000
2020	2,450
2019	1,900
2017	1,281
2016	775
2015	546
2014	325

Read more about **Our Business Model** on page 10

High Speed Solutions

- Global data centre traffic has grown by approx. 33% in 2017 to 9.1 Zettabytes and is forecast to grow by a further 225% over the next 4 years fuelled by increasing cloud usage.
- To meet this growth, the number of 'hyperscale' data centres will grow from 335 in 2016 to 628 by 2021 – an 87% growth. 55% of all data traffic will be processed through hyperscale data centres.
- The transition to the 'software-as-a-service' model is fuelling the above growth as companies dispense with local privately owned servers and instead store data in large data centres.

- Volex manufactures a market leading QSFP+ cable which supports four 10 Gbit/sec channels carrying 10 Gigabit Ethernet, 10GFC FiberChannel, or QDR InfiniBand. This is one of the fastest data transmission cables available and is produced at a competitive price from our Suzhou factory.

- At present we have a key strategic partnership with a leading Infiniband and Ethernet hardware supplier. We will look to further cement this relationship over the coming years.
- Targeting those potential customers not covered by our strategic partnership and talking direct to their procurement teams in order to establish a trading relationship in the future.
- Continue to fund our R&D function in order to ensure our high speed data transmission cables remain at the forefront of cable technology.

Global data centre traffic

Year	Exabytes
2021	20,552
2020	17,116
2019	14,124
2018	11,558
2017	9,087
2016	6,819

Exabytes

Cloud data center / Traditional data center

Healthcare

- Global medical technology expenditure is expected to grow with a CAGR of 5% from 2018 to 2022.
- Within this, the global diagnostic imaging market is forecast to grow with a CAGR of 6.6%.
- This growth is fuelled by an ageing population in the West and the improved wealth of the Chinese 'middle class'.

- Volex already supplies cabling solutions to a number of healthcare imaging manufacturers including one of the world's largest. This company is looking to consolidate its fragmented supply chain and Volex is their preferred cable provider.

- Volex is looking to build on its market position through focusing on our reputation for reliability and quality.
- During the year we invested in Kepler SignalTek, a start-up company specialising in disposable healthcare cables.
- Due to the high growth prospects in this field over the coming years, Volex continues to investigate other strategic initiatives to grow our sales.

Global medical technology spend

Year	US$'bns
2022	522
2021	497
2020	473
2019	449
2018	425
2017	403
2016	387
2015	371
2014	379

US$'bns

Our Business Model

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

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

Across both of our divisions we can provide first class contract manufacturing services or full product development dependent upon the needs of the customer.

Through the provision of these services we seek to create sustainable value for Volex and its shareholders.

Volex — POWER CORD

Volex — CABLE ASSEMBLIES

PRODUCT DEVELOPMENT

Should a customer choose to outsource its entire cabling function, our team of experienced engineers can engage with the customer's product development team at an early stage to design and build the best cabling solution for their needs.

CONTRACT MANUFACTURING

Taking a customer blueprint, Volex can source the raw materials (either independently or from an Approved Vendor), build the manufacturing line and develop rigorous testing procedures to ensure the cable is produced in the required volumes, in accordance with national safety requirements, at a low cost price point.

WITHIN THESE MARKETS:

- CONSUMER ELECTRONICS
- DATACOMS/TELECOMS
- HEALTHCARE
- INDUSTRIAL
- AUTOMOTIVE

BEING DELIVERED THROUGH:

- ENGINEERING/ DESIGN
- SUPPLY CHAIN MANAGEMENT
- MANUFACTURING
- GLOBAL LOGISTICS

TO DELIVER SUSTAINABLE VALUE

The Volex brand is maintained and financial sustainability is generated throughout the process, adding value to both Volex and its shareholders.

Read more about Our Marketplace on page 8

Read more about Our Performance on page 16

Volex

OUR MARKETS

Consumer Electronics
Primarily supplying power cords to the manufacturers of PCs, laptops, tablets, printers, TVs and other domestic appliances. Cost tends to be a critical factor in winning new business in this field.

Datacoms / Telecoms
The supply of industry standard cables which can guarantee high speed, reliable data transmission at a reasonable price point. This is seen as one of the key growth areas for Volex in the coming years.

Healthcare
The supply of both power cords and complex wiring harnesses to the manufacturers of medical diagnostic equipment such as CT and MRI scanners. Here quality and reliability are the critical success factors.

Industrial
The supply of wiring harnesses to the industrial robotic industry. These harnesses can range from the simple to the extremely complex.

Automotive
The supply of power chargers to the electric car industry. This is a new market for Volex and one viewed as potentially high growth utilising our in-depth knowledge of power transmission.

Volex

DELIVERY CHANNELS

Engineering / Design
We design solutions that meet the power and connectivity needs of our customers whilst also addressing the challenges our customers face with their next-generation products.

We collaborate with our customers' engineering team at an early stage of the design/development cycle to produce design blueprints that utilise latest technologies to ensure cost-effective, high performance products. Our design-to-cost strategy seeks to ensure the products meet both the customer's quality and price expectations.

Supply Chain Management
We manage, on behalf of our customers, the sourcing of all required components, for their cable assembly solutions. We seek to own the bill of materials for all our products, allowing selection of components that offer the best all round performance, after considering cost, quality and delivery response times.

Manufacturing
We manufacture and test cable assembly solutions according to customer requirements for volume, quality, lead-time and price.

Our global manufacturing footprint and distribution hubs enable cost-efficient localised production and effective inventory control.

Global logistics
We maintain facilities over three continents in order to be a 'local' supplier to customers and better support their own production and speed to market objectives. Our customer hubs enable us to support fully our customers' just-in-time manufacturing processes.

Our competitive advantages are vital to Volex and underpin our business model:

Unrivalled global manufacturing footprint
None of our direct competitors are able to offer manufacturing facilities located over six separate countries, across three continents. For our global customers, this offers one global supplier but with detailed knowledge of their key local markets and an ability to reduce local lead-times.

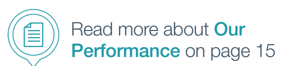
Respected brand known for quality and reliability
Volex is unable to compete purely on price; however, of importance to our premium customer base is quality and reliability. Brand names are quickly tarnished should products fail or catch fire. Volex has an enviable reputation in the market for safety and a detailed understanding of local regulatory requirements.

Scale
In a very fragmented power cord market, Volex is one of the two largest producers with approximately 7% market share. This allows Volex to benefit from economies of scale with significant purchasing power in the Chinese wire market.

Strategy

During the prior year, the Board developed a new long term strategic plan, which looked to return the Group to sustainable, profitable growth. With Volex's traditional power cord markets in decline and certain specific customers in the midst of their own turnaround plans, the strategic review was sales-led focussing on the need to develop new markets and new customers. The review concluded that Volex was best operating as a low cost, high quality producer of power cords, high speed cables and complex harness assemblies to premium brand customers to which quality and reliability were equally as important as cost.

	Product development		M&A	Corporate
STRATEGIC OBJECTIVES	Explore partnerships to further enhance product and technology solutions.	Invest heavily in the Group's engineering function.	Consolidate the highly fragmented cable assembly industry and within Power Cords potentially look to merge with low cost vertically integrated competitor.	Strengthen the balance sheet and maintain a focus on increasing shareholder value.
FY2018 PROGRESS	• Investment in Kepler SignalTek of $0.3 million, a manufacturer of complementary medical, high-frequency data transmission and specialist industrial cable assemblies; • Partnership with Nexan Tech Corporation, a leading South Korean manufacturer of automotive harnesses and connectors to develop EV offering; • Developed new product offering in the high speed data cabling sector (QSFP 56).		• Performed due diligence on a number of small cable assembly competitors and shortlisted several believed to be earnings-enhancing; • Discussions ongoing with a number of Asian cable producers.	• Transitioned from the main market of the London Stock Exchange to AIM to take advantage of lower ongoing costs and transaction costs; • Completed one year extension of senior credit facility to June 2019.
FY2019 OBJECTIVES	• Leverage the partnerships entered into during FY2018; • Bring new high speed data cables to the market (QSFP-DD); • Seek further mutually beneficial partnerships that provide new products or new markets;		• Acquired MC Electronics, a US based cable assemblies company; • Acquired trade and assets of Silcotec Europe Ltd, a European cables assemblies company; • Successfully integrate the acquisitions.	• Successful raise of £36 million to fund the Silcotec acquisition and de-leverage the balance sheet; • Refinance the senior credit facility.


Read more about **Our Performance** on page 15

Operational				
Consolidation of the fragmented procurement process across the Group and challenge customers on their approved supplier list.	Enter into joint venture arrangements with strategic partners to maintain cost competitiveness.	Implementation of lean initiatives across the Group and maximise operational efficiency.	Focus on quality and a culture of continuous improvement whilst maintaining low scrap rates and on-time deliveries.	Attract and retain the very best talent.

- Created a centralised sourcing and sales order ('RFQ') team in Suzhou;
- Operational and engineering management have run a number of workshops in our Cable Assemblies' factories in order to commence standardisation of processes;
- Within Power Cords division, cross functional workshops have identified significant savings that may be made in the purchase of cables and connectors;
- The Taiwanese joint venture with Volex commenced commercial cable production in the year. We purchased 6,107 km of cable from the JV, representing 2.2% of total cable purchasing;
- Automation of certain lines in Zhongshan has commenced with limited investment in capex;
- Shenzhen facility now operating out of 2 buildings (FY2017: 3 buildings) with further downsizing being considered.

- On going transfer of PVC production from our Shenzhen factory to Zhongshan leading to better productivity and the opportunity to automate.
- Qualify further customer production using the JV cables so that Volex can take advantage of the lower cost price.
- Product standardisation project to enable automation. At present, we have in excess of 6,000 products offered to customers that have evolved over time to meet specific customer requests rather than as part of a strategic product portfolio. To enable successful automation we need to reduce this and offer a common platform of design.
- Increased automation. At present, within the Power Cords division, direct labour costs are running at approximately 11% of revenue. With labour costs increasing in South East China, the payback period for investment in automation is shortening.

Key Performance Indicators

Volex has six measures by which it assesses performance:

Annual Revenue change (%)

Modest revenue growth in year due to strong performance in several Cable Assemblies' accounts and a new Power Cords EV account helping offset the reduction in revenue from Power Cords' largest account.

Underlying volumes of PVC cable sales (millions of units)

Reduction in PVC volumes as traditional consumer electronic markets contract. The reduction has enabled the PVC transfer plan, with Zhongshan set to become a dedicated PVC factory.

Factory utilisation (%)

Improvement in utilisation due to full year benefit of reduced factory size at Shenzhen and closure of Brazil plus the benefit from the PVC transfer plan to Zhongshan.

Inventory holding days (days)

Inventory days are still deemed too high for the Group and it is disappointing to see the modest increase. Strong improvements from the Power Cords' factories have been offset by inventory growth in the Cable Assemblies division. Further work will be performed to reduce inventory holding days in FY2019 with a particular focus on the Tijuana factory.

Free cash flow ($'m)

Strong cash management has ensured another year of cash generation despite increase in inventories from the prior year end.

Return on Capital Employed 'ROCE' (%)

Improvement in ROCE is due to the better underlying performance from the Group in the year and the lower average asset cost base (following the FY2017 asset impairment).

Operational Review

John Molloy / Chief Operating Officer

In the 16 months I've been with Volex, we have begun to improve our factory footprint, processes and cost base, particularly in the Power Cords division, in order to make Volex a best in class manufacturer, however, much work still remains.

Whilst our customers are willing to pay a certain premium for quality and reliability, price still remains the key determinant in winning new business. Therefore our factories must operate as efficiently as possible and with as low a cost base as possible without impacting that quality and reliability on which the Volex brand is built. Historically this has not been the case with surplus capacity, excessive overheads and inefficient production practices but the past twelve months have seen significant actions taken to improve upon this and more importantly an operational strategy set which should yield further future benefits.

PVC Transfer

Our two largest Power Cords' factories are based in South East China, Shenzhen and Zhongshan, close to both customers and suppliers. Over the years, with revenue from our largest Power Cords customer in decline, surplus capacity arose in Shenzhen. To counter this in the prior year, we began a process of transferring several PVC production lines from Shenzhen to Zhongshan which allowed us to return to the landlord one of the three Shenzhen buildings we were operating from.

The increased PVC volumes through Zhongshan saw improved factory productivity and therefore in FY2018 we took the strategic decision to transfer all PVC production from Shenzhen to Zhongshan. By basing all PVC production under one efficient factory roof we expect to see far better asset utilisation, better management of factory floor space, overhead savings and it provides us with a better opportunity to automate. In H2 FY2018, we transferred 5 PVC lines with a further 6 to be transferred in FY2019.

With Zhongshan set to be our dedicated PVC power cords factory, the Shenzhen factory will become our dedicated halogen free factory servicing our largest Power Cords customer and our specialist facility for the automotive industry (EV cabling).

Product Standardisation and Automation

During the year, with the increased volumes passing through Zhongshan we have begun automating certain processes. With labour rates rising throughout Asia, the automation investment payback period is shortening dramatically.

On a number of production lines we have added conveyor belts and we expect to continue this rollout throughout FY2019. The benefits of these belts are that they help improve productivity due to reduced down time and they help highlight production bottlenecks to line management who can then better address the issue.

Further we have invested in our first cutting, stripping, crimping and housing automated machine. Taking a raw cable, the machine removes 4 direct labour heads from the production line and produces a partially complete cable onto which a region specific plug can be fitted. To roll automation out further, we first need to complete a project of product standardisation. Currently we have over 6,000 different PVC Power Cable products, with even 4 variants of the EU plug alone. By standardising the range, greater volumes can be processed on each automated production run. This is a key focus for FY2019.

Procurement

During FY2018, the procurement function was restructured under a new VP of Global Procurement. The impact has been dramatic with a centralised sourcing team set up in Suzhou and savings identified on a number of raw material purchases.

Cable purchases represent approx. 40% of our Power Cords sales and these have largely been bought from the same approved suppliers for the past 5 years. During the year, we began receiving cables from our Taiwanese joint venture and this is helping to lower the cost. As we qualify more of our customers on the JV cable we hope to see further benefits accrue, however, in addition the procurement team are seeking new competitive cable suppliers. Similarly cost savings in connectors, terminals and housing are also being targeted by the reinvigorated procurement team.

Cable Assemblies

With most of the focus on the Power Cords division in FY2018, this means that significant opportunity exists for improvement in Cable Assemblies during FY2019.

The procurement function is largely fragmented across the Cable Assemblies and through consolidation it is expected that savings can be achieved. Our factory in Tijuana experienced a number of difficulties during FY2018 as it struggled to cope with a significant increase in demand and at the same time reacting slowly to local salary increases offered by factories competing for the same labour force. With a change in local management and increased oversight, a rapid turnaround in productivity is expected.

Divisional Review

Power Cords

$'000	52 weeks ending 1 April 2018	52 weeks ending 2 April 2017
Revenue	**181,170**	188,256
Underlying* gross profit	**28,863**	27,523
Underlying* gross margin	**15.9%**	14.6%
Operating costs	**(22,038)**	(24,295)
Underlying* operating profit	**6,825**	3,228
Underlying* operating margin	**3.8%**	1.7%

* Before non-recurring items and share-based payments credit/charge.

Volex designs and manufactures power cords, duck heads and related products that are sold to manufacturers of a broad range of electrical and electronic devices and appliances. Volex products are used in laptops, PCs, tablets, printers, TVs, games consoles, power tools, kitchen appliances, vacuum cleaners and electric vehicles. Volex is one of the world's top two global power cable suppliers with an estimated 7% market share in a fragmented market worth an estimated $2.4 billion.

The market for power cords is highly competitive with customers deploying multi-sourcing strategies and expecting regular productivity improvements with price reductions over the product lifecycle. In order to compete effectively, suppliers in the market require efficient large scale production facilities in low cost regions.

The Power Cords division's key manufacturing facilities are located in South-East China and Indonesia. However, all the Group's facilities throughout the world can be utilised to manufacture power cord products if required. With the key raw materials produced in China, our manufacturing tends to be concentrated in the two South-East China factories.

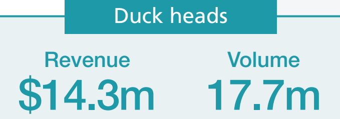
The Power Cords division revenue for FY2018 was $181.2 million, down 3.8% on the prior period.

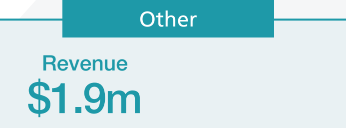
The division's largest customer continued its decline with revenue down 9.9% on the prior year in line with the division's forecast. As previously highlighted, this customer began selling its new laptop range with a USB-C charger rather than a traditional power cord, marking a trend in the industry towards product miniaturisation and lower power-consumption, which allows for devices to dispense with a traditional mains power cord charger. The second half of the year saw an improved performance as the relaunch of the customer's TV streaming product proved a commercial success.

Away from the division's largest customer, the global PC market continues to shrink with global shipments in the year down 3% on the prior year, marking the sixth consecutive year of decline. This decline has been attributed to further market cannibalisation by the smartphone. The associated printer and PC peripherals market is largely flat year on year. As a consequence, we saw a reduction in sales to OEM's associated with these markets.

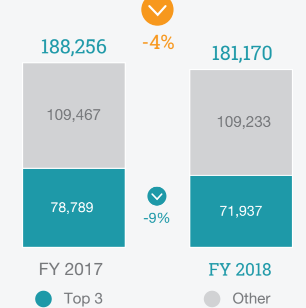
Further declines were also observed from customers manufacturing household cleaning appliances. As battery technology has improved, the need for retractable power cables is declining with vacuum manufacturers instead favouring a charging station for their unit. Whilst this charging station still requires a power cable, its greater

Halogen-free
Revenue $31.9m
Volume 8.0m





Revenue change FY2017 to FY2018



Progress in year: The traditional markets for Volex power cords continue their decline but entry into the EV market offers new opportunities

Power Sales by end market

PC
Printer
Largest customer
Domestic

Underlying Gross Margin

15.9%

14.6% (FY2017)

simplicity and shorter length means that the value of the cable is significantly reduced. However, more than off-setting this decline in FY2018, has been growth within the Cable Assemblies division of internal cable harnesses used within the vacuum cleaners to connect the battery to the motor.

Helping offset the decline in sales to Volex's traditional markets, the Group began power cord production for one of the world's leading electric vehicle manufacturers. The account has already scaled to a multi-million dollar account, sitting within the top 10 customers of the division. We expect further growth in this account in the coming year. Production of these power cords is from our Shenzhen factory in China.

With Volex's traditional PC and peripherals markets set to continue their decline, competition here will only intensify. For Volex to be successful within these markets, it must compete aggressively on price with every dollar saved from the production and procurement processes helping protect already thin margins. However, for significant improvements in the top line, the Power Cords division must seek out new end markets that value Volex's expert knowledge and its reputation for quality and safety.

Despite the lower revenues, the underlying Power Cords gross profit has increased to $28.9 million from $27.5 million in FY2017, representing a gross margin of 15.9% (FY2017: 14.6%). The principal reasons for the margin improvement include:

- Ongoing PVC production transfer from Shenzhen factory to our Zhongshan factory. By placing all PVC production under one roof, Zhongshan benefits from improved productivity rates. Given also the lower labour rates seen in Zhongshan, more lines are set to be transferred in FY2019;
- A reduced cost base following the restructuring activities that took place in the prior year. These activities included downsizing our factory footprint, closing a number of warehousing hubs and transferring production to lower cost factories. Further targeted cost saving initiatives have been carried out in the current year; and
- A reduced plant and machinery depreciation charge following the $12.5 million impairment charge taken in the prior year.

Offsetting the above has been an increase in the cost of many of our raw materials. Copper is a significant component within our power cables and the spot price has increased by approximately 25% year on year. The impact of this raw material cost increase has largely been mitigated through customer price increases and an active commodity hedging policy. We expect to see further raw material pricing pressure in the coming year.

During the period, our previously announced joint venture agreement with a Taiwanese manufacturer, producing competitively priced Volex-branded AC raw cables, began commercial production. By period end, Volex had consumed 6,107km of this cable reflecting approx. 2.2% of the period's cable demand. This is forecast to grow over the coming years as more customer products are qualified using the Volex branded cable.

Operating costs have reduced by $2.3 million to $22.0 million following the cost reduction actions taken in FY2017 principally with respect to headcount, reduced office rental and sales hub costs and lower depreciation.

As a consequence of the above, underlying operating profit for FY2018 was $6.8 million, up $3.6 million on the prior period.

Divisional Review continued

Cable Assemblies

$'000	**52 weeks ending 1 April 2018**	52 weeks ending 2 April 2017
Revenue	**141,207**	131,328
Underlying* gross profit	**27,126**	27,936
Underlying* gross margin	**19.2%**	21.3%
Operating costs	**(18,317)**	(17,408)
Underlying* operating profit	**8,809**	10,528
Underlying* operating margin	**6.2%**	8.0%

Volex designs and manufactures a broad range of cables and connectors (ranging from high speed copper and fibre optic cables to complex customised optical cable assemblies) that transfer electronic, radio-frequency and optical data. Volex products are used in a variety of applications including data networking equipment, data centres, wireless base stations and cell site installations, mobile computing devices, medical equipment, factory automation, vehicle telematics, agricultural equipment and alternative energy generation.

The Cable Assemblies division has its manufacturing facilities in Mexico, Poland and China, all within close proximity to many existing and potential new customers. It operates in a fragmented market that is growing rapidly and Volex has several strong niche positions within data centres and the telecoms and healthcare sectors where customers utilise Volex expertise and manufacturing competencies.

The division's product range is split into two categories:

- High speed – primarily copper, but also optical, passive and active cabling solutions that transmit data at rapid rates. High speed products are used extensively in telecom and data centre environments.
- Interconnect – bespoke cabling solutions designed to transmit data and DC power in the most effective means for our customers' needs. Volex competes by producing highly engineered, high performance, application specific cables, in close collaboration with its customers.

Wiring Harness

Revenue **$69.1m** Volume **44.4m**

Multi conductor I/O

Revenue **$45.3m** Volume **4.9m**

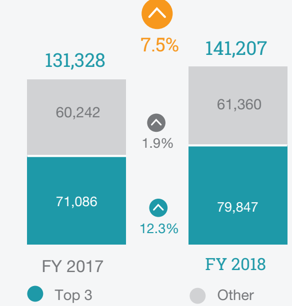
High Speed solutions

Revenue **$18.0m** Volume **1.5m**

Other Data

Revenue **$8.8m**

Revenue growth FY2017 to FY2018



Progress in year: Strong top-line growth particularly from our North American region.

Data Sales by end market

- Medical
- Datacoms/Telecoms
- Industrial/transport
- Domestic/Consumer Electronics

Revenue Growth

7.5%

Revenue for FY2018 was $141.2 million, up 7.5% on the prior period. Stripping out the revenue decline observed from our largest Power Cords customer (to whom we also sell internal harnesses) and our largest European telecoms customer (that continues to see its market share decline), revenue was up 17.3%. This increase was spread over multiple customers, across many sectors.

Our leading North American logistics customer recovered strongly as the revenue cycle turned in Volex's favour with a 76% increase in sales. A number of customers operating in the healthcare and robotics space also posted high double digit revenue growth, reflecting the desire in the marketplace for a cable supplier with strong reliability and quality. Finally, a leading manufacturer of domestic appliances showed revenue growth of 50% due to the purchase of internal cable assemblies connecting batteries to motors. Whilst Power Cord revenues were lost, this was more than compensated for in the Cable Assemblies division and shows that Volex can succeed in the wireless world.

Despite the improved revenue performance, the underlying gross profit has decreased to $27.1 million from $27.9 million, representing a gross margin of 19.2% (FY2017: 21.3%). The margins have reduced as a result of the new business growth, with new products starting production with a lower margin until run-rate volumes are reached and our operators learn to manufacture the new product efficiently.

In the second half of the year, the Group has also been hit by significant adverse foreign exchange movements with the US Dollar weakening against most key currencies (Euro, Polish Zloty, Chinese Renminbi). With the division's sales primarily based in USD but with a significant share of the division's raw material purchases made in Euro's and direct labour costs denominated in Polish Zloty, Chinese Renminbi and Mexican Peso, this adverse movement in the US Dollar exchange rate has resulted in an increase in costs and reduction in margin. Further, the division has also suffered significant labour cost increases in Mexico and certain operational difficulties as the Mexico facility has expanded to meet the sales growth.

Operating costs have increased by $0.9 million to $18.3 million, primarily due to higher salary costs arising from the adverse exchange rate movements, and a foreign exchange loss on Mexican Peso payables (in the prior year, in the run up to the US presidential election the US Dollar strengthened against the Peso making the Peso payables cheaper, however, in the current year the reverse has happened with the Peso rebounding).

As a result of the above, underlying divisional operating profit for the period fell from $10.5 million in FY2017 to $8.8 million in FY2018.

We are working hard to manage the significant increase in new business and expect that margins in the Cable Assemblies division will recover over the next 18 months.

Financial Review

Daren Morris / Chief Financial Officer

> "A modest growth in revenue and a return to a statutory profit after tax sees Volex post its best performance in 5 years."

	52 weeks to 1 April 2018		52 weeks to 2 April 2017	
	Revenue $'000	**Profit/ (loss) $'000**	Revenue $'000	Profit/ (loss) $'000
Power Cords division	**181,170**	**6,825**	188,256	3,228
Cable Assemblies division	**141,207**	**8,809**	131,328	10,528
Unallocated central costs		**(4,177)**		(4,677)
Divisional underlying results	**322,377**	**11,457**	319,584	9,079
Non-recurring operating items		**(1,552)**		(15,232)
Share-based payments		**(1,132)**		(468)
Operating profit/(loss)		**8,773**		(6,621)
Share of net profit/(loss) from associates		**(192)**		–
Net finance costs		**(1,586)**		(1,879)
Profit/(loss) before taxation		**6,995**		(8,500)
Taxation		**(3,070)**		1,452
Profit/(loss) after taxation		**3,925**		(7,048)
Basic earnings/(loss) per share:				
Statutory		**4.4**		(7.9) cents
Underlying		**9.2**		9.5 cents

Measuring financial performance

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

Measure	Definition
Underlying profit	Operating profit/profit before non-recurring items and share-based payment expense/credit
Underlying EPS	Earnings per share adjusted for the impacts of non-recurring items and share-based payment expense/credit
Free cash flow	Net cash flow before financing activities and transactions in own shares

Trading performance

Group revenue for the year grew by 0.9%, from $319.6 million in FY2017 to $322.4 million in FY2018, driven by growth in the Cable Assemblies division. Cable Assemblies revenue increased by 7.5%, from $131.3 million in FY2017 to $141.2 million whilst Power Cords revenue fell by 3.8%, from $188.3 million to $181.2 million. The revenue growth came primarily from our existing healthcare and logistics customers and also a new customer operating in the electric vehicle industry. This growth was off-set by further reductions in our traditional consumer electronics power cords base.

The Group's underlying gross profit for FY2018 was $56.0 million, yielding an underlying gross margin of 17.4%. This compared to an FY2017 underlying gross profit of $55.5 million and an underlying gross margin of 17.4%. Improvements in the Power Cords underlying gross margin, largely due to cost reduction measures taken in the prior year, were off-set by a deterioration in the Cable Assemblies margin arising from adverse foreign exchange movements.

The Group's underlying operating profit for FY2018 was $11.5 million, up 26.2% on the prior year. This arose due to the improved gross profit and a $1.9 million saving in underlying operating expenses year on year (again due to the full year impact of cost-saving measures taken in FY2017).

Non-recurring operating items and share-based payments

The Group has incurred non-recurring operating costs of $1.6 million in FY2018 (FY2017: $15.2 million).

Of this, $0.9 million (FY2017: $1.7m) related to restructuring costs arising from the down-sizing of our Shenzhen factory in China (in response to falling sales from our largest Power Cords customer), down-sizing of our European and South Korean sales teams and the restructuring of our Singapore regional head office. The prior year cost included the closure of our Brazil, Ireland, Austin and Jakarta offices plus the departure of the Head of Engineering.

A further $0.5 million has been incurred in FY2018 on professional and administrative fees associated with the transition from the Main Market of the London Stock Exchange to AIM. Given the size and future ambitions of Volex, the Board believes the AIM market better suits Volex with its lower ongoing costs and transaction fees.

A further $0.1 million of professional fees were incurred in the work associated with the post year end acquisitions of MC Electronics LLC and the trade and assets of Silcotec Europe Limited.

In the prior year, a $12.5 million non-cash impairment charge was taken against the Group's fixed asset base. As a result of the downturn in Power Cord revenue (particularly with the Group's largest customer), significant surplus capacity arose within our Power Cord division with the resultant restructuring leading to the impairment write down. Also expensed in FY2017 was a one-off fixed term manufacturing consultancy spend of $0.8 million.

The cash impact of the above non-recurring operating items is a cash outflow of $1.0 million (FY2017: $5.7 million).

The share-based payments charge in the year was $1.1 million (FY2017: $0.5 million). The doubling of the charge was due to an additional grant being accounted for during the year and fewer senior employees departing.

Share of net profit/(loss) from associates

During the year, the Group invested $0.3 million for a 26.09% interest in Kepler SignalTek ('KST'), a manufacturer of medical, high frequency data transmission and specialist industrial cable assemblies. This product range complements the current Volex Cable Assemblies product offering and it is hoped that through cross-selling, significant benefit will accrue. A further $0.4 million was subsequently invested in 10% cumulative preference shares of KST.

With KST in its start up phase, it has generated losses in the period to 1 April 2018. Volex has taken its 26.09% share of those losses, equating to $0.2 million.

Also in the year, Volex completed its 43% investment in Volex-Jem Co. Ltd, a Taiwanese holding company. Volex's investment took the form of cable certification with sufficient customer cables certified in order that a minimum cable production volume would pass through the joint arrangement, The Taiwanese Holding Company holds a 70% shareholding in a Chinese manufacturing company.

Volex valued its initial investment at $0.1 million, however, the 43% shareholding entitled it to net assets worth $0.3 million. As a result an immediate gain of $0.2m was recognised. This has subsequently been reduced to $nil by year end through recognition of 43% of the loss recognised within the holding company.

Net finance costs

Total net finance costs in FY2018 were $1.6 million (FY2017: $1.9 million) including a $0.1 million debt issue cost write off taken when the banking syndicate (providing the revolving credit facility) reduced from three banks to two. The underlying reduction in net finance costs is due to the lower average net debt level throughout FY2018 in comparison to the prior year.

Refinancing

At the start of the year, the Group successfully completed a one year extension of its senior credit facility, taking the facility expiry out to June 2019. As part of this extension, Clydesdale Bank plc exited the syndicate since the Group no longer aligned with their strategic lending profile. Lloyds Banking Group plc and HSBC Bank plc both retained their positions and credit offering with the size of the facility duly reducing from $45.0 million to $30.0 million.

Tax

The Group incurred a tax charge of $3.1 million (FY2017: credit of $1.5 million) representing an effective tax rate (ETR) of 43.9% (FY2017: 17.1%). The rate was significantly impacted by the adoption of the US 'Tax cuts and Jobs Act 2017' which has resulted in a non-recurring tax expense of $1.8 million in the period.

Financial Review continued

The underlying tax charge of $1.5 million (FY2017: credit of $1.2 million) represents an ETR of 15.7% (FY2017: -17.2%).

The underlying tax charge of $1.5 million comprises an underlying current tax charge of $0.7 million (FY2017: $1.5 million) and an underlying deferred tax charge of $0.8 million (FY2017: credit of $2.7 million).

The underlying current tax charge is calculated by reference to the taxable profits in each individual entity and the local statutory tax rates. Where tax losses are available, these have been used to the fullest extent possible to extinguish the taxable profit. The reduction in the underlying current tax charge follows the restructuring initiatives taken across the Group in the prior year to more fairly distribute profits between Group companies in line with the role that the company plays within the group structure.

The underlying deferred tax charge of $0.8 million arose due to an increase in the deferred tax liability recognised on unremitted earnings and due to reductions in future forecast taxable profits in certain regions where a deferred tax asset had previously been recognised. The prior year credit of $2.7 million had arisen on the recognition of such a deferred tax asset associated with trading losses available for offset against future profits.

The non-recurring tax expense of $1.6 million includes the $1.8 million noted above arising on the new US Tax legislation off-set by a $0.2 million tax credit arising from the non-recurring operating items. The $1.8 million US tax charge comprises of:

- a $0.5 million deferred tax charge arising from the reduction in US corporation tax rates from 34% to 21%. As a result of this reduction, the deferred tax asset recognised on trading losses has decreased. Due to the significant rate reduction, the charge has been treated as non-recurring; and
- a $1.3 million tax charge arising on "deemed dividends". Under the new legislation untaxed reserves held by overseas subsidiaries of US companies became taxable. Based upon the current guidance and interpretations issued by the IRS, the $1.3 million liability is the best current estimate of the amount due. However, given that there are technical questions currently being concluded on by the IRS, this estimate may change. The liability will be updated accordingly in future periods. The liability will be paid in eight instalments over the period to 2025. As such, $1.2 million of the liability has been recognised as long term.

As at the reporting date, the Group has recognised a deferred tax asset in relation to tax losses of $1.9 million (FY2017: $2.9 million).

Earnings per share

Basic earnings per share for FY2018 was 4.4 cents compared to a loss per share of 7.9 cents in FY2017, reflecting the improved performance in FY2018 and the impairment charge taken in FY2017. The underlying fully diluted earnings per share was 8.9 cents compared to an earnings per share of 9.5 cents in FY2017.

Cash flow and net debt

Operating cash flow before movements in working capital in FY2018 was an inflow of $12.5 million (FY2017: $8.3 million) with the $4.2 million increase partially explained by the $2.5 million surrender premium paid to exit the lease on the old UK headquarters near Manchester in the prior year.

The impact of working capital movements on the cash flow in FY2018 was an outflow of $4.1 million (FY2017: inflow of $10.8 million). As the revenue declined in the prior year, the working capital needed to service the lower level of business reduced leading to the cash inflow. In the current year, with revenue staying at a similar level one would expect there to be little working capital impact, however, the disappointing build-up in stock has resulted in the cash outflow.

After aggregate outflows for tax and interest of $3.4 million (FY2017: $3.3 million), the net cash inflow from operating activities was $4.9 million (FY2017: $15.9 million). Of this $5.9 million had been generated from normal trading activity (FY2017: $21.6m) with $1.0 million spent on non-recurring items (FY2017: $5.7 million). These non-recurring items include restructuring fees (such as severance payments), and professional fees associated with corporate activity.

Capital expenditure in FY2018 was $2.4 million (FY2017: $2.5 million). A further $0.8 million was invested in two associates during the year, Kepler SignalTek and Volex-Jem Co. Ltd.

At the start of the year the Group extended its senior banking facility for a further year. The fees associated with this extension, including legal and banking fees, totalled $0.5 million (FY2017: $0.6 million).

Under the senior credit facility, the Group repaid $7.3 million (FY2017: $9.2 million) in the year.

As a result of the above cash flows, the Group experienced a $6.1 million net cash outflow (FY2017: $3.8 million net cash inflow) for the year. As at 1 April 2018, the Group held net funds of $9.9 million compared with net funds of $11.3 million at 2 April 2017.

The above cash flows have resulted in the following free cash for the period:

Annual free cash flow	FY2018 $'m	FY2017 $'m
Net cash generated from operating activities	**4.9**	15.9
Cash flow from investing activities	**(3.2)**	(2.3)
	1.7	13.6

Banking facilities, covenants and going concern

During the year, the Group utilised a $30.0 million multi-currency combined revolving credit, overdraft and guarantee facility ('RCF'). This facility was provided by a syndicate of two banks (Lloyds Banking Group plc and HSBC Bank plc).

The key terms of the facility were as follows:

- Available until 30 June 2019;
- No scheduled facility amortisation; and
- Interest cover and total debt: EBITDA leverage covenants.

As at 1 April 2018, amounts drawn under the loan facility totalled $13.6 million (FY2017: $18.7 million) with a further $1.8 million drawn under the cash pool facility (FY2017: $nil). After accounting for bonds, guarantees and letters of credit, the remaining headroom as at 1 April 2018 was $14.2 million (FY2017: $24.7 million).

Under the terms of the facility, the two covenant tests above must be performed at each quarter end date. Throughout FY2018 both covenants were met.

Subsequent to year end, the Group has raised £36.0 million in equity proceeds. After deducting issue costs, $46.9 million will be available to the Group, of which $10.9 million has been used in the acquisition of the trade and assets of Silcotec Europe Limited. The balance of $36.0 million will be used to deleverage the balance sheet and will be available for future accretive M&A transactions, investment in automation and general working capital requirements.

The Group's forecast and projections, taking reasonable account of possible changes in trading performance, show that the Group should operate within the level of the proposed facility for the period in which the facility is available and should comply with its covenants over this period. Given the above equity raise, the Directors believe that on expiry of the facility on 30 June 2019, sufficient funds will be available such that the facility can be repaid and the Group can continue its normal operations.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least 12 months from the date of these accounts. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Post balance sheet events

On 30 April 2018, the Group completed the acquisition of MC Electronics LLC, a North-American based manufacturer of customised complex medical and industrial cables, wire harnesses and electro-mechanical assemblies for medical and industrial applications. The consideration for the acquisition comprised an initial 3 million new shares in Volex plc with a further 0.5 million shares to be issued subject to trading performance by MC Electronics in the remainder of its financial year to 31 October 2018. Also included within the initial consideration was $0.4 million of cash for the working capital acquired.

On 5 June 2018, Volex plc issued 48 million new shares at £0.75 per share. After issue costs, the new equity raised $46.9 million (£34.9 million). From this $10.9 million (€9.2 million) has been used in the initial consideration to acquire the trade and assets of Silcotec Europe Limited, a manufacturer of customised complex medical and industrial cables and sub-assemblies for the medical industry. A further 3.5 million shares have been issued to the seller as part of the initial consideration with a final €2 million due to the seller subject to performance over the 12 months from June 2018.

Financial instruments and cash flow hedge accounting

The Group enters into contracts with financial institutions which are linked to the average copper price as published by the London Metal Exchange ('LME'). The purpose of these contracts is to mitigate the Group's exposure to copper price volatility observed in the Group's cost of sales (see page 28 where rising commodity prices has been identified as a key risk).

These contracts act as an economic hedge against the impact of copper price movements. They meet the technical requirements of IAS 39 and therefore are accounted for as cash flow hedges of forecast future purchases of copper. As at 1 April 2018, a financial asset of $0.2 million (FY2017: $0.4 million) has been recognised in respect of the fair value of open copper contracts with a corresponding $0.2 million credit recognised in reserves. This credit is retained in reserves until such time as the forecast copper consumption takes place at which point it will be recycled through the income statement.

A credit of $0.8 million has been recognised in cost of sales in FY2018 (FY2017: charge of $0.2 million) in respect of closed out contracts. This credit has arisen since the average LME copper price in the period has been above the contracted price.

Defined benefit pension schemes

The Group's net pension deficit under IAS 19R as at 1 April 2018 was $3.3 million (FY2017: $4.4 million). The decrease is primarily due to the $0.7 million pension contributions made by the Company during the period.

During the year, the 31 July 2016 pension actuarial triennial valuation was completed. The balance as at 1 April 2018 reflects all factors included in the valuation.

UK referendum on EU membership

As a global business with over 98% of the Group's revenues generated outside of the UK, Volex's trading is less likely to be affected by Brexit than many UK plcs.

With so little information on the likely shape of future relationships between the UK, the EU and beyond, we are engaged in developing a deeper understanding of the implications of the changes as they emerge, in particular relating to customs and duties. With respect to the likely departure from the EU customs union, we are already considering our freight routes. At present all cables manufactured in China and destined for Europe are shipped to the UK before onward transit to end customer. In the future, we may be required to ship directly to mainland Europe.

Daren Morris

Chief Financial Officer and Company Secretary

Group Risk Management

Risk Governance

The Group operates in a complex global environment where risks and uncertainties offer opportunities as well as challenges. Understanding and managing these uncertainties is therefore essential to the long term success and sustainability of the Group.

The Board has the overall responsibility for the Group's risk management and considers that effective risk management is part of its role in providing strategic oversight of the Group. The Board is supported by the Audit Committee which has the delegated responsibility to review the effectiveness of the Group's system of internal controls and risk management.

Risk Management Process

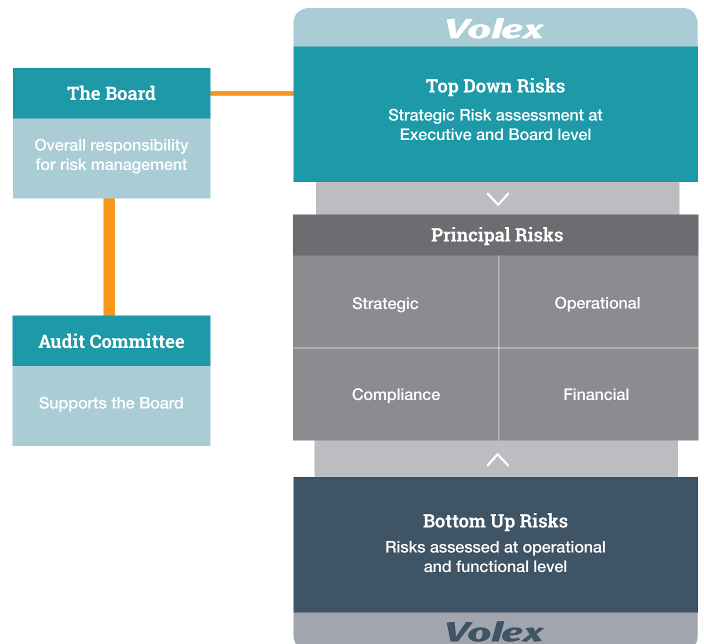
The Group takes a two-fold approach to risk management where risk identification, assessment and mitigation are performed both 'bottom-up' with detailed assessment at operational or functional level, as well as through 'top-down' assessment of strategic risks at the executive management and Board level.

Major risks are categorised on a matrix, reflecting impact and likelihood on the business from a strategic, operational, compliance and financial perspective.

The assessment of impact is measured before allowing for mitigation, such as insurance recoveries, whilst likelihood is considered after allowing for the effect of mitigation. The impact scale is determined in relation to the Group as a whole, based on financial, operational, reputational and behavioural measures.

Risk management processes are established within business practices across the organisation whenever possible. For identified risks, a mitigation plan is established and progress against this plan is reviewed, discussed and re-assessed at least annually. Risk reporting and monitoring is incorporated into periodic business and financial reviews by the executive team and the Board.

The Directors believe that this process, with regards, to risk management provides them with a robust assessment of the principal risks faced by the Group.



Principal Risks

The Group's principal risks and how they are managed at Group level are summarised in the following section and are not listed in any order of priority. The Board considers these the most significant risks that could materially affect the future prospects or reputation of the Group, including those that would threaten its business model, future performance, solvency or liquidity. It is, however, important to understand that risk management and internal controls provide reasonable but not absolute assurance against risks.

Our principal risks are further classified as follows:

- Strategic – Risks that potentially may affect the Group in delivering its strategy or achieving its strategic objectives.
- Operational – Risks arising out of operational activities relating to areas such as sales and operations planning, procurement, warehousing and logistics and product development.
- Financial – Risks relating to the finances of the business that may arise externally, such as financial market risk or internally from the perspective of internal controls and processes.
- Compliance – Risks relating to compliance with applicable laws and regulations.

Read about **Internal controls** and **risk management** on page 39

Developments

The Group regularly assesses its risk appetite to ensure alignment with business strategy. In general, there has been no change in the Group's risk appetite from last year with the Board continuing to hold different levels of acceptable risk for the different risk classifications, namely strategic (open to moderate risk), operational (cautious), financial and compliance (minimal risk appetite).

The risks considered during the risk management process cover all aspects of the Group's activities and include a wider range of areas such as human resource, information technology, supply chain or financial risks but not all of these areas are identified as principal risks.

During the year, the Group identified two additional principal risks both in relation to the new M&A strategy adopted by the board, the first in relation to investment appraisals and the second in relation to post acquisition integration. These are discussed further below.

Risk and Possible Impact	Risk Mitigation Activities	Trend
Strategic – Competitor Risk		
With the presence of competitors that are vertically integrated, financially stronger and with the ability to invest in newer technology and capabilities, the Group is highly susceptible to increased competition and price pressures. The Group's business and future results may be adversely impacted if it is unable to compete adequately and secure new business in the markets in which it operates.	The Group intends to focus on markets and customers where we can differentiate on factors other than price including engineering know-how and quality. To this end during the year, we saw business with a key name in the electric vehicles market grow into a multi-million US Dollar account. To remain cost competitive, during the year various projects were undertaken to optimise manufacturing efficiency and identify process improvements with the aim of driving cost reductions and cash generation. One such project was the PVC transfer to Zhongshan. In the coming year, product standardisation to allow for automation is a key project. In addition, the increased roll out of lower cost cables from our Taiwanese joint venture is planned.	
Strategic – Customer Concentration Risk		
With the Group's top ten customers accounting for 63% (2017: 64%) of total revenue, the Group is exposed to customer concentration risk where its performance, financial condition and future prospects may be significantly impacted if there is a shift in allocation on a key customer account. The Group's largest customer accounted for 18% of total revenue, consistent with the previous year.	Whilst the concentration of business with a small number of key customers has long been highlighted a risk, the business has been unable to diversify the customer base due to poor sales targeting, an uncompetitive cost structure, high staff turnover and slow response times. In the past 18 months, management has attempted to address each of the above issues. Most importantly, the revised sales strategy has already seen a new multi-million USD account develop. In the coming year, we expect to see further new accounts scale. Further, the new investments, partnerships and acquisitions made will help diversify the customer base of the Group.	

Trend key

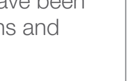
Group Risk Management continued

Risk and Possible Impact	Risk Mitigation Activities	Trend
Operational – Key People		
The Group is reliant on a small number of key executives who are leading the turnaround.	The fact that our Executive Chairman is the largest shareholder provides considerable assurance to other stakeholders that Executive management's goals are aligned with their own. Other key managers have been given PSP awards, allowing them to participate directly in the impact of the turnaround. The Group rewards exceptional talent and will always look to promote internally. During the year, the CEO of the Power Cords division was promoted to Group Chief Operating Officer.	
Operational – Quality Risk		
Our customers specify quality, performance and reliability standards. Should our quality systems fail, the risk of customers receiving unsafe, faulty or non-performing products is increased. Consequently, the Group may experience delays in shipment and product rework or replacement costs. Subsequent customer complaints, warranty claims and product recall or replacement may result in reputational damage and reduced allocation.	The Group recognises that the quality of our products is critical. Quality assurance processes are embedded in the entire supply chain and every stage of the manufacturing process across all sites, supporting compliance with safety and customer quality standards. During the year, quality issues were identified at our Tijuana plant as they struggled to cope with an increase in demand. This resulted in returns and shipment dates being missed. Significant senior management time has subsequently been invested to remedy the issues with a change in local management also enacted. The Group has developed new internal KPIs that include quality metrics which will be reviewed by the Board.	
Operational – Product Development to Combat Disruptive Technology		
Power and data cable markets are impacted by disruptive technologies which include wireless data transmission, improved battery lives and new industry standards such as USB-C. Failure to adapt could lead to the loss of key accounts. Volex may not be leveraging advancements in technology in its business model to achieve or sustain competitive advantage.	Close communication with all key customers on their product roadmap takes place. Volex continually investigates partnerships/co-operation for technology gaps. In the prior year, the engineering function was reorganised to assist in the better sharing of information and knowledge. Now all engineering functions including R&D engineers, production engineers (responsible for the running of the lines and tooling) and 'field application engineers' (engineers close to customers who are responsible for feeding back challenges faced) report up to a single head of engineering. Under the new long term strategy there will be significant investment in the engineering function.	

Risk and Possible Impact	Risk Mitigation Activities	Trend
Operational – Supplier Dependency Risk		
The Group's delivery of the strategy is dependent on the availability and timely receipt of raw materials. As it continues to be heavily reliant on single-source suppliers for key materials or critical components, any disruptions may impact production and the Group's ability to meet customer commitments, win future business or achieve operational results. Disruption to key supplies may be a result of insolvency of the supplier, scarcity of materials or the suppliers' inability to meet our standards on quality, reliability and cost reductions. In turn, the Group's inability to drive cost reductions may also result in a lack of competitiveness.	Single-source supplier risks are identified during the year and where operationally feasible, dual sources and local multi-sourcing for key materials and critical components are being developed. Strategic relationships with key suppliers are established to enable flexible sourcing arrangements that are balanced with appropriate levels of inventory. The Group continues to monitor financial and operational viability of key suppliers periodically. During the year, a new VP of Global Procurement was employed and the procurement team restructured. They have already identified a number of alternate suppliers and the Group is in the process of validating several of these. We are also seeking customer approval for certain changes to approved vendor listings. As noted above, the Taiwanese joint venture agreement Volex has entered into should reduce the reliance on several Chinese raw material suppliers.	
Operational – Investment Valuation and Intergration Risk		
Post year end, Volex has made two new acquisitions, MC Electronics LLC and the trade and assets of Silcotec Europe Limited. During the year, an investment has also been made in Kepler SignalTek. The due diligence work and investment valuations have all been performed in-house, led by the CFO. For Volex to generate benefit from these acquisitions, forecast synergies need to be realised. This will only be achieved through careful post acquisition integration planning.	For both acquisitions, not only has the Board reviewed the plans and pricing but also a senior management team has met with target management to determine whether the fit is right for the Group. A detailed post acquisition integration plan has been developed for both acquisitions. Whilst both operations are largely to be left as standalone for the first six months, plans have been developed for immediate finance integration. Over the next six months, sales, engineering and procurement will be integrated.	

Group Risk Management continued

Risk and Possible Impact	Risk Mitigation Activities	Trend
Financial – Going Concern		
The Group has a $30 million multi-currency revolving credit facility which has been renewed to June 2019. The facility is subject to a quarterly assessment of two financial covenants, namely the leverage covenant and interest covenant. Whilst the Group's forecasts have indicated that both covenants will be met, any unforeseen downturn may result in failure to meet the covenant test. Consequently, this may result in an 'event of default' where immediate repayment is requested.	Post year end, the Group has raised £36 million of equity proceeds. Approx. a third of this will be used in an acquisition, with the remainder held to deleverage the balance sheet. The Group reviews its performance against budget to ensure that funding is balanced against economic results. The Group continues to maintain an open and transparent dialogue with the facility providers to ensure that they are well aware of the developments in the business. The Group's forecasts indicate that it will meet the covenant tests under the facility. If performance was not in line with the forecast, the Group has a number of mitigating actions that could be implemented.	
Financial – Copper Price Volatility Risk		
Many of the Group's products, in particular power cords are manufactured from wire components that contain significant amounts of copper. Wire components accounted for approximately 50% of the Group's purchases for the year. As copper price volatility is the single largest commodity price exposure facing the Group and driven by market volatility, failure to manage the impact of copper price changes may result in erosion of profit margins and loss of competitive advantage. Whilst copper price movements are passed on to customers, delays in passing through the costs may create short term volatility in the Group's gross margins.	The average LME copper price during the year has increased by 25%. Copper price movements are continuously monitored and where appropriate, are reflected in the pricing of our products. Whilst copper prices are fixed quarterly with major suppliers based on average LME rate over the prior quarter, approx. 55% of our power cord related revenues are covered by copper clauses which provide for quarterly adjustments to our selling prices based on our material costs. The Group maintains forward copper purchase contracts extending out 12 months and are refreshed periodically.	
Financial – Foreign Exchange		
The Group is exposed to currency transactional risk relating to day-to-day sales and purchases with customers and suppliers. Reported results of overseas subsidiaries are subject to translational risk which may cause volatility in earnings and the balance sheet. The Group's financial results may be impacted by the fluctuation of the US Dollar against foreign currencies, exchange rate controls or regulatory restrictions on transfers of funds.	In the second half of FY2018, the US Dollar has weakened against all major currencies the Group is exposed to – principally the Euro, Pound Sterling, the Chinese Renminbi, the Polish Zloty and the Mexican Peso. With revenues largely derived in US Dollars, material and labour costs have increased due to the dollar weakening and pressure has been placed on the margins. The Group's central finance function closely monitors the exposure to the above currencies and where appropriate places foreign exchange hedges. The Group Treasury Policy Statement sets out procedures on exchange rate risk management.	

Risk and Possible Impact	Risk Mitigation Activities	Trend
Compliance – Legal, Tax and Regulatory Compliance Risk		
The Group is subject to diverse laws and regulations in the global markets in which it operates, particularly in certain territories where the risk is elevated due to jurisdictions with immature business practices and/or systems. The areas include but are not limited to those related to product safety, environmental, health and safety, export controls or customs, tax laws and anti-bribery and corruption. Non-compliance with legislation or other regulatory requirements may compromise the Group's ability to conduct business in certain jurisdictions. They may expose the Group to potential reputational damage, financial penalties and/or suspension of business activities, any of which could have a material adverse effect.	The Group takes an uncompromising approach towards non-compliance. The Group's Code of Conduct provides a framework to general compliance and governance policies that have been established to ensure compliance with laws, regulations and standards. The Group continually monitors developments in applicable laws and regulations in the jurisdictions in which it operates and external advice is sought where necessary. Regular monitoring programmes are in place at all sites to enable continuous improvement. Irrespective of our own internal controls and advice provided by external consultants, we have noted in the past year that certain taxation authorities facing local funding shortfalls are becoming more aggressive in their application of tax law to the point of imposing significant penalties on minor offences and even in some cases imposing tax demands that have little basis in the local tax rules. In these instances, we continue to engage with local independent consultants and on their advice appeal these findings to a higher office.	
Compliance – Corporate Governance		
The Board understands the importance of strong Corporate Governance and creating the correct culture throughout the Group. Failure to embed a strong set of core values throughout the Group may lead to the erosion of shareholder value.	The combination of Chairman and CEO is not advised by nearly all Corporate Governance guidelines. An Executive Chairman who is also the largest shareholder furthers the governance concerns. However, Volex's Executive Chairman position is well documented and known to the shareholder base. As part of the recent investor roadshow, the Executive Chairman and CFO saw all major shareholders and outlined their vision for the Group. Further, Volex's Senior Independent Non-Executive Director is available to answer any shareholder's queries. Whilst the governance requirements of the AIM market are less stringent that those on the main market, Volex will continue to hold itself to high governance standards.	

Corporate and Social Responsibility

The Volex Board is committed to the Group having a positive impact on the environment and society. The Board considers the Group's strategy on matters including, health and safety, diversity and compliance with ethical trading practices.

Our people

The commitment, enthusiasm and skill of our people are critical if we are to successfully continue the transformation of Volex. Communication is key and in this respect the Executive Chairman regularly tweets to his Volex followers as well as using the more traditional modes of communication to ensure all staff are aware of the developments in the business.

Equality and Human Rights

Volex recognises that discrimination still operates to the disadvantage of many groups. As a responsible business, Volex is committed to generating mutual stakeholder benefits and ensuring that we do not infringe on the human rights of others. We recognise that our employees are crucial to the on-going success of the business and to how the Company is regarded by the wider market. Furthermore, we believe that all employees should be treated equally, fairly and with respect. Our Equality & Human Rights Policy is guided by the International Human Rights principles encompassed in the Universal Declaration of Human Rights which states all persons should have equal rights to recognition of their human dignity, and to have equal opportunities to be educated, to work, receive services and to participate in society.

Modern Slavery

Modern slavery is a fundamental violation of human rights and takes various forms all of which serve to deprive a person of their liberty for another's commercial or personal gain. These forms include, but are not limited to, compulsory labour, servitude, slavery and human trafficking.

Volex has a zero tolerance approach to any form of modern slavery. We are committed to ensuring there is no modern slavery or human trafficking in our supply chains or in any part of our business. Moreover, we undertake to ensure transparency throughout the business with a commitment to build on that undertaking year on year. We expect the same high standards from all of our contractors, suppliers and other business partners and in addition to this, all persons working for Volex in any capacity, including employees at all levels.

Diversity

Our success is reflected in our diverse global workforce. To maintain our competitive edge we believe it is important to maintain diversity in gender, ethnicity, age, thinking and background. Our gender breakdown demonstrates our commitment to encouraging women in the workplace.

At year end approximately 3,000 (or 51%) of our employees were female and 2,850 (or 49%) were male. Our senior management team comprises 5 (or 14%) females and 30 (or 86%) males.

Health and safety

We prioritise our people, maintain stringent safety practices and implement industry best practice across the Group. Each site conducts programme training, risk assessments and regular management reviews to identify safety risks and ensure compliance with industry best practice.

Customers and Suppliers

Supply chain integration continues to develop and is essential to the operation of our business. Through being proactive around corporate responsibility issues, Volex is able to meet the rigorous standards of its customers. In addition to complying with all relevant statutory and regulatory requirements (including EU RoHS and EU REACH) we support our customers' specific requirements and implement stringent controls to eliminate the use of hazardous substances to protect the environment and reduce the risk of chemical exposure to humans.

All sites are ISO9001 certified, comply with OHSAS18001 (or its equivalent) and have adopted the Electronics Industry Supply Chain (EICC) Code of Conduct.

Our impact on the environment

We monitor the environmental impact of our business activities and encourage employee awareness of waste reduction, recycling and responsible disposal. All manufacturing sites are ISO14001 certified and have specific, local waste reduction programmes.

Our products are free from MCCP, Phthalate, Lead and DINP. Furthermore, we offer a range of Halogen-Free cables.

Carbon reporting

Our emissions have been calculated using the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), together with the latest emission factors from recognised public sources including, but not limited to, DEFRA, the International Energy Agency, the United States Energy Information Administration, the United States Environmental Protection Agency and the Intergovernmental Panel on Climate Change. Emissions reported correspond to our financial year.

Actual data has been supplied for 92% of the reported emissions and the remainder estimated using floor area data and projected office consumption of gas, LPG, diesel and district heating, as well as refrigerants/fire extinguisher, business car travel and vehicle fuel usage (truck and forklift).

This year, our carbon footprint assessment includes Scope 3 transmission and distribution emissions from electricity and district heating consumption, which provides a more holistic representation of the emissions produced from energy consumption.

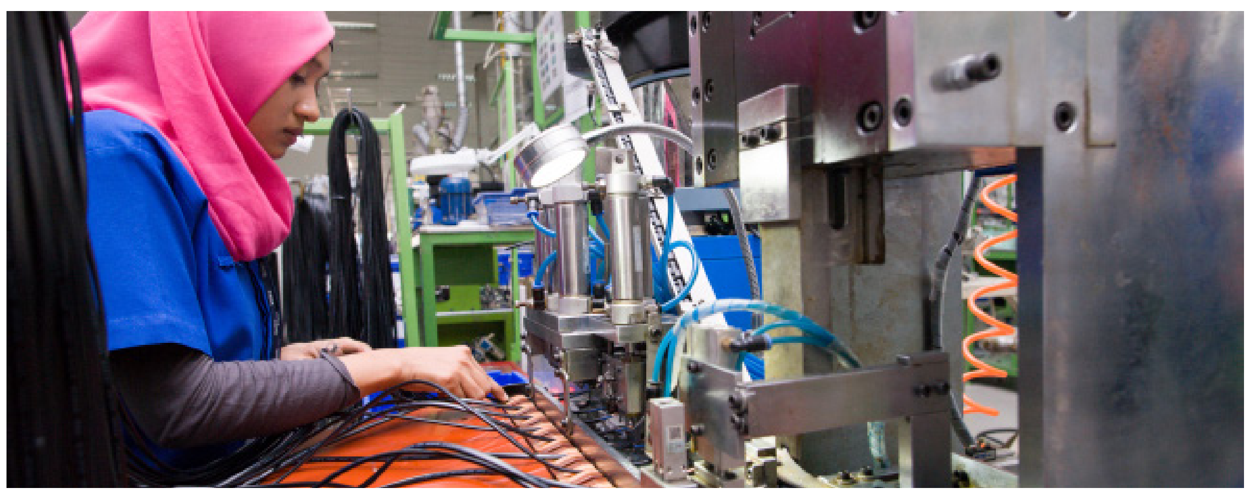
FY18 Global GHG Emissions Data

Scope 1 & 2 Direct Emissions from:	Tonnes of CO_2e
Combustion of fuel and operations of facilities (GHG Protocol Scope 1)	686
Electricity, heat, steam and cooling purchased for own use (GHG Protocol Scope 2)	14,164
Total	**14,850**
Intensity metric (tonnes CO_2e / Full Time Equivalent employee)	2.61

Scope 3 Indirect Emissions from:	Tonnes of CO_2e
Supply chain, logistics and outsourced services (GHG Protocol Scope 3)	1,289
Intensity metric (tonnes CO_2e per employee)	0.23

Year on Year Comparison

	Tonnes of CO_2e		% change
Emissions from:	FY2017	FY2018	
Scope 1	851	686	–19.4%
Scope 2	15,786	14,164	–10.3%
Total	**16,637**	**14,850**	**–10.7%**
Intensity metric (tonnes CO_2e / Full Time Equivalent employee)	2.70	2.61	-3.3%
Scope 3	1,369	1,289	
Intensity metric (tonnes CO_2e per employee)	0.22	0.23	



Governance

Board of Directors	34
Executive Chairman’s Introduction	35
Corporate Governance Report	36
Audit Committee Report	41
Directors’ Remuneration Report	44
Directors’ Report	59
Independent Auditors’ Report	64

Board of Directors

The Honourable Nathaniel Rothschild

Executive Chairman

Nathaniel Rothschild was appointed to the Board as a Non-Executive Director on 15 October 2015 and became Executive Chairman on 1 December 2015. He was previously Non-Executive Director of Barrick Gold Corporation, the world's largest gold company, Genel Energy plc, Asia Resource Minerals plc and RIT Capital Partners plc.

Key areas of expertise

Sales and marketing, strategic planning and business development in developed and emerging markets.

Daren Morris

Chief Financial Officer and Company Secretary

Daren was appointed as interim Chief Financial Officer on 11 December 2014 and Chief Financial Officer on 8 June 2015. Daren has spent the majority of his career in the financial services industry where he was a Managing Director at UBS Investment Bank and Morgan Stanley, advising manufacturing and technology companies on their expansion and financing strategies. Daren is a qualified chartered accountant and holds a degree in Physics from Oxford University.

Key areas of expertise

All aspects of financial management, cost control, corporate finance, commercial and legal contract risk, company secretarial duties and investor relations.

Dean Moore

Senior Non-Executive Director

Dean Moore was appointed as a Non-Executive Director on 18 April 2017. He is Chairman of the Audit Committee, a member of the Remuneration Committee and Nominations Committee and is the Senior Independent Director.

Dean has wide ranging non-executive director and public company experience, and currently sits on the Board and is Chairman of the Remuneration Committee of Cineworld plc. He is a chartered accountant with extensive and relevant financial experience, having previously been Chief Financial Officer of Cineworld plc, N Brown Group plc, T&S Stores plc and Graham Group plc.

Key areas of expertise

Governance, risk management, mergers & acquisitions, managerial finance, strategy.

Adrian Chamberlain

Non-Executive Director

Adrian Chamberlain was appointed to the Board of Directors as a Non-Executive Director on 16 June 2016. He is Chairman of the Remuneration Committee and a member of the Audit Committee and the Nominations Committee.

Adrian is Executive Chairman of Hurley Innovations, a start-up cloud based medical diagnostics and prescription company. Adrian is a proven director with experience in technology markets, customer development and business turnaround strategy. He holds an MA in History from Trinity College, Cambridge and an MSc in Business Studies from London Business School.

Key areas of expertise

Technology and telecoms markets, customer development, product management, marketing and business turnaround strategies.

Executive Chairman's Introduction

Nathaniel Rothschild

> "Despite our move to AIM, we continue with the same governance structures that existed prior to transition."

The purpose of this Corporate Governance Report is to explain what governance means to Volex plc in terms of its impact on decision making in the operation of our business and to ensure as far as possible that the values you would expect from the Group are in place and adhered to. As a Board and as a Group, we continue to believe that corporate governance is more than just a set of guidelines; rather it is a framework which underpins the core values for running the business in which we all believe. It enables us to test whether we do the right things in the right way, with the right safeguards, checks and balances, and whether the right considerations underpin every decision we take.

During the past year, Volex has moved from the Main Market of the London Stock Exchange to AIM. Given the size of the Group and its strategic objectives, the Board felt that an AIM listing better served the long term interests of our shareholders. The governance requirements of a company listed on AIM are less stringent than those with a Premium Listing given the UK Corporate Governance Code 2016 (the 'Code') is no longer mandatory. Whilst we have not changed our approach to governance and continue with the same structures that existed prior to the transition, going forward Volex will measure itself against the Quoted Companies Alliance ('QCA') Corporate Governance Code.

To maintain the turnaround momentum and demonstrate my ongoing commitment following the recent equity raise, the Board intends to retain the role of Executive Chairman for the forthcoming year. We acknowledge that this does not comply with the requirements of the QCA Corporate Governance Code. However, since my personal interests are closely aligned with other shareholders and the progress to date has been encouraging, the Board continues to believe that it is in the best interests of the business for this arrangement to continue.

The Non-Executive Directors have been valuable and committed advisors and mentors to the Executive Directors throughout the year, providing high levels of informal engagement in addition to the formal meetings. During the year, Bob Beveridge resigned from the Board and has been replaced by Dean Moore. I thank Bob for all his hard work and effort during a difficult time for Volex and wish him the best in his future endeavours.

With the exception of the combined roles of Chairman and Chief Executive Officer, the Group has aimed to follow the guidance within the QCA Corporate Governance Code. Our Corporate Governance Report is set out on pages 36 to 40 and explains how we manage the Group with the aim to follow the provisions of the Code. It also sets out further details about the activity of the Board and its various Committees during the year.

Key areas of focus for the Board this year have involved the transition to AIM, the strategic investments and the post year end equity raise and acquisitions.

We trust that you will find this Annual Report to be fair, balanced and understandable. We believe our practical approach will support our performance for the long term and should thus protect the integrity of our values and the Volex brand. On your behalf, as our shareholders, we will continue to work hard to improve further our governance and Board performance. As a Board of Directors we are committed to maintaining high standards of governance and effective leadership of the business. There is much more still to do in order to achieve a strong, sustainable business but our commitment and confidence remain resolute.

Corporate Governance Report

Daren Morris - Chief Financial Officer and Company Secretary

> “The board continues to provide leadership within a framework of prudent and effective controls for risk assessment and management.”

This report, together with the Directors' Remuneration Report on pages 44 to 58, describes how the main principles of good corporate governance have been applied throughout our business. The Company has aimed to comply with the provisions of the QCA Corporate Governance Code for the year ended 1 April 2018 and from that date up to the date of publication of this Annual Report and Accounts other than as highlighted in the Introduction to Governance on page 35.

The role of the Board is to ensure the Company can generate sustainable growth and deliver long term value for shareholders and stakeholders. The Board is also charged with establishing the governance, values and strategic aims of the Company and is responsible for its management, direction and performance. The names, biographical details and dates of appointment of the members of the Board are set out on page 34.

The Board provides leadership within a framework of prudent and effective controls for risk assessment and management. While the Board has a formal list of matters specifically reserved for its decisions, it delegates its authority to its various Committees to assist in meeting its business objectives while ensuring a sound system of internal control and risk management.

The Executive Chairman, Nathaniel Rothschild, is responsible for the leadership of the Company and the Board and ensuring its effectiveness in all aspects of its role. The Executive Chairman is jointly responsible with the Senior Independent Director for creating the right Board dynamics and for ensuring that all important matters, in particular strategic decisions, receive adequate time and attention at Board meetings.

The Executive Chairman and Chief Financial Officer ('CFO') are, together, responsible for the day-to-day running of the business, developing corporate strategy and implementing Board decisions.

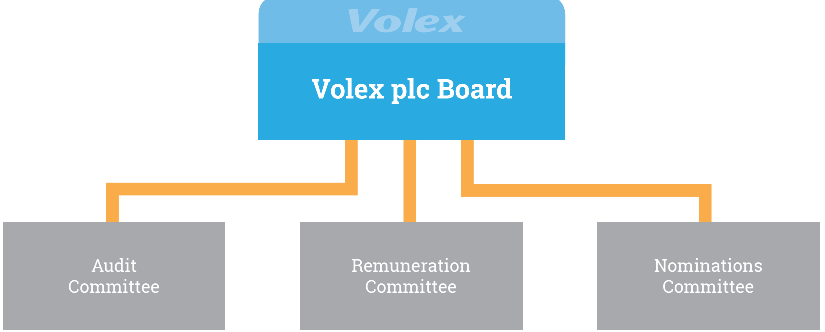
The role of Senior Independent Non-Executive Director ('SID') is fulfilled by Dean Moore. He acts as a sounding board to the Executive Chairman when necessary and is able to chair Board meetings in the absence of the Executive Chairman. He is available to shareholders to address concerns regarding governance and, if necessary, other issues where resolution through the normal channels is inappropriate.

Non-Executive Directors are responsible for exercising independent and objective judgement to constructively challenge the decisions of executive management in order to satisfy themselves that the systems of business risk management and internal financial controls are robust.

The CFO is also acting Company Secretary and reports to the Executive Chairman and Senior Independent Director on governance matters. He is responsible for keeping the Board up to date on all legislative, regulatory and governance issues. He is also responsible for supporting the Chairman and other Board members as necessary, including the management of Board and Committee meetings, advising on Directors' duties and facilitating appropriate information flows between the business and the Board.

Operation of the Board

The Board is responsible for the Company achieving its business objectives, oversight of risk, strategic development, and effective corporate governance. The Board discharges these responsibilities through scheduled meetings, which include regular reviews of financial and operational performance. During the financial year, the Board considered a wide variety of matters including the Company's strategy, the Company's budget for the coming year, potential merger and acquisition opportunities, the most appropriate listing for the Group, risk management and shareholder feedback as well as reviewing ongoing performance.



Matters reserved for the Board and activity during the year

There are certain matters reserved for Board decision only. The Board schedule of reserved matters is regularly reviewed to ensure it continues to be appropriate for the Company. These matters include:

- Approval of the annual budget;
- Approval of the Company's objectives and setting its long term strategy;
- Approval of material capital expenditure projects;
- Approval of half-yearly reports, trading updates, the preliminary announcement of year end results and the Annual Report and Accounts;
- Internal control and risk management; and
- Material contracts, expenditure and Group borrowings.

The Board delegates day-to-day management of the Company to the Executive Directors who, as appropriate, delegate to executive management.

Attendance at meetings/Board process

The Board met seven times during the year, following a timetable of subject matter which is set on an annual basis, plus additional ad hoc meetings as required. The size of the Board allows flexibility to meet on short notice in response to the needs of the business and Non-Executive Directors are encouraged to communicate directly with Executive Directors and executive management between Board meetings.

Directors attended all meetings of the Board and of those Committees of which they are members. They are expected to devote sufficient time to the Company's affairs to enable them to fulfil their duties as Directors.

Directors' attendance at Board and Committee meetings during the financial year is as set out below[1]:

Number of scheduled meetings	Board (7 meetings)	Audit Committee (4 meetings)	Remuneration Committee (2 meetings)
Chairman			
Nathaniel Rothschild	●●●●●●●	N/A	●[4]
Executive Directors			
Daren Morris	●●●●●●●	●●●●[4]	●●[4]
Non-Executive Directors			
Adrian Chamberlain	●●●●●●●	●●●●	●●
Dean Moore[2]	●●●●●●●	●●●●	●●
Robert Beveridge[3]	●●●	●	●

1 This table records Directors' attendance for the financial year or from their date of appointment / until their date of resignation.

2 Appointed as Non-Executive Director on 18 April 2017.

3 Resigned as Non-Executive on 27 July 2017.

4 Attended by invite.

Corporate Governance Report continued

Board focus

In October 2017, the Board visited our factory in Zhongshan to review the impact of the PVC transfer project. In February 2018, the Board visited the Asian regional head office in Singapore and the nearby Batam factory to agree the FY2019 budget and agree strategic priorities for the forthcoming year.

Towards the end of the prior year, the Board carried out an effectiveness review with the help of an external coach. The areas for improvement coming out of that review in terms of internal communications and processes have been worked on during the current year.

The key matter considered by the Board during FY2018 was the commencement of an M&A strategy to help consolidate the fragmented Cable Assemblies sector and the funding of this strategy via an equity issue.

Other matters the Board considered during the financial year included:

- Budget for the FY2019 Financial Year (in February 2018);
- Detailed review of short term trading and forecasts;
- Monitoring banking covenants;
- Board resignations, appointments and executive responsibilities;
- Risk management processes;
- Cost reduction initiatives;
- Results of the external Board effectiveness review performed at the end of FY2017;
- Shareholder communication;
- Information and support.

Directors receive comprehensive briefing papers in advance of Board and Committee meetings. The Board meetings include periods of informal discussion and dinners to take time to properly discuss and evaluate alternative actions.

Directors have access to independent professional advice at the Company's expense and have access to the services of the Company Secretary and other external advice if needed.

Committees of the Board

The Board has delegated certain responsibilities to the committees set out below:

- the Nominations Committee;
- the Audit Committee; and
- the Remuneration Committee.

Each of the above committees operates pursuant to individual, defined terms of reference and the chair of each committee reports to the Board at each Board meeting. The terms of reference for each committee are reviewed on an annual basis and updated to include any necessary changes. Copies of the main committee terms of reference are available on the Company's website. The committees comprise the independent Non-Executive Directors of the Company who are appointed by the Board. The Nominations Committee was chaired by Nathaniel Rothschild. The Company Secretary serves as secretary to each of the Board Committees.

Nominations Committee

The members of the Nominations Committee are Nathaniel Rothschild (Chairman), Dean Moore and Adrian Chamberlain.

The Committee did not meet during the year since no new Board appointments were required. The appointment of Dean Moore, following the resignation of Robert Beveridge, had been approved by the Nominations Committee at the end of the prior year.

The Committee is responsible for reviewing the size and composition of the Board (including whether the balance of Executive Directors and Non-Executive Directors continues to be appropriate), succession planning and recommending suitable candidates for membership of the Board when such posts arise. The Committee has previously developed policies on succession planning and appointment.

In appointing a new Board member, the Committee evaluates the balance of skills, knowledge and experience of the Board and prepares a clear description of the role and the capabilities and strengths required to fulfil a particular appointment.

As part of its review, the Committee would consider the time each Non-Executive Director would have to commit to in order to fulfil his/her responsibilities and any other significant commitments of the Chairman. Positions held by Non-Executive Directors are set out on page 34. Non-Executive Directors are advised on appointment, of the time required to perform the role and are also asked to confirm that they are able to carry out the required commitment.

Audit Committee

The members of the Audit Committee are Dean Moore (Chairman) and Adrian Chamberlain.

The Committee met on four occasions during the year.

Details of the Committee's activities and composition are contained in the Audit Committee Report set out on pages 41 to 43.

Remuneration Committee

The members of the Remuneration Committee are Adrian Chamberlain (Chairman) and Dean Moore.

The Committee met on two occasions during the year.

Details of the Committee's activities are contained in the Directors' Remuneration Report set out on pages 44 to 58.

Board effectiveness

Composition, independence and diversity on the Board

During the year the Board comprised the Executive Chairman, CFO and two Non-Executive Directors. The QCA Corporate Governance Code requirement for at least two independent Non-Executive Directors has been met. Dean Moore and Adrian Chamberlain are considered by the Board to be independent of management and free from any business or other relationship that could materially interfere with the exercise of their judgement.

The composition of the Board represents a mixture of skills, background and experience gained from varied commercial backgrounds and is essential to the long term success and strategic growth of the Company.

Female representation on the Board is zero. The Board recognises the importance of gender diversity in the Company and is committed to promoting gender diversity throughout the organisation. Further information on the total female representation in our workforce is provided in our Corporate and Social Responsibility Report on page 30.

Re-election of Directors

Directors are elected by shareholders at the first Annual General Meeting ('AGM') after their appointment and, thereafter, may offer themselves up for re-election by shareholders at regular intervals and in any event at least once every three years. The Company intends to continue with this practice but will review this regularly. Daren Morris will be offered for election to the Board at the next AGM.

Conflicts of interest

Under the Companies Act 2006, a Director must avoid a situation where a direct or indirect conflict of interest may occur and procedures are in place to manage any circumstance where a conflict may be perceived. The Company's Articles of Association allow the Board of Directors to authorise potential and actual conflicts of interest where appropriate.

Performance evaluation

During the year, the Executive Chairman met with the Non-Executive Directors without the CFO present, and the acting Senior Independent Director met with the other Non-Executive Director without the Executive Chairman or CFO present. Board member performance was discussed at these meetings and any performance concerns subsequently addressed.

The Board recognises that a robust performance evaluation is important to maximise Board effectiveness. At the end of the prior year, an external review of board skills and behaviours was carried out by an external consultant, Dobson Lyle. The findings from this review were provided to the Board and members have worked to address any concerns during the current year.

Development

All new Directors receive an induction programme tailored to their background and experience and the Company Secretary is charged with organising such programmes. In addition, all Directors are regularly informed of changes to relevant legislation or regulations and receive regular briefings on areas such as Directors' duties and corporate governance guidelines and best practice.

Individual Directors, with the support of the Company Secretary, are also expected to take responsibility for identifying their own training needs and to ensure that they are adequately informed about the Group and their responsibilities as a Director.

Accountability

Financial reporting

The Board is responsible for presenting a fair, balanced and understandable assessment of the Company. The Company has a comprehensive annual budgeting process and the annual budget is approved by the Board. Re-forecasts are presented to the Board during the year. The statement that gives the reasons why the Directors continue to adopt the going concern basis for preparing the financial statements is given in the Directors' Report on page 62.

Internal controls and risk management

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

There is an on going process for identifying, evaluating and managing the significant risks faced by the Group which has been in place for the year up to and including the date of approval of this report. During the year the Board continued to revisit its risk identification and assessment processes, inviting Board members and senior management to identify the Company's key risks and mitigating controls. The output from this process is the Group's risk register which explains the key risks faced by the Company, their potential impact, likelihood and how these risks are being managed. Read more about our Principal Risks and Uncertainties pages 24 to 29.

Corporate Governance Report continued

Key features of the Company's system of internal controls

Key elements of the Company's system of internal controls which have operated throughout the year are:

- A system of regular reports from management, setting out key performance and risk indicators;
- Rigorous short term management and forecasting of cash flow;
- A schedule of specific, key matters reserved for decision by the Board;
- A framework for reporting and escalating matters of significance;
- Group-wide procedures, policies and standards which incorporate statements of required behaviour;
- Continuous review of operating performance and monitoring of monthly results against annual budgets, and periodic forecasts;
- Risk-based internal audits of sites and/or business processes; audit observations and recommendations to improve controls are reported to management to ensure timely action, with oversight provided by the Audit Committee; and
- A well-publicised process and policy for employees to raise concerns and regular reports to the Audit Committee of all material disclosures made, the results of investigations and actions taken.

Through its risk management process and the review of effectiveness of the system of internal controls, the Board believes the control environment is adequate for a Group the size of Volex.

Relations with shareholders

The Board is responsible for effectively engaging with shareholders. The Board achieves this through regular dialogue with shareholders, brokers and analysts, with the Executive Chairman and CFO leading these relationships.

The Board takes steps to understand the views of major shareholders of the Company, including receiving feedback from shareholder meetings at each Board meeting and analyst / broker briefings. The Board always takes account of the corporate governance guidelines of institutional shareholders and their representative bodies such as the Investment Association and the National Association of Pension Funds. In addition, the Executive Chairman and CFO are available to meet with major and prospective shareholders. The SID and other Non-Executive Directors are available to attend shareholder meetings as necessary.

Annual General Meeting ('AGM')

The Notice of AGM will be dispatched to shareholders, together with explanatory notes or a circular on items of special business, at least 21 clear days before the meeting. Separate resolutions will be proposed on each substantially separate issue including a resolution relating to the Annual Report and Accounts.

The Non-Executive Directors will attend the forthcoming Annual General Meeting and are, with the other Directors, available to meet shareholders and answer questions; the Board welcomes questions from shareholders who are given the opportunity to raise issues in the AGM itself or informally before or after the meeting.

For each resolution, the proxy appointment forms provide shareholders with the option to direct their proxy vote either for or against the resolution or to withhold their vote.

The Company will ensure that the proxy form and any announcement of the results of a vote will make it clear that a 'vote withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against the resolution.

All valid proxy appointments are properly recorded and counted. For each resolution, after the vote has been taken, information on the number of proxy votes for and against the resolution, and the number of shares in respect of which the vote was withheld, are given at the meeting and are made available on the Company's website at **www.volex.com.**

By order of the Board

Daren Morris
Chief Financial Officer and Company Secretary
18 June 2018

Audit Committee Report

Dean Moore

> “Following my first year as Audit Committee Chair, I am comfortable that the accounts are fair, balanced and understandable and that the internal controls are appropriate given Volex’s size.”

Key objective

To support the Board’s duty of stewardship, the Committee aims to ensure appropriate corporate governance is applied to the Group’s systems of internal control, risk management and other compliance matters.

The Committee also monitors the integrity of financial information published externally for use by shareholders. We ensure that the integrity of the financial statements is supported by an effective external audit.

Governance

The role of the Audit Committee is defined by its terms of reference which can be found on the Volex website.

The Audit Committee is responsible for:

- Monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group’s financial performance and reviewing significant financial reporting judgements contained therein;
- Reporting to the Board as to whether the processes in place to confirm that the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable and contains the information necessary to allow shareholders to assess the Group’s performance, business model and strategy;
- Reviewing and challenging where necessary the appropriateness of accounting policies and the manner in which they are applied across the Group;
- Reviewing the Group’s internal financial controls and the Group’s internal control and risk management systems;
- Monitoring and reviewing the effectiveness of the Group’s internal audit function in the context of the Group’s overall risk management system;
- Reviewing the Group’s procedures for detecting and responding to fraud, bribery and the handling of allegations made by employees with respect to financial malpractice or other forms of whistle-blowing and oversight of any and all reports on such incidents; and
- Oversight of the relationship with the external auditor including where appropriate the recommendation of appointment or reappointment of the external auditors.

The Audit Committee reports its findings to the Board, identifying any matters on which it considers that action or improvement is needed, and makes recommendations on the steps to be taken.

Composition of the Audit Committee

The members of the Audit Committee were:

Name	Date of appointment
Dean Moore (Chairman)	18 April 2017
Adrian Chamberlain	16 June 2016
Robert Beveridge	15 April 2015 (resigned 27 July 2017)

The Committee members have the appropriate range of financial, commercial and risk management experience to fulfil its duties.

Audit Committee Report continued

Appointments are for a period of three years and are extendable by no more than two additional three-year terms. The Committee must consist of independent Non-Executives and requires a minimum of two independent Non-Executive members at any time.

The Audit Committee Chairman has recent and relevant financial experience, in line with the QCA Corporate Governance Code and Committee terms of reference. Biographical details are set out on page 34.

Meetings

The Audit Committee met four times in the year, in accordance with an agenda linked to events in the Group's financial calendar. The agenda is predominantly cyclical and is therefore approved by the Audit Committee Chairman on behalf of his fellow members. Each Audit Committee member has the right to request reports on matters of interest in addition to the cyclical items.

The Audit Committee invites the Group CFO, the Group Financial Controller and senior representatives of the external auditors to attend all of its meetings in full, although it reserves the right to request any of these individuals to withdraw. Other Directors can be invited to attend.

Main activities of the Committee during the year

Financial reporting

The primary role of the Audit Committee in relation to financial reporting is to review with both management and the external auditors (PricewaterhouseCoopers LLP, 'PwC'), and report to the Board where required, the appropriateness of the half-year and annual financial statements concentrating on, amongst other matters;

- The quality and acceptability of accounting policies and practices;
- The clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- Material areas in which significant judgements have been applied or there has been discussion with PwC;
- Whether the processes to ensure that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; and
- Any correspondence from regulators in relation to our financial reporting.

To aid our review the Committee considers reports from the Chief Financial Officer and the Group Financial Controller and reports from the external auditors. In addition, the Committee following their review of the Annual Report and Accounts, has challenged management on its content to ensure that the Report as a whole is fair, balanced and understandable.

The Committee has reviewed the paper on the critical judgements and estimates outlined in note 2 of the accounts on page 87. The primary areas of judgement considered and discussed by the Committee in relation to the FY2018 financial statements and how these have been addressed are listed below.

- Going concern – The Committee has reviewed the Group's budget and considered its compliance with bank facility covenants. The Committee has also considered sensitivities to the forecasts, the overlay arising from the post year end equity raise and reviewed the mitigations available to the Group. The Committee concluded that the Accounts should be prepared on a going concern basis;
- Non-recurring expenditure – Management has presented a breakdown of the non-recurring expenditure and explanations as to why the expense should be analysed as such. The Audit Committee has reviewed and discussed this analysis with management. Details are shown in note 4 on page 90. Non-recurring operating expenditure during the year was $1.6 million. The Committee agreed that these costs were suitably disclosed as non-recurring;
- Inventory provisions – the Committee reviewed the level of provision held against inventory in light of the Group's provisioning policy, the ageing of the stock and forecast future demand. Specific items one-off in nature or material due to their size were also considered. In light of this, the Committee believes that $3.5 million provision is reasonable.

Internal control, risk and compliance

The Audit Committee is required to assist the Board in its annual assessment of the effectiveness of the Volex risk management and internal control systems. To fulfil these duties, the Committee reviewed:

- The results, by exception, of the Annual Certificate of Compliance completed by all senior personnel in the organisation;
- The updated risk register prepared by Board members and senior management;
- The reports issued during the year by internal audit following their risk based review of sites and processes; and
- Investigations performed on all whistle-blowing, control breakdowns and fraudulent issues.

Details of our internal controls and risk management systems including controls over the financial reporting process can be found on pages 39 and 40 in the Corporate Governance Report with our risk factors in full in the Strategic Report on pages 24 to 29.

Internal Audit

The Internal Audit function is based in London, reports directly to the Audit Committee and has the support of executive management. The Audit Committee is responsible for ensuring the adequacy of resourcing and plans for the Internal Audit function. To fulfil these duties, the Committee:

- Establishes the function's terms of reference, reporting lines and access to the Audit Committee;
- Approves the appointment and removal of the Internal Auditor;
- Reviews and assesses the annual internal audit plan in the context of the Group's overall risk management system; and

Reviews promptly the Internal Audit reports produced from the site/process reviews and monitors management's responsiveness to the findings and recommendations included therein. With the Internal Audit function re-established only at the end of the prior year, a formal annual Internal Audit effectiveness review (soliciting feedback from members of the Audit Committee, Executive Management, management of sites that have been reviewed in the year and the Internal Auditor) was not conducted in FY2018.

The Group's Whistleblowing Policy contains arrangements for the Audit Committee to review in confidence all complaints.

External audit

The Audit Committee is responsible for the monitoring of the independence, objectivity and compliance with ethical and regulatory requirements of the external auditors. Details of the total remuneration for the auditors for the year can be found in note 8 on page 92 of the consolidated financial statements.

The Auditors' independence and objectivity is safeguarded by limiting the value and nature of external services provided by the auditors. The Group also has a policy of not recruiting employees of the external auditors who have worked on the audit in the last two years to senior positions in the Group. There is a rotation policy for the lead engagement partner.

Non-audit services provided by the auditors

The Audit Committee maintains a non-audit services policy which sets out the categories of non-audit services that the external auditors will and will not be allowed to provide to the Group, including those that are pre-approved by the Audit Committee and those that require specific approval before they are contracted for, subject to de minimis levels.

Non-audit fees for the year were $0.2 million (FY2017: $Nil). These fees related to a working capital and 'Financial Position and Prospects procedures' opinion provided as part of the transition from the Main Market of the London Stock Exchange to AIM. The level of fee is below the 70% threshold of the average Group audit fee for the previous three years.

Audit tender

The Audit Committee considers the reappointment of the external auditors each year. PwC has been our auditors since 4 April 2010 following a tender process. There are no contractual obligations that restrict the Committee's choice of external auditors.

To fulfil its responsibility regarding the independence and effectiveness of the external auditor, the Audit Committee:

- Reviewed the external auditors' plan for the current year and agreed the scope of the audit work to be performed;
- Agreed the fees to be paid to PwC for their audit of the 1 April 2018 financial statements and other non-audit fees;
- Reviewed a report from PwC describing their arrangements to identify, report and manage any conflicts of interest and confirming the basis of their independence;
- Reviewed the output from an Audit Effectiveness Questionnaire completed by Audit Committee members and senior members of the finance team who regularly interact with the external auditors;
- Assessed PwC's fulfilment of the agreed audit plan and any variations from that plan; and
- Assessed the robustness and perceptiveness of PwC in their handling of the key accounting and audit judgements.

The Audit Committee, having considered the length of PwC's audit tenure and the results of the above, continue to consider PwC to be independent and therefore have provided the Board with its recommendation that PwC be reappointed as external auditors for the 52 weeks ending 31 March 2019.

This will continue to be assessed on an annual basis in light of any guidance in respect of external audit tendering.

Summary

As a result of its work during the year, the Audit Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence and objectivity of the external auditors.

The Chairman of the Audit Committee will be available at the Annual General Meeting to answer any questions about the work of the Committee. We would welcome feedback from shareholders on this report.

On behalf of the Audit Committee

Dean Moore
Chairman of the Audit Committee

18 June 2018

Directors' Remuneration Report

Adrian Chamberlain

> The Committee is pleased to report the Company has performed well, when measured against the bonus targets that we set in last year's annual report."

Annual Statement

Overview From Chairman of the Remuneration Committee

I am pleased to introduce the Directors' Remuneration Report for the year ended 1 April 2018, which includes my statement, the Directors' Remuneration Policy and the Annual Report on Remuneration for the year.

FY2018 was a year in which we continued to see an improvement in our underlying business performance with improved pre-exceptional operating profits and a return to growth in overall revenue, following three years of decline.

We are pleased to report that the Company has performed well, when measured against the bonus targets that we set in last year's annual report. The Company has exceeded the maximum Group operating profit and return on capital targets, and exceeded the threshold revenue target. The Remuneration Committee has applied the bonus deferral policy (whereby two-thirds of any bonus above 25 per cent of annual salary is deferred into Volex shares) and therefore a significant proportion of the Executive Directors' bonuses have been deferred into Volex shares, and will vest after one year.

In FY2019, Executive Directors will continue to have the opportunity to earn up to 100% of annual salary under the plan. We have refined the targets for FY2019 to focus on sales, operating profit and cash generation. The purpose of this is to incentivise the Executive Directors to focus on operational and quality improvements, as well as top line growth. We want Volex to be a sustainable and cash generative company, that aims to pay regular dividends. Focusing the Executive Directors on cash generation aligns the interests of management with shareholders. Financial measures will make up 80% of the total opportunity for Executive Directors.

On 12 December 2017, Mr Morris was issued with an exceptional award under the PSP of 192% of base salary in recognition of his efforts in stabilising the Group and to ensure his ongoing retention. Major shareholders were consulted in respect of this award. On the same date, Mr Rothschild was issued with an award under the PSP of 96% of base salary. It is envisaged that an award of shares under the PSP will be made during the coming year, such award being in line with the policy.

Base salaries of the Executive Directors for FY2019 were reviewed and increased by 2.5% in line with UK employee salary increases.

The Remuneration Committee is continually aware and mindful of any potential risks associated with our remuneration programmes. We seek to provide a structure that encourages an acceptable level of risk taking through key performance measures and an optimal remuneration mix. The Committee undertakes annual third party evaluations to ensure our reward programmes achieve the correct balance and do not encourage excessive risk-taking. The Committee has considered the risk involved in the short and long term incentive schemes and is satisfied that the governance procedures mitigate these risks appropriately.

During the year the Committee reviewed the Remuneration Policy, and considered that it continues to be appropriate.

The Committee continues to welcome feedback from shareholders, and I hope we can continue to receive your support in future on the remuneration-related votes at our AGM.

On behalf of the Remuneration Committee

Adrian Chamberlain
Chairman of the Remuneration Committee
18 June 2018

Compliance statement

The Company is not listed on the main market and consequently is not required to follow the UK Corporate Governance Code. However, the Board is committed to maintaining high standards of corporate governance and the Directors intend, so far as is practicable given the Company's size and constitution of the Board, to comply with the provisions of the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Sized Companies (the 'QCA code').

Introduction

The Company's Remuneration Policy ('Policy') is designed to reinforce the Company's goals, providing effective incentives for exceptional Group and individual performance. The Committee regularly reviews the remuneration structure in place at Volex to ensure it remains aligned with our business strategy and reinforces our success, and aligns reward with the creation of shareholder value. The Committee strives to ensure that shareholders' interests are served by creating an appropriate balance between fixed and performance-related pay. A considerable part of the reward package is linked to share price performance and is delivered in shares.

Policy report

Volex's future Remuneration Policy for Executive Directors

The Policy Table below sets out the Remuneration Policy which was approved by shareholders at the 2017 AGM.

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Base salary To reflect market value of the role and individual's performance and contribution.	Reviewed on an annual basis, with any adjustments taking effect from 1 April. The Committee reviews base salaries with reference to: • The individual's performance, responsibility, skills and experience; • Company performance and market conditions; • Salary levels for similar roles at relevant comparators, including companies of similar market capitalisation to Volex and companies in a similar sector; and • Wider pay levels and salary increases across the Group. Payable in cash.	Base salary increases are applied in line with the outcome of the review as part of which the Committee also considers average increases across the Group. In respect of existing Executive Directors, it is anticipated that salary increases will generally be in line with those of salaried employees as a whole. In exceptional circumstances (including, but not limited to, a material increase in job size or complexity) the Committee has discretion to make appropriate adjustments to salary levels to ensure they remain market competitive.	Company and individual performance are considerations in setting Executive Director base salaries.
Pension To provide a market competitive pension.	Executives participate in a money purchase scheme or other scheme as may be appropriate from time to time (e.g. taking into account location).	Executive Directors receive a contribution of up to 20% of salary. This may be exceeded in exceptional circumstances (e.g. recruitment).	Not performance-related.

Directors' Remuneration Report continued

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Benefits To provide market competitive benefits.	Benefits may include fuel costs, travel allowances, private medical insurance, critical life and death in service cover. Other benefits may be awarded as appropriate and include relocation and other expatriate benefits.	Benefits may vary by role and individual circumstances and are reviewed periodically. Benefits are not anticipated to exceed 10% of salary over three financial years. The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation) or in circumstances where factors outside of the Company's control have materially changed (e.g. increases in medical insurance premiums).	Not performance-related.
Annual bonus To incentivise delivery of the Group's annual financial and strategic goals.	Performance is measured on an annual basis for each financial year. KPIs are established at the start of the year that are directly related to and reinforce the business strategy. Stretch targets are set for each KPI; at the end of the year the Committee determines the extent to which these were achieved. The Remuneration Committee policy require a proportion of any annual bonus award to be deferred into shares for at least one year, subject to continued employment. Two-thirds of any bonus above 25 per cent of annual salary shall be deferred into Volex shares. Annual bonus amounts paid and vested deferred bonus awards are subject to clawback. Malus may be applied to the in-year bonus (i.e. the bonus opportunity for the year may be reduced) and to unvested deferred bonus awards.	The maximum bonus for Executive Directors is 100% of salary p.a. For threshold performance, 20% of the bonus is payable. For performance between threshold and maximum, the bonus pay-out will increase straight-line.	KPIs selected and their respective weightings may vary from year to year depending on strategic priorities. Measures may include financial and non-financial metrics. Corporate measures will be weighted each year according to business priorities. Measures will include a measure of operating profit. The range of performance required under each measure is calibrated with reference to Volex's internal budgets. Financial measures will make up at least 80% of the total opportunity. The Committee has discretion to adjust the formulaic bonus outcome both upwards and downwards to ensure alignment of pay with the underlying performance of the business over the financial year, and to take into account personal performance over the course of the year. Further details of performance conditions are provided in the Annual Report on Remuneration on page 56.

Purpose and link to strategy	Operation	Opportunity	Performance metrics
PSP To drive performance, aid retention and align the interests of Executive Directors with shareholders.	The Committee may grant annual awards in the form of shares or nominal value options which vest after at least three years, subject to performance conditions. The award levels and performance conditions are reviewed in advance of grant to ensure they remain appropriate. Unvested awards under the PSP are subject to malus and vested awards are subject to clawback. PSP awards will have a performance period of at least three years and a minimum vesting period of three years. If no entitlement has been earned at the end of the relevant performance period, awards will lapse.	The PSP provides for annual awards of performance shares of up to 100% of salary for the Executive Directors. This limit may be exceeded in circumstances in which the Committee, at its absolute discretion, deems appropriate. Under each measure, threshold performance will result in 30% of maximum vesting for that element, rising on a straight-line to full vesting.	Awards vest subject to continued employment and Company performance. The performance measures are currently relative Total Shareholder Return ('TSR') and cumulative operating profit but the Committee may also include additional measures. The weighting on TSR for any PSP award will be at least 50%. The Committee reviews the comparator group(s) against which TSR performance is measured from time to time to ensure it remains aligned with shareholder interests. As under the annual bonus, the Committee has discretion to adjust the formulaic PSP outcomes to ensure alignment of pay with performance, i.e. to ensure the outcome is a true reflection of the performance of the Company. Further details of performance conditions are provided in the Annual Report on Remuneration on page 56.

Notes to the Policy Table

Performance measurement selection

The aim of the annual bonus plan is to reward key executives over and above base salary for the achievement of business objectives. The bonus criteria are selected annually to reflect the Group's main KPIs for the year and are designed to encourage continuous performance improvement for the Group. Group financial performance targets relating to the annual bonus plan are set from the Company's annual budget, which is reviewed and signed off by the Board prior to the start of each financial year. Operating profit is used as a key performance indicator for the annual bonus plan because it is a clear measure of the underlying financial performance of the Group.

Long term share-based incentives ('LTI') are designed to align the interests of key executives with the longer term interests of the Company's shareholders by rewarding them for delivering sustained, increased shareholder value. Accordingly, the vesting of LTI share awards is linked to performance conditions, in particular to the Company's relative total shareholder return and operating profit. Relative TSR has been selected as it is directly aligned with shareholder interests. Operating profit has been selected as it is a key measure of long term performance for Volex and is closely aligned with the Company's strategic plans. The Committee believes that the minimum three-year performance period is in line with market and therefore aids the recruitment of senior hires. For the LTI, performance measures and targets are reviewed by the Committee ahead of each grant and must be considered by the Committee to be challenging but achievable.

Targets applying to the bonus and PSP are reviewed annually, based on a number of internal and external reference points. Performance targets are set to be stretching but achievable, with regard to the particular strategic priorities and economic environment in a given year.

Directors' Remuneration Report continued

Remuneration policy for other employees

Volex's approach to annual salary reviews is consistent across the Group, with consideration given to the level of experience, responsibility, individual performance and salary levels in comparable companies. The majority of employees are eligible to participate in an annual bonus scheme. Opportunities and specific performance conditions vary by organisational level with business area-specific metrics incorporated where appropriate. Executive Committee members are eligible to participate in the LTI. Performance conditions are consistent for all participants, while award sizes vary by organisational level. Specific cash incentives are also in place to motivate, reward and retain staff below Board level.

Shareholding guidelines

The Committee continues to recognise the importance of Executive Directors aligning their interests with shareholders through building up a significant shareholding in the Company. Shareholding guidelines are in place that require Executive Directors to acquire over time a holding, equivalent to 100% of base salary. Other executives are required to acquire a holding over time equivalent to 50% of base salary. Executives are expected to retain at least 50% of any LTI shares acquired on vesting (net of tax) until the guideline level is achieved.

Volex's future Remuneration Policy for Non-Executive Directors

The Board determines the Remuneration Policy and level of fees for the Non-Executive Directors, within the limits set out in the Articles of Association. The Remuneration Committee recommends the Remuneration Policy and level of fees for the Executive Chairman. Non-Executive Directors are not eligible to participate in the annual bonus, PSP or pension schemes. The current Policy is:

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Fees To reflect market competitive rates for the role, as well as individual performance and contribution.	Non-Executive Directors receive a basic fee for their respective roles. Additional fees are paid to Non-Executive Directors for additional services, e.g. such as chairing a Board Committee, supporting the Board on matters that require significant time commitment over and above that expected to fulfil their normal duties, etc. Fees are reviewed annually with reference to information provided by remuneration surveys, the extent of the duties performed, and the size and complexity of the Company. Fee levels are benchmarked against sector comparators and FTSE-listed companies of similar size and complexity. Payable in cash.	Fee increases are applied in line with the outcome of the annual review. There is no prescribed maximum fee. It is expected that increases to Non-Executive Director fee levels will be in line with salaried employees over the life of the policy. However, in the event that there is a material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil a Non-Executive Director role, the Board has discretion to make an appropriate adjustment to the fee level.	Not applicable.

Pay scenario charts

The charts opposite provide estimates of the potential future reward opportunity for the current Executive Directors, and the potential split between the different elements of remuneration under three different performance scenarios: 'Minimum', 'On Target/Threshold' and 'Maximum'.

Potential reward opportunities illustrated below are based on the Remuneration Policy, applied to the base salary as at 1 April 2018. For the annual bonus, the amounts illustrated are those potentially receivable in respect of performance for FY2019. For the PSP, the award opportunities are based on those PSP awards which are expected to be granted in FY2019. It should be noted that PSP awards granted in a year normally vest on the third anniversary of the date of grant, and the projected value of PSP amounts excludes the impact of share price movement over the vesting period.

In illustrating potential reward opportunities the following assumptions have been made:

	Component	'Minimum'	'On-target'	'Maximum'
Fixed	Base salary	Latest known salary		
	Pension	Contribution rate applied to latest known salary		
	Other benefits	Benefits as provided in the single figure table (excluding relocation allowances)		
Annual bonus		No bonus payable	Target bonus (20% of max)	Maximum bonus
PSP		No LTIP vesting	Threshold vesting (30% of max)	Maximum vesting

Executive Chairman – Nat Rothschild

Maximum 942,000
On-target/Threshold 471,000
Minimum 314,000
£'000s 0 200 400 600 800 1,000 1,200
Salary STIP LTIP

CFO – Daren Morris

Maximum 1,010,000
On-target/Threshold 539,000
Minimum 382,000
£'000s 0 200 400 600 800 1,000 1,200
Salary STIP LTIP

Approach to recruitment remuneration

External appointment

In the cases of hiring or appointing a new Executive Director from outside the Company, the Committee may make use of any or all of the existing components of remuneration, as follows:

Component	Approach	Maximum value
Base salary	The base salaries of new appointees will be determined by reference to the individual's role and responsibilities, experience and skills, relevant market data, internal relativities and their current basic salary. Where new appointees have initial basic salaries set below market, any shortfall may be managed with phased increases over a period of one to two years subject to their development in the role.	Not applicable.
Pension	New appointees will be eligible to participate in the Group's defined contribution pension plan or to receive a cash allowance.	
Benefits	New appointees will be eligible to receive benefits in line with the Policy.	
Annual bonus	The annual bonus described in the Policy Table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of employment over the year. Targets for the individual element will be tailored to the Executive.	Up to 100% of salary p.a.
PSP	New appointees will be eligible for awards under the PSP which will normally be on the same terms as other Executive Directors, as described in the Policy Table.	Up to 200% of salary p.a.

Directors' Remuneration Report continued

In determining an appropriate remuneration package, the Remuneration Committee will take into consideration all relevant factors (including quantum, nature of remuneration and the jurisdiction from which the candidate was recruited) to ensure that arrangements are in the best interests of both Volex and its shareholders. In addition to the above elements of remuneration, the Committee may consider it appropriate to grant an award under a different structure in order to facilitate the recruitment of an individual, exercising the discretion available under the relevant Listing Rule to replace incentive arrangements forfeited on leaving a previous employer. Such 'buyout awards' would have a fair value no higher than that of the awards forfeited. In doing so, the Committee will consider relevant factors including any performance conditions attached to these awards, the likelihood of those conditions being met and the proportion of the vesting period remaining.

Internal promotion

In cases of appointing a new Executive Director by way of internal promotion, the Remuneration Committee will be consistent with the policy for external appointees detailed above. Where an individual has contractual commitments made prior to their promotion to Executive Director level, the Company will continue to honour these arrangements.

Non-Executive Directors

In the case of hiring or appointing a new Non-Executive Director, the Committee will follow the Policy as set out in the table on page 48. A base fee in line with the prevailing fee schedule would be payable for Board membership, with additional fees payable for additional services, such as chairing a Board Committee or acting as a Senior Independent Director.

Service contracts

The Code and guidelines issued by institutional investors recommend that notice periods of no more than one year be set as an objective for Executive Directors and that any payments to a departing Executive Director should be determined having full regard to the duty of mitigation. It is the Company's intention to meet these guidelines and the Company policy is that Executive Director's service contracts may be terminated by either party on not more than 12 months' notice.

The Executive Directors are employed under contracts of employment with Volex Plc. The principal terms of the Executive Directors' service contracts are as follows:

Executive Director	Position	Effective date of contract	Notice period	
			From Company	From Director
Nathaniel Rothschild	Executive Chairman	1 December 2015	6 months	6 months
Daren Morris	Chief Financial Officer	8 June 2015	6 months	6 months

Letters of appointment are provided to the Non-Executive Directors. Non-Executive Directors have letters of appointment effective for a period of three years. Non-Executive Directors' letters of appointment are available to view at the Company's registered office.

Directors' letters of appointment and the unexpired period of their appointments (where appropriate after extension by re-election) are set out below:

Non-Executive Director	Date of letter	Unexpired term as at 1 April 2018	Date of appointment	Notice period
Adrian Chamberlain	16 June 2016	15 months	16 June 2016	3 months
Dean Moore	18 April 2017	24 months	18 April 2017	3 months

Payment policy on exit and/or change of control

The Company's Policy is to limit any payment made to a departing Director to contractual arrangements and to honour any pre-established commitments. As part of this process, the Committee will take into consideration the Executive Director's duty to mitigate their loss.

If employment is terminated by the Company, the departing Executive Director may have a legal entitlement (under statute or otherwise) to certain payments, which would be met. In addition, the Committee retains discretion to settle any other amounts reasonably due to the Executive Director, for example to meet the legal fees incurred by the Executive Director in connection with the termination of employment, where the Company wishes to enter into a settlement agreement (as provided for below) and the individual must seek independent legal advice.

In certain circumstances, the Committee may approve new contractual arrangements with departing Executive Directors including (but not limited to) settlement, confidentiality, restrictive covenants and/or consultancy arrangements. These will be used sparingly and only entered into where the Committee believes that it is in the best interests of the Company and its shareholders to do so.

In addition to the contractual provisions regarding payment on termination set out above, the table below summarises how the awards under the annual bonus and PSP are typically treated in different leaver scenarios and a change of control. Whilst the Committee retains overall discretion on determining 'good leaver' status, it typically defines a 'good leaver' in circumstances such as injury or disability, death, redundancy, retirement with the consent of the company or any other reason as the Committee decides. Final treatment is subject to the Committee's discretion.

Event	Timing of vesting/award	Calculation of vesting/payment
Annual bonus		
'Good leaver'	Paid at the same time as continuing employees.	Eligible for an award to the extent that performance targets are satisfied and the award is prorated for the proportion of the financial year served.
'Bad leaver'	No annual bonus payable.	Not applicable.
Change of control	Generally paid immediately on the effective date of change of control, with Committee's discretion to treat otherwise.	Eligible for an award to the extent that performance targets are satisfied up to the change of control, subject to Remuneration Committee discretion, and the award is prorated for the proportion of the financial year served to the effective date of change of control.
Deferred bonus		
'Good leaver'	Continue until the normal vesting date or earlier, at the discretion of the Committee. In the event of death of a participant, the award would vest immediately.	Outstanding awards vest in full.
'Bad leaver'	Outstanding awards are forfeited.	Not applicable.
Change of control	Vest immediately on the effective date of change of control.	Outstanding awards vest in full.
PSP		
'Good leaver'	Continue until the normal vesting date or earlier, at the discretion of the Committee. In the event of death of a participant, the award would vest immediately.	Outstanding awards vest to the extent the performance conditions are satisfied and the awards are prorated to reflect the length of the vesting period served unless the Board decides otherwise. In the event of the death of a participant during the performance period, the award would vest in full.
'Bad leaver'	Outstanding awards are forfeited.	Not applicable.
Change of control	Vest immediately on the effective date of change of control.	Outstanding awards vest subject to the satisfaction of performance conditions as at the effective date of change of control, subject to Remuneration Committee discretion, and the award is prorated for the proportion of the vesting period served to the effective date of change of control unless the Board decides otherwise.

External appointments

With the approval of the Board in each case, and subject to the overriding requirements of the Group, Executive Directors may act as Non-Executive Directors to other companies and retain any fees received.

Directors' Remuneration Report continued

Annual Report on Remuneration

The following section provides details of how the Remuneration Policy was implemented during the year.

Remuneration Committee membership in FY2018

The Committee met two times during the year under review. Attendance by individual Committee members at meetings is detailed below.

Committee member	Member throughout 2017/18	Number of meetings attended
Robert Beveridge[1]	No	1
Adrian Chamberlain	Yes	2
Dean Moore[2]	No	2

1 resigned on 27 July 2017.
2 appointed on 18 April 2017.

During the year, the Committee sought internal support from the Executive Chairman and Chief Financial Officer who attended Committee meetings by invitation from the Chairman, to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of senior managers. No individuals are involved in decisions relating to their own remuneration. The Company Secretary attended each meeting as Secretary to the Committee.

Agenda during FY2018

The agenda during FY2018 included:

- Approval of the FY2017 Directors' Remuneration Report;
- Evaluation of PSP proposals;
- Review of Executive Directors' shareholdings;
- Consideration of advisory bodies' and institutional investors' current guidelines on executive compensation, and any changes following the move to AIM;
- Review and ratification of the Remuneration Policy and remuneration packages for Directors for FY2019, incorporating institutional investor feedback; and
- Evaluation of the proposal for the FY2018 annual bonus plan.

Advisers

In undertaking its responsibilities, the Committee seeks independent external advice as necessary. To this end, for the year under review, the Committee continued to retain the services of Kepler, a brand of Mercer ('Kepler') as the principal external advisers to the Committee. The Committee evaluates the support provided by its advisers annually and is comfortable that the Kepler team provides independent remuneration advice to the Committee and does not have any connections that may impair independence.

No fees (2017: $4,175) were paid to advisers in respect of work carried out for the year under review.

Summary of shareholder voting at the FY2017 AGM

The table below shows the results of the advisory vote on the FY2017 Remuneration Report at the AGM on 27 July 2017 and the binding vote on the Remuneration Policy at the 27 July 2017 AGM. It is the Remuneration Committee's policy to consult with major shareholders prior to any major changes to its Executive Directors' remuneration structure.

	FY17 Remuneration Report		Remuneration Policy	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For (including discretionary)	61,079,327	99.9%	61,081,377	99.9%
Against	44,749	0.1%	41,761	0.1%
Total votes cast (excluding withheld[1] votes)	61,124,076	100%	61,123,138	100%
Votes withheld	4,550		5,488	
Total votes cast (including withheld votes)	61,128,626		61,128,626	

1 A withheld vote is not a vote in law and is not counted in the calculation of the proportion of votes cast for and against a resolution.

Single figure of Executive Director remuneration

The table below sets out a single figure for the total remuneration received by each Executive Director for the year ended 1 April 2018 and the prior year:

		Salary	Benefits[1]	Pension[2]	Cash annual bonus[3]	PSP[4]	Deferred annual bonus (restricted shares)[3]	Total
Name	Year	GBP	GBP	GBP	GBP	GBP	GBP	GBP
Nathaniel Rothschild	2018	£306,300	£731	–	£126,604	–	£100,058	£533,693
	2017	£241,665	–	–	–	–	£150,000	£391,665
Daren Morris	2018	£306,273	£5,232	£61,260	£132,730	–	£112,310	£617,805
	2017	£300,000	£7,209	£60,030	£100,000	–	£50,000	£517,239

1 Taxable value of benefits received in the year by Executives includes healthcare and life assurance.

2 Pension: During the year, Daren Morris participated in a money purchase scheme into which the Company contributed 20% of salary.

3 Annual bonus: The FY2018 targets were partially met and between 74-80 per cent of maximum bonuses were awarded. In accordance with the policy two-thirds of any bonus above 25 per cent of annual salary is deferred into Volex shares. These deferred shares are exercisable after one year from the award date subject to on going service. The FY2017 targets were partially met and 50% of the maximum bonus was awarded. In respect of Daren Morris, one-third of the bonus was deferred into shares for one year. In respect of Nathaniel Rothschild, 100% of his bonus was deferred into shares for one year. Details can be found on page 54 of this report.

4 None of the Executive Directors incumbent in the relevant years were party to PSPs that vested in the year.

Single figure of Non-Executive Director remuneration and Non-Executive Director fees

The table below sets out a single figure for the total remuneration received by each Non-Executive Director for the year ended 1 April 2018 and the prior year:

Non-Executive Director	Year	Base fee (£)	Committee fee (£)	Additional fee (£)	Benefits in kind (£)	Total
Dean Moore	**2018**	45,718	13,333	–	–	**59,051**
	2017	–	–	–	–	**–**
Adrian Chamberlain	**2018**	44,841	8,800	–	–	**53,641**
	2017	26,621	5,071	–	–	**31,692**
Robert Beveridge	**2018**	10,683	2,035	–	–	**12,718**
	2017	35,700	6,800	–	–	**42,500**
Martin Geh	**2018**	–	–	–	–	**–**
	2017	10,500	2,000	–	–	**12,500**

The Non-Executive Directors are not eligible for bonuses, retirement benefits and cannot participate in any share scheme operated by the Company. The base fees during the year and for FY2019 (effective from the date of the AGM) are:

	Fee[1]	
	FY2019	**FY2018**
Non-Executive Director base fee	£50,000	£50,000
Senior Independent Director fee	£10,000	£10,000
Committee Chairman additional fee	£10,000	£10,000

1 Remuneration comprises an annual fee for acting as a Non-Executive Director of the Company. Additional fees are paid to Non-Executive Directors in respect of service as Chairman of the Audit and Remuneration Committees.

Incentive outcomes for the year ended 1 April 2018

Annual bonus in respect of FY2018 performance

For FY2018, the maximum bonus potential for the Executive Directors was set at 100% of basic annual salary with 25% based on achieving an operating profit target, 25% on achieving a return on capital employed target, 30% based on achieving a Sales target and 20% based on achieving personal objectives.

Directors' Remuneration Report continued

The performance against the criteria, as defined, determined that bonuses would be earned under the annual bonus plan at the level of 74% for Mr Rothschild and 80% for Mr Morris. The Remuneration Committee has applied the bonus deferral policy (whereby two-thirds of any bonus above 25 per cent of annual salary is deferred into Volex shares) and therefore a significant proportion of the Executive Directors' bonuses (approximately 45%) have been deferred into Volex shares, and will vest after one year.

Annual bonus in respect of FY2016 and FY2017 performance

The targets included in the FY2016 bonus plan were not met and as a result no bonus payments were paid.

For FY2017, the maximum bonus potential for the Executive Directors was set at 100% of basic annual salary with 50% based on achieving an Operating Profit target and 50% on achieving a return on capital employed target.

The performance against the criteria, as defined, determined that bonuses would be earned under the annual bonus plan at the level of 50% of maximum. The Remuneration Committee decided to exercise its discretion and require that one-third of the annual bonus for Executive Directors was deferred into shares for a period of one year. Mr Rothschild agreed to defer 100% of his bonus into shares.

Annual bonus target for FY2019 performance

Corporate targets set by the Committee require Executive Directors to deliver significant stretch performance. The Committee has taken the decision to publish performance targets prospectively. For FY2019 targets see page 56.

PSP Schemes

No PSP awards held by the Executive Directors were due to vest based on performance periods ending in the year under review.

Scheme interests awarded in FY2018

The following awards were granted during the year under the PSP:

	PSP award			
	Date of grant	Number of shares	Market price at date of award	Face value
Executive Chairman	12 December 2017[1]	350,000	83.4p	£291,813
CFO	12 December 2017[1]	700,000	83.4p	£583,625

1 The awards will vest on the third anniversary of the grant date. The performance condition is 50% based on TSR outperformance of the constituents of the FTSE ASX index and 50% based on cumulative operating profit. The three-year performance period over which operating profit performance will be measured began on 3 April 2017 and will end on 1 April 2020.

The FY2018 award to the Executive Chairman amounts to 96% of base salary and to the CFO amounts to 192% of base salary.

There is no retest provision. In addition, for any shares to vest on TSR, the Committee must satisfy itself that the recorded TSR is a genuine reflection of the underlying business performance of Volex.

A summary of performance measures, weightings and targets for awards granted during the year is provided below:

Performance condition	TSR (share price growth plus reinvested dividends) relative to companies in the FTSE ASX Index		Cumulative operating profit
Weighting	50%		50%
Level of performance	Company's TSR outperformance of the index	% of award vesting[1]	% of award vesting[1]
Threshold	Index	30%	30%
Maximum	Index + 15% p.a.	100%	100%

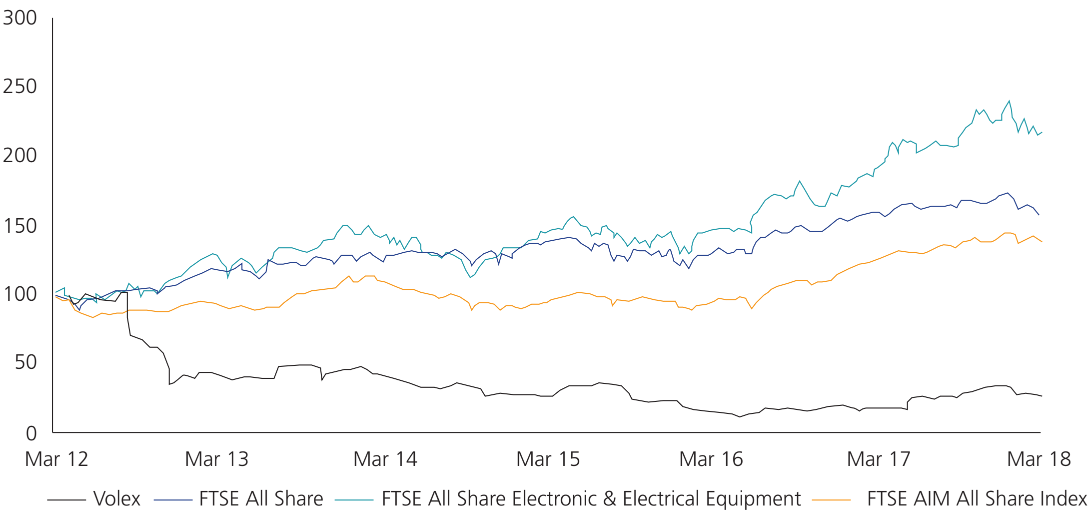
1 There is straight-line vesting between the 'threshold' and 'maximum' performance levels.

Specific targets for operating profit are deemed to be commercially sensitive and will not be published until such time that the Committee is confident there will be no adverse impact on the Company of such disclosure. At this time, the Committee believes that disclosure of targets within three years of the determination of bonuses is appropriate (i.e. not later than the 2021 Directors' Remuneration Report).

Payments for loss of office
No Executive Directors left the Group during the year, and therefore no payments were made.

Payments to past Directors
No payments were made to past Directors during the year.

Six-year TSR performance review and CEO single figure
The following graph charts the TSR of the Company and the FTSE All Share, FTSE All Share Electronic and Electrical Equipment and FTSE AIM All Share indices over the six-year period from March 2012 to March 2018. In the opinion of the Directors, these indices are the most appropriate against which the total shareholder return of Volex should be measured. The table below details the single figure remuneration for the CEO and Executive Chairman over the same period.



Source: Bloomberg
Note: TSR is calculated on a common currency basis.

	2013	2014[1]	2015	2016[3]	2017	**2018**
CEO / Executive Chairman single figure of remuneration (£'000)	1,667	1,654	906	547	392	**534**
Annual bonus pay-out (% of maximum)	0%	0%[2]	76%[2]	0%	50%	**74%**
PSP vesting (% of maximum)	100%	0%	0%	0%	0%	**0%**

1 The comparison of CEO remuneration is made complex by the change in CEO during the year. Christoph Eisenhardt replaced Ray Walsh on 1 July 2013. For the purposes of the table above, the FY2014 CEO remuneration was calculated on a prorata basis based on three months of Ray Walsh up to 30 June 2013 and nine months of Christoph Eisenhardt from 1 July 2013.

2 Note that no bonus was payable in FY2014 as the Committee linked payment to revenue performance in the first quarter of FY2015. These targets were met. No additional bonuses was payable in respect of the FY2015 annual bonus plan.

3 The comparison of CEO remuneration is made complex by the change in CEO during the year. Christoph Eisenhardt resigned in September 2015 and the position was temporarily filled by Geraint Anderson as interim CEO before the position of CEO was replaced by an Executive Chairman, Nathaniel Rothschild. The single figure above is an aggregate of the amounts due to each individual during their time in the relevant role.

Directors' Remuneration Report continued

Implementation of Executive Director Remuneration Policy for FY2019

Base salary

Market positioning of base salary is approached on an individual basis, taking account of advice received from the Committee's independent advisors on the rates of salary for similar roles in selected groups of comparable companies and the individual performance and experience of each Executive. The aim is for base salary to be set with reference to the market median, dependent on the Committee's view of individual and Group performance.

The Committee reviewed salaries during the year and agreed that there would be an increase approximately in line with UK inflation of 2.5%.

Executive Director	Base salary in place prior to review	Base salary effective from 1 April 2018	Percentage increase from 1 April 2018
Nathaniel Rothschild	£306.3k	£314.0k	2.5%
Daren Morris	£306.3k	£314.0k	2.5%

A salary increase averaging 2.5% across the UK employee population was awarded at the annual pay review.

Pension

The Chief Financial Officer will continue to receive a pension contribution of 20% of salary. The Executive Chairman does not receive a pension benefit.

Annual bonus

The annual bonus for FY2019 will operate on the criteria set out in the Policy. The Committee, has approved a maximum annual bonus opportunity of 100% of salary for the Executive Directors.

As outlined above, going forward, the Committee has committed to disclose targets on a prospective basis. For FY2019, the maximum bonus potential for the Executive Directors was set at 100% of basic annual salary with 30% based on achieving an operating profit target, 25% on an improvement in average net cash target, 25% on a sales target and 20% based on achieving personal objectives. Proposed target levels have been set to be challenging relative to the FY2019 business plan, and are as follows:

	Threshold (20%)	Maximum (100%)
Group operating profit	$14.5m	$16.5m
Improvement in average net cash	$3.0m	$5.0m
Group sales	$350m	$360m
Personal objectives	n/a	n/a

PSP

The Executive Directors will receive an award of up to 100% of salary. Final vesting of any grant will depend on the achievement of three-year relative TSR outperformance vs. the FTSE ASX Index and cumulative operating profit, as follows:

Performance condition	TSR (share price growth plus reinvested dividends) relative to companies in the FTSE ASX Index		Cumulative operating profit
Weighting	50%		50%
Level of performance	Company's TSR outperformance of the index	% of award vesting[1]	% of award vesting[1]
Threshold	Index	30%	30%
Maximum	Index + 15% p.a.	100%	100%

[1] There is straight-line vesting between the 'threshold' and 'maximum' performance levels.

Specific targets for the operating profit are deemed to be commercially sensitive and will not be published until such time that the Committee is confident there will be no adverse impact on the Company of such disclosure. At this time, the Committee believes that disclosure of targets within three years of the determination of vesting, i.e. not later than the 2022 Directors' Remuneration Report, is appropriate.

Awards will vest three years from the grant date. Further details of the grant date and number of interests awarded will be disclosed in the 2019 Annual Report on Remuneration.

Chairman and Non-Executive Director fees

The Board determined that Non-Executive remuneration should be maintained at the current levels given the 19% increase granted in July 2017. Fee levels will continue to be reviewed on an annual basis.

	FY18 fees	**FY19 fees**
Base fees		
Chairman	N/a	**N/a**
Non-Executive Director	£50k	**£50k**
Additional fees		
Audit Committee Chair	£10k	**£10k**
Remuneration Committee Chair	£10k	**£10k**

Directors' interests

The table below shows the Directors' interests in shares and the extent to which Volex's shareholding guidelines are achieved.

	Number of shares held as at 1 April 2018 (or date of resignation)	Current shareholding (% salary/fees)	Shareholding[1] guideline (as % of salary)	Guideline met
Nathaniel Rothschild[2]	23,015,771	4,832%	100%	Yes
Daren Morris	375,000	79%	100%	No
Adrian Chamberlain	24,986	n/a	n/a	n/a
Dean Moore	15,000	n/a	n/a	n/a

1 The shareholding guidelines were approved by the Remuneration Committee in March 2014. The guidelines require the Executive Directors to acquire over time (to the extent they have not already done so) and maintain an ownership level of holdings of shares in Volex plc. There is no time limit defined for achieving the target level. The Executive Directors must (unless a waiver is obtained from the Remuneration Committee) retain a minimum of 50% of net shares (i.e. after statutory deductions) acquired under the relevant Employee Equity Plans until the relevant ownership level is met.

2 Nathaniel Rothschild's shareholding is held directly and through NR Holdings Limited.

The table below shows the Executive and Non-Executive Directors' interests in shares which includes all shares owned beneficially together with those interests in shares which have vested and are no longer subject to deferral or performance conditions and may be included as an interest in shares under Volex's shareholding guidelines plus those shares and options over which future performance conditions remain.

				Subject to performance		
	Shares held	Vested but unexercised	Not subject to performance	PSP	Deferred Shares[1]	Total
Nathaniel Rothschild	23,015,771	–	–	1,606,168	352,941	24,974,880
Daren Morris	375,000	–	–	2,319,057	117,647	2,811,704
Adrian Chamberlain	24,986	–	–	–	–	24,986
Dean Moore	15,000	–	–	–	–	15,000

1 Post year end, Nathaniel Rothschild has been awarded 125,701 deferred shares and Daren Morris 141,093 deferred shares as part of the FY2018 bonus plan.

Directors' Remuneration Report continued

Directors' interests in shares and options under Volex PSP

Details of the Directors' interest in long-term incentive schemes are set out below. Details, including explanation of movements during FY2018 are set out on page 54 of this Remuneration Report

Volex Group plc Performance Share Plan (PSP)

	Number of shares subject to PSP options held at 2 April 2017	Number of shares subject to PSP options granted during FY2018	Number of shares subject to PSP options exercised during FY2018	Number of shares subject to PSP options lapsed during FY2018	**Number of shares subject to PSP options held at 1 April 2018**	Exercise price of shares subject to PSP options (£)
Nathaniel Rothschild	1,256,168	350,000	–	–	**1,606,168**	0.25
Daren Morris	1,619,057	700,000	–	–	**2,319,057**	0.25

The Directors' Remuneration Report was approved by the Board of Directors on 18 June 2018 and signed on its behalf by:

A. Chamberlain

Adrian Chamberlain
Chairman of the Remuneration Committee

Directors' Report

Statement of the Directors' responsibilities

The Directors of Volex plc (the 'Company') are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

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

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

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

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed on page 34 confirm that, to the best of their knowledge:

- The Group and Company financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and Company;
- The Strategic Report, on pages 04 to 31, includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces; and
- The Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

By order of the Board

Nathaniel Rothschild
Executive Chairman

Daren Morris
Chief Financial Officer & Company Secretary

Directors' Report continued

The Directors of the Company present their Annual Report for the year ended 1 April 2018. Certain information required for disclosure in this report is provided in other appropriate sections of the Annual Report and Accounts. These include the Corporate Governance Report, the Directors' Remuneration Report, the Strategic Report and the financial statements together with the notes to those financial statements and accordingly these are incorporated into this report by reference.

Results and dividend

Results for the year ended 1 April 2018 are set out in the consolidated income statement on page 72.

The Board is not recommending payment of a final dividend for the 52 weeks ended 1 April 2018 (2017: $nil).

Post balance sheet events

On 30 April 2018, the Group completed the acquisition of MC Electronics LLC, a North-American based manufacturer of customised complex medical and industrial cables, wire harnesses and electro-mechanical assemblies for medical and industrial applications. The consideration for the acquisition comprised an initial 3 million new shares in Volex plc with a further 0.5 million shares to be issued subject to trading performance by MC Electronics in the remainder of its financial year to 31 October 2018. Also included within the initial consideration was $393,000 of cash for the working capital acquired.

On 5 June 2018, Volex plc issued 48 million new shares at £0.75 per share. After issue costs, the new equity raised $46.9 million (£34.9 million). From this $10.9 million (€9.2 million) has been used in the initial consideration to acquire the trade and assets of Silcotec Europe Limited, a manufacturer of customised complex medical and industrial cables and sub-assemblies for the medical industry. A further 3.5 million shares have been issued to the seller as part of the initial consideration with a final €2.0 million due to the seller subject to performance over the 12 months from June 2018.

Directors

The Directors who were in office during the year and up to the date of signing the financial statements were as follows:

Executive Director	Non-Executive Directors
Nathaniel Rothschild	Adrian Chamberlain
Daren Morris	Dean Moore [1]
	Robert Beveridge [2]

1 Appointed Non-Executive Director on 18 April 2017.
2 Resigned as Non-Executive Director on 27 June 2017.

Biographical details of the Directors currently serving on the Board and their dates of appointment are set out on page 34.

Powers of Directors

The Directors may exercise all the powers of the Company, subject to any restrictions in the Company's Articles of Association, any relevant legislation and any directions given by the Company by passing a special resolution at a general meeting.

In particular, the Directors may exercise all the powers of the Company to borrow money, subject to the limitation that the aggregate amount of all monies borrowed by the Group and owing to persons outside the Group, shall not, without the sanction of an ordinary resolution of the Company, exceed an amount equal to three times the aggregate of the Group's capital and reserves calculated in the manner prescribed by the Company's Articles of Association.

Appointment and replacement of Directors

The Company's approach to the appointment and replacement of Directors is governed by its Articles of Association (together with relevant legislation).

Directors shall be no less than three and no more than 15 in number. Directors may be appointed by the Company by ordinary resolution or by the Board of Directors.

At each Annual General Meeting, all Directors who (i) were appointed by the Board since the last Annual General Meeting, (ii) held office at the time of the two preceding Annual General Meetings and who did not retire at either of them, or (iii) have held office (other than employment or executive office) for a continuous period of nine years or more, shall automatically retire.

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

The Company may, by ordinary resolution, remove any Directors before the expiration of his or her term of office.

As set out in the Company's Articles of Association, there are also circumstances where a Director will immediately cease to hold office. These circumstances include where he or she is prohibited by law from being or acting as a Director or where a Director has been made bankrupt.

Directors' indemnities and insurance

In accordance with the Companies Act 2006 and the Company's Articles of Association, the Company has purchased Directors and Officers' Liability Insurance. The indemnity was in force throughout the last financial year and is currently in force at the date of this report. The Company reviews its insurance policies on an annual basis in order to satisfy itself that its level of cover remains adequate.

Directors' share interests

The number of Ordinary shares of the Company in which the Directors are beneficially interested at 1 April 2018 (or date of resignation) is set out in the Directors' Remuneration Report on pages 57.

Articles of Association

Any amendments to the Articles of Association of the Company may be made by special resolution of the shareholders.

Share capital

Details of the Company's share capital are set out in note 23 to the financial statements. The Company's share capital consists of one class of Ordinary shares which do not carry rights to fixed income. As at 1 April 2018, there were 90,251,892 ordinary shares of 25p each in issue.

A new authority to allot shares will be sought at the forthcoming Annual General Meeting.

Voting rights

Ordinary shareholders are entitled to receive notice and to attend and speak at general meetings. Each shareholder present in person or by proxy (or by duly authorised corporate representative) shall, on a show of hands, have one vote. On a poll, each shareholder present in person or by proxy shall have one vote for each share held.

Restrictions on transfer of shares

Other than the general provisions of the Articles of Association (and prevailing legislation) there are no specific restrictions on the size of a holding or on the transfer of the Ordinary shares.

The Directors are not aware of any agreements between the Company's shareholders that may result in the restriction of the transfer of securities or on voting rights. No shareholder holds securities carrying any special rights or control over the Company's share capital.

Significant shareholders

The Company had been advised of the following notifiable direct and indirect interest in 3% or more of its issued share capital as at 8 June 2018.

Notification received from:	Number of ordinary shares of 25p each	% of total voting rights
NR Holdings Limited	34,670,309	23.9
Ruffer LLP	27,439,229	19.0
Quaero Capital	9,633,436	6.7
Downing	7,411,756	5.1
Herald Investment Management	5,678,020	3.9
JO Hambro Capital Management	4,901,960	3.4

Directors' Report continued

Authority to purchase own shares

The Company was authorised by shareholder resolution at the 2017 Annual General Meeting to purchase up to 10% of its issued share capital. No shares were purchased pursuant to this authority during the year. A resolution to renew this authority will be proposed at the forthcoming Annual General Meeting. Under this authority, any shares purchased will either be cancelled, resulting in a reduction of the Company's issued share capital, or held in treasury.

Employee share schemes

The Company does not have any employee share schemes with shares which have rights with regard to the control of the Company that are not exercisable directly by the employees.

Significant agreements/change of control

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

Details of the Directors' service contracts can be found in the Directors' Remuneration Report on page 50.

Future developments

The development of the business is detailed in the Strategic Report on pages 4 to 31.

Research and development

The Company's research and development activities are focused on driving innovation throughout the product portfolio, to enable it to deliver new or enhanced customer-specific connection solutions. We have continued to recruit design and development expertise.

Employees

The Company's disclosures on employee policies and involvement can be found in the Strategic Report on page 30.

Political and charitable donations

The Company made no political nor charitable donations during the year.

Greenhouse gas emissions

The Directors are required to provide details on greenhouse gas emissions in their report; such disclosures are made within the Corporate and Social Responsibility Report on pages 30 to 31.

Financial risk management

The Company's objectives and policies on financial risk management including information on the exposure of the Company to customer concentration, commodity price fluctuations, foreign exchange rates, pricing, credit, liquidity and cash flow risks are set out in note 30 to the accounts and in the Group Risk Management section on pages 24 to 29.

Going concern statement

The considerations made by the Directors with regards to going concern are set out in the Financial Review on pages 22 to 23.

Having taken these into account, the Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least 12 months from the date of these accounts. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Overseas branches

During the year, the Company established an overseas branch in Ireland. In the prior year, a Swedish branch had been established.

Takeover directive disclosure

The Company has in issue, as at 8 June 2018, 144,773,329 fully paid-up shares of 25p each. The rights to these shares are set out in the Company's Articles of Association. There are no restrictions on the transfer of these shares or their attached voting rights.

Details of significant shareholdings as at 8 June 2018 are given on page 61.

No person holds shares with specific rights regarding control of the Company.

The Company is not aware of any agreements among holders of securities known to the Company which may result in restrictions on the transfer of securities or voting rights.

Auditors and disclosure of information to auditors

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- The Director has taken all the reasonable steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The above confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

PricewaterhouseCoopers LLP has expressed their willingness to continue in office as auditors and a resolution seeking to reappoint them will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The Company's Annual General Meeting will be held on 31 July 2018. Details of the venue and the resolutions to be proposed are set out in a separate Notice of Annual General Meeting.

This report was approved by the Board of Directors of Volex plc and signed on its order by:

Daren Morris
Company Secretary
18 June 2018

Independent Auditors' Report to the members of Volex Plc

Report on the audit of the financial statements

Opinion

In our opinion, Volex Plc's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 1 April 2018 and of the Group's profit and the Group's and the Company's cash flows for the 52 week period (the "period") then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated and Company statements of financial position as at 1 April 2018; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Company statements of cash flows and the Consolidated and Company statements of changes in equity for the 52 week period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

- Overall Group materiality: $521,000 (2017: $454,000), based on approximately 5% of profit before tax, non-recurring items and interest expense.
- Overall Company materiality: $450,000 (2017: $449,904), initially based on 1% of total assets but capped at allocated component materiality.

- We conducted a full scope audit of 5 components and specified procedures on a further 6 components, which provided us with the following coverage: 78% of revenue, 82% of profit before tax, interest and non-recurring items, 100% of non-recurring items, 74% of interest payable and over 66% of net assets. Furthermore, analytical review procedures were performed on a further 10 components.
- The group audit team visited component audit teams in China, Poland and Singapore and attended planning and clearance calls with all component teams as part of our audit in order to have sufficient oversight of the work of our component auditors. This included visits to the manufacturing facilities in Shenzhen, Zhongshan, Bydgoszcz and the Volex sales office in Singapore.

- Non-recurring items.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Non-recurring items The Directors' have classified $1.6m of pre-tax expenses and $1.6 million of taxation expenses as non-recurring in the Consolidated income statement, disclosure of which they believe helps to understand the underlying performance of the business. The Directors have assessed the costs included in note 4 and the relevant costs included in note 10 to be both one-off in nature and significant in size and have classified these as non-recurring in-line with their accounting policy in note 2. These items primarily relate to costs incurred as a result of restructuring, costs associated with the transition to AIM and acquisition costs associated with the acquisitions made after the year end. The non-recurring items included within taxation relate to the one-off impact of the recently enacted US tax reform. We focused on this area because of the magnitude of these items, and the impact that they have on the presentation of the underlying profit in comparison to the statutory measure of profit before tax. Non-recurring items are discussed in the Financial Review on page 21.	We obtained management's detailed listing of non-recurring items and our procedures included the following: • Testing that they met the Group's accounting policy for non-recurring items, as given on page 84, and applying professional scepticism as to the appropriateness of the classification of these items as non-recurring; • For restructuring costs, we agreed a sample of costs to severance agreements, focusing on the nature of these costs. Management were consistent in their approach to the classification of non-recurring restructuring costs, only including costs for positions that were no longer required as part of the rationalisation or closure of facilities or operations; • For AIM transition costs, we assessed whether the costs related to the transition and hence were non-recurring in nature and agreed a sample of costs to invoices; • For acquisition costs, we assessed whether the costs related to the acquisitions and had been incurred pre year end, and hence were non-recurring in nature and agreed a sample of costs to invoices; • For the non-recurring taxation items, we considered the merits of the non-recurring classification by reference to the nature of the impact of the legislative reform. We considered the basis for management's calculations and tested the inputs; and • We tested that the reconciliation to statutory measures as shown on page 92 is accurate.

We determined that there were no key audit matters applicable to the company to communicate in our report.

Independent Auditors' Report to the members of Volex Plc continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the statutory reporting unit level by us, as the Group audit team, or through involvement of our component auditors in Poland, Mexico, China and Singapore. The Group operates two main divisions, 'Power Cords' and 'Cable Assemblies', and the operations are spread across multiple countries. Our approach gives us sufficient coverage of both divisions.

Where work was performed by our component auditors in Poland, Mexico, China and Singapore, we determined the level of involvement we needed to have in the audit work for each reporting unit to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. As part of our year end audits, the Group team's involvement comprised of site visits, conference calls, review of component auditor work papers, attendance at component audit clearance meetings and other forms of communication as considered necessary.

The Group audit team directly performed the work over the head office branch of the company, with our component auditors in Poland performing the work in respect of the significant branches of the parent company for which the books and records are located in that territory. The Group audit team performed the audit of the consolidation.

We identified five units which, in our view, required an audit of their complete financial information, either due to their size or risk characteristics. This included the operating subsidiaries in Shenzhen, Zhongshan, and Tijuana; the European branches of the parent company whose accounting records are located in Poland, as well as the head office branch of the parent company in the United Kingdom. Specific audit procedures on certain balances and transactions were also performed on a further six reporting units. The above gave us coverage of 78% of revenue, 82% of profit before tax, interest and non-recurring items, 100% of non-recurring items, 74% of interest payable and over 66% of net assets. Furthermore, analytical review procedures were performed on a further 10 components. As a whole, these procedures gave us the evidence we needed for our opinion on the Group financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	$521,000 (2017: $454,000).	$450,000 (2017: $449,904).
How we determined it	Approximately 5% of profit before tax, non-recurring items and interest expense.	Allocated component materiality.
Rationale for benchmark applied	We considered profit before tax, non-recurring items and interest expense to be the most appropriate benchmark and to reflect the performance of the business and that the Group and its subsidiaries are profit-orientated entities.	1% of total assets was considered an appropriate benchmark to use due to the Company's status as an investment holding company, however this would have given a materiality level in excess of the materiality allocated to the component determined through our Group scoping exercise. Accordingly, Company materiality was capped at the component materiality allocation.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between $200,000 and $450,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $25,000 (Group audit) (2017: $25,000) and $25,000 (Company audit) (2017: $25,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent Auditors' Report to the members of Volex Plc continued

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 1 April 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of the Directors' responsibilities set out on page 59, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Timothy McAllister (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
18 June 2018

Financials

Consolidated Income Statement	72
Consolidated Statement of Comprehensive Income	73
Consolidated and Company Statements of Financial Position	74
Consolidated and Company Statements of Changes in Equity	75
Consolidated and Company Statements of Cash Flows	76
Notes to the Financial Statements	77
Five Year Summary	120
Related Undertakings of the Group	121
Shareholder Information	123

TRATOS LTD
Volex

Consolidated Income Statement

For the 52 weeks ended 1 April 2018 (52 weeks ended 2 April 2017)

		Group					
		2018			2017		
	Notes	Before non-recurring items and share-based payments $'000	Non-recurring items and share-based payments (Note 4) $'000	Total $'000	Before non-recurring items and share-based payments $'000	Non-recurring items and share-based payments (Note 4) $'000	Total $'000
Revenue	3	**322,377**	**–**	**322,377**	319,584	–	319,584
Cost of sales		**(266,388)**	**(146)**	**(266,534)**	(264,125)	(13,112)	(277,237)
Gross profit		**55,989**	**(146)**	**55,843**	55,459	(13,112)	42,347
Operating expenses		**(44,532)**	**(2,538)**	**(47,070)**	(46,380)	(2,588)	(48,968)
Operating profit/(loss)		**11,457**	**(2,684)**	**8,773**	9,079	(15,700)	(6,621)
Share of net profit/(loss) from associates and joint ventures	16	**(192)**	**–**	**(192)**	–	–	–
Finance income	5	**20**	**–**	**20**	19	–	19
Finance costs	6	**(1,606)**	**–**	**(1,606)**	(1,898)	–	(1,898)
Profit/(loss) on ordinary activities before taxation		**9,679**	**(2,684)**	**6,995**	7,200	(15,700)	(8,500)
Taxation	10	**(1,519)**	**(1,551)**	**(3,070)**	1,238	214	1,452
Profit/(loss) for the period attributable to the owners of the parent	7	**8,160**	**(4,235)**	**3,925**	8,438	(15,486)	(7,048)
Earnings/(loss) per share (cents)							
Basic	11	**9.2**		**4.4**	9.5		(7.9)
Diluted	11	**8.9**		**4.3**	9.5		(7.9)

Consolidated Statement of Comprehensive Income

For the 52 weeks ended 1 April 2018 (52 weeks ended 2 April 2017)

	Notes	Group	
		2018 $'000	2017 $'000
Profit/(loss) for the period		**3,925**	(7,048)
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain/(loss) on defined benefit pension schemes	29	**870**	(2,143)
Tax relating to items that will not be reclassified		**–**	–
		870	(2,143)
Items that may be reclassified subsequently to profit or loss			
Gain/(loss) on hedge of net investment taken to equity		**–**	(350)
Gain/(loss) arising on cash flow hedges during the period		**(265)**	317
Exchange gain/(loss) on translation of foreign operations		**(3,631)**	3,743
Tax relating to items that may be reclassified		**–**	–
		(3,896)	3,710
Other comprehensive income/(loss) for the period		**(3,026)**	1,567
Total comprehensive income/(loss) for the period attributable to the owners of the parent		**899**	(5,481)

Consolidated and Company Statements of Financial Position

As at 1 April 2018 (2 April 2017)

		Group		Company	
	Notes	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000
Non-current assets					
Goodwill	12	**2,633**	2,414	**–**	–
Other intangible assets	13	**498**	593	**61**	85
Property, plant and equipment	14	**17,406**	18,085	**2**	4
Investments	15	**–**	–	**103,224**	106,113
Interests in associates and joint ventures	16	**226**	–	**–**	–
Other receivables	18	**1,560**	843	**62**	17
Derivative financial instruments	30	**–**	22	**–**	22
Deferred tax asset	21	**2,283**	2,948	**–**	–
		24,606	24,905	**103,349**	106,241
Current assets					
Inventories	17	**40,686**	36,040	**2,003**	1,844
Trade receivables	18	**56,199**	53,448	**8,158**	2,214
Other receivables	18	**7,376**	7,703	**5,266**	7,416
Current tax assets		**948**	505	**–**	40
Derivative financial instruments	30	**192**	380	**192**	380
Cash and bank balances	26	**24,830**	29,565	**48**	40
		130,231	127,641	**15,667**	11,934
Total assets		**154,837**	152,546	**119,016**	118,175
Current liabilities					
Borrowings	19	**1,849**	–	**1,789**	6,068
Trade payables	20	**54,181**	51,156	**315**	462
Other payables	20	**25,576**	24,993	**31,213**	12,300
Current tax liabilities		**4,030**	5,346	**–**	–
Retirement benefit obligation	29	**947**	719	**947**	719
Provisions	22	**292**	358	**–**	32
		86,875	82,572	**34,264**	19,581
Net current assets/(liabilities)		**43,356**	45,069	**(18,597)**	(7,647)
Non-current liabilities					
Borrowings	19	**13,033**	18,230	**13,033**	2,510
Other payables	20	**1,080**	432	**27,378**	39,572
Non current tax liabilities	10	**1,242**	–	**–**	–
Deferred tax liabilities	21	**2,008**	1,239	**–**	–
Retirement benefit obligation	29	**2,370**	3,682	**2,370**	3,682
Provisions	22	**85**	84	**–**	–
		19,818	23,667	**42,781**	45,764
Total liabilities		**106,693**	106,239	**77,045**	65,345
Net assets		**48,144**	46,307	**41,971**	52,830
Equity attributable to owners of the parent					
Share capital	23	**39,755**	39,755	**39,755**	39,755
Share premium account		**7,122**	7,122	**7,122**	7,122
Non-distributable reserve	24	**2,455**	2,455	**1,186**	1,186
Hedging and translation reserve		**(8,150)**	(4,254)	**(19,757)**	(26,012)
Own shares	24	**(867)**	(867)	**–**	–
Merger reserve		**–**	–	**15,540**	15,540
Retained earnings/(accumulated losses)		**7,829**	2,096	**(1,875)**	15,239
Total equity		**48,144**	46,307	**41,971**	52,830

The profit after tax for the year of the Company amounted to a loss $18,922,000 (2017: profit of $5,612,000).

The financial statements on pages 72 to 122 of Volex PLC (company number: 158956) were approved by the Board of Directors and authorised for issue on 18 June 2018. They were signed on its behalf by:

Nathaniel Rothschild
Executive Chairman

Daren Morris
Chief Financial Officer

Consolidated and Company Statements of Changes in Equity

For the 52 weeks ended 1 April 2018 (52 weeks ended 2 April 2017)

Group	Share capital $'000	Share premium account $'000	Non-distributable reserves $'000	Hedging and translation reserve $'000	Own shares $'000	Retained earnings $'000	Total equity $'000
Balance at 3 April 2016	39,755	7,122	2,455	(7,964)	(867)	10,851	51,352
Profit/(loss) for the period attributable to the owners of the parent	–	–	–	–	–	(7,048)	(7,048)
Other comprehensive income/(loss) for the period	–	–	–	3,710	–	(2,143)	1,567
Total comprehensive income/(loss) for the period	–	–	–	3,710	–	(9,191)	(5,481)
Reserve entry for share option charge/(credit)	–	–	–	–	–	436	436
Balance at 2 April 2017	**39,755**	**7,122**	**2,455**	**(4,254)**	**(867)**	**2,096**	**46,307**
Profit/(loss) for the period attributable to the owners of the parent	**–**	**–**	**–**	**–**	**–**	**3,925**	**3,925**
Other comprehensive income/(loss) for the period	**–**	**–**	**–**	**(3,896)**	**–**	**870**	**(3,026)**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**(3,896)**	**–**	**4,795**	**899**
Reserve entry for share option charge/(credit)	**–**	**–**	**–**	**–**	**–**	**938**	**938**
Balance at 1 April 2018	**39,755**	**7,122**	**2,455**	**(8,150)**	**(867)**	**7,829**	**48,144**

Company	Share capital $'000	Share premium account $'000	Non-distributable reserves $'000	Hedging and translation reserve $'000	Merger reserve $'000	Retained earnings/ Accumulated losses $'000	Total equity $'000
Balance at 3 April 2016	39,755	7,122	1,186	(17,335)	15,540	11,334	57,602
Profit/(loss) for the year attributable to the owners of the parent	–	–	–	–	–	5,612	5,612
Other comprehensive income/(loss) for the period	–	–	–	(8,677)	–	(2,143)	(10,820)
Total comprehensive income/(loss) for the period	–	–	–	(8,677)	–	3,469	(5,208)
Reserve entry for share option charge/(credit)	–	–	–	–	–	436	436
Balance at 2 April 2017	**39,755**	**7,122**	**1,186**	**(26,012)**	**15,540**	**15,239**	**52,830**
Profit/(loss) for the year attributable to the owners of the parent	**–**	**–**	**–**	**–**	**–**	**(18,922)**	**(18,922)**
Other comprehensive income/(loss) for the period	**–**	**–**	**–**	**6,255**	**–**	**870**	**7,125**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**6,255**	**–**	**(18,052)**	**(11,797)**
Reserve entry for share option charge/(credit)	**–**	**–**	**–**	**–**	**–**	**938**	**938**
Balance at 1 April 2018	**39,755**	**7,122**	**1,186**	**(19,757)**	**15,540**	**(1,875)**	**41,971**

Consolidated and Company Statements of Cash Flows

For the 52 weeks ended 1 April 2018 (52 weeks ended 2 April 2017)

		Group		Company	
	Notes	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000
Net cash generated from/(used in) operating activities	26	**4,893**	15,897	**1,194**	9,707
Cash flow generated from/(used in) investing activities					
Interest received	5	**12**	19	**1**	1
Proceeds on disposal of intangible assets, property, plant and equipment		**44**	201	**–**	–
Purchases of property, plant and equipment	14	**(2,436)**	(2,464)	**(3)**	–
Purchases of intangible assets	13	**(2)**	(68)	**–**	(47)
Net cash inflow/(outflow) on intercompany funding		**–**	–	**(4,994)**	(246)
Purchase of preference shares	18	**(400)**	–	**–**	–
Investment in associates	16	**(400)**	–	**–**	–
Net cash generated from/(used in) investing activities		**(3,182)**	(2,312)	**(4,996)**	(292)
Cash flows before financing activities		**1,711**	13,585	**(3,802)**	9,415
Cash generated/(used) before non-recurring items		**2,735**	19,326	**(3,289)**	12,425
Cash utilised in respect of non-recurring items		**(1,024)**	(5,741)	**(513)**	(3,010)
Cash flow generated from/(used in) financing activities					
Refinancing costs paid		**(496)**	(582)	**(496)**	(582)
Repayment of borrowings		**(7,285)**	(9,240)	**(3,000)**	(3,500)
New bank loans raised		**–**	–	**12,738**	–
Net cash generated from/(used in) financing activities		**(7,781)**	(9,822)	**9,242**	(4,082)
Net increase/(decrease) in cash and cash equivalents		**(6,070)**	3,763	**5,440**	5,333
Cash and cash equivalents at beginning of period	25	**29,565**	25,574	**(6,028)**	(11,930)
Effect of foreign exchange rate changes	25	**(514)**	228	**(1,153)**	569
Cash and cash equivalents at end of period	25	**22,981**	29,565	**(1,741)**	(6,028)

Notes to the Financial Statements

For the 52 weeks ended 1 April 2018 (52 weeks ended 2 April 2017)

1. Presentation of financial statements

Volex plc ('the Company' and together with its subsidiaries 'the Group') is a public limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006 and listed on AIM, a market on the London Stock Exchange. The address of the registered office is given on page 123. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 04 to 31.

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

These financial statements are presented in US Dollars ('USD') as it is the currency of the primary economic environment in which the Group operates.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the parent company statement of comprehensive income (and separate income statement). The loss for the parent company for the period was $18,922,000 (2017: profit of $5,612,000).

2. Significant accounting policies

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

Basis of accounting

The financial statements have been prepared in accordance with European Union adopted IFRS, interpretations issued by the IFRS Interpretations Committee (IFRSIC) and the Companies Act 2006, applicable to companies reporting under IFRS.

The financial statements have been prepared on the historical cost basis except for the revaluation of financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

In the current period, there are no new standards, amendments or interpretations which have a material impact on the Group's financial statements. These standards and interpretations include Amendments to IAS 7 'Statement of Cash Flows' and Amendments to IAS 12: 'Recognition of Deferred Tax Assets for Unrealised Losses'.

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective (and in some cases have not yet been adopted by the EU):

- IFRS 2 'Share-based Payment' (effective year ended March 2019) – amendment
- IFRS 9 'Financial Instruments' (effective year ended March 2019)
- IFRS 15 'Revenue from Contracts with Customers' (effective year ended March 2019)
- IFRS 16 'Leases' (effective year ended March 2020)

IFRS 9 will supersede IAS 39 in its entirety, and is effective for accounting periods commencing on or after 1 January 2018. For Volex, the effective date is the financial year ending 31 March 2019. The Group does not expect any material changes in relation to the classification and measurement of financial assets and liabilities, nor for hedge accounting other than additional disclosure requirements. The most significant impact on the Group is likely to be in relation to impairment of financial assets. Financial assets which are measured at amortised cost or fair value through other comprehensive income under IFRS 9 will be subject to the new impairment provisioning requirements of the standard. Currently the Group recognises losses only when an impairment event has been observed or identified. As a result, losses are generally not recognised when credit risk deteriorates, and only materialise when the deterioration results in an impairment event. IFRS 9 introduces a three stage 'expected credit loss (ECL)' model which is forward looking and which generally will result in earlier recognition of credit losses. It is no longer necessary for an impairment event to have occurred before credit losses are recognised. The impact upon the Group is expected to be minimal due to the historical write off of bad debts being low. Whilst the current assessment is still on going, management's expectations are that the impact will not be material.

Notes to the Financial Statements continued

For the 52 weeks ended 1 April 2018 (52 weeks ended 2 April 2017)

2. Significant accounting policies continued

IFRS 15 Revenue from Contracts with Customers replaces IAS 18 Revenue and related interpretations. This introduces a single, principles based approach to the recognition and measurement of revenue from all contracts with customers. The new approach requires identification of performance obligations with revenue recognised as these performance obligations are satisfied. The majority of the Group's contracts have just one performance obligation which is the delivery of goods, which under IFRS 15 would be recognised as a single point, on delivery or pick up depending upon the agreed terms with the customers. This treatment is consistent with the current accounting treatment under IAS 18. Whilst the current assessment is still on going, management's expectations are that the impact will not be material.

IFRS 16 Leases prescribes a single lessee accounting standard that requires the recognition of a right of use asset and corresponding liability for all those leases with terms over 12 months unless the underlying asset is of low value. The liability is initially measured at the present value of future lease payments for the lease term. Over the lease term within the Income Statement the depreciation of the right of use asset and interest on the lease liability will be recognised. In the cash flow statement, the total amount of cash paid is separated into a principal portion (within financing activities) and an interest portion (within operating activities). The implementation of IFRS 16 is likely to have a significant impact on the Group with the transition work currently on going.

Basis of consolidation

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

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

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated in full on consolidation.

Going concern

The Group's business activities, together with the factors likely to affect its future developments, performance and position are set out in the Strategic Report on pages 04 to 31. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 20 to 23. In addition note 30 to the financial statements includes the Group objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk, liquidity risk, interest rate risk, commodity price risk and foreign exchange risk.

As highlighted in note 19 to the financial statements, during the year under review the Group met its day-to-day working capital requirements through a $30,000,000 multi-currency revolving credit facility ('RCF') provided by a syndicate of two banks. The principal terms of this financing facility are given in note 19. The facility requires the Group to perform quarterly financial covenant calculations with respect to leverage (adjusted total debt to adjusted rolling 12-month EBITDA) and interest cover (adjusted rolling 12-month EBITDA to adjusted rolling 12-month interest). Breach of these covenants would result in cancellation of the facility. This facility expires on 30 June 2019.

Subsequent to year end, the Group has raised £36.0 million in equity proceeds. After deducting issue costs, $46.9 million will be available to the Group, of which $10.9 million has been used in the acquisition of the trade and assets of Silcotec Europe Limited. The balance of $36.0 million will be used to deleverage the balance sheet and will be available for future accretive M&A transactions, investment in automation and general working capital requirements.

The Group's forecast and projections, taking reasonable account of possible changes in trading performance, show that the Group should operate within the level of the proposed facility for the period in which the facility is available and should comply with its covenants over this period. Given the above equity raise, the Directors believe that on expiry of the facility on 30 June 2019, sufficient funds will be available such that the facility can be repaid and the Group can continue its normal operations.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least 12 months from the date of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2. Significant accounting policies continued

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed.

Where the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, it is measured at its acquisition date fair value and included as part of the consideration transferred. Subsequent changes in the fair value of contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is tested annually for impairment. For the purpose of impairment testing, goodwill is allocated to cash-generating units. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. The impairment loss is recognised immediately in profit and loss and is not reversed in subsequent periods.

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

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

Investment in subsidiary undertakings

In the Company statement of financial position, investments in subsidiary undertakings are recorded at cost less provision for impairment.

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

Interests in associates and joint ventures

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the change in net assets of the investee after the date of acquisition.

The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income, with a corresponding adjustment to the carrying amount of the investment. Where the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. Distributions received from an associate reduce the carrying amount of the investment.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and it recognises the amount adjacent to 'share of profit/(loss) of associates' in the income statement.

Notes to the Financial Statements continued

For the 52 weeks ended 1 April 2018 (52 weeks ended 2 April 2017)

2. Significant accounting policies continued

Foreign currencies

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

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that 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 in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial 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 reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

Revenue recognition

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

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

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

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

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

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

2. Significant accounting policies continued

Taxation

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

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods 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 reporting date.

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

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

The carrying amount of deferred tax assets is reviewed at each reporting 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 based on tax rates and laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land) less their residual values over their useful lives, using the straight-line method, on the following bases:

Long leasehold buildings	up to 50 years or period of lease, if shorter
Plant and machinery	up to 15 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Notes to the Financial Statements continued

For the 52 weeks ended 1 April 2018 (52 weeks ended 2 April 2017)

2. Significant accounting policies continued

Intangible assets – computer software and licences

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

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

Intangible assets – patents

Patents are stated at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their estimated useful lives.

Intangible assets – internally generated intangible assets – research and development expenditure

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

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

- An asset is created that can be identified;
- It is probable that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

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

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

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

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) 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 (or CGU) 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 (or CGU) in prior periods. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Leases

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group 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 corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

2. Significant accounting policies continued

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Lease incentives are recognised as a liability and are allocated on a straight-line basis as a reduction of rental expense over the lease term.

The Group as lessor

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is measured at standard and adjusted for material variances such that the adjusted figure represents 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 all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow moving or defective items where appropriate.

Cash and cash equivalents

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

Bank borrowings

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying value is the present value of those cash flows (when the effect of the time value of money is material).

Present obligations arising under onerous lease contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

A restructuring provision is recognised when the Group has developed a detailed formal plan for restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

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

Retirement benefits

The Group has both defined benefit and defined contribution retirement benefit schemes, the former of which is now closed to new entrants. The retirement benefit obligation recognised in the consolidated balance sheet represents the deficit or surplus in the Group's defined benefit scheme.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations carried out at the end of each reporting period.

Notes to the Financial Statements continued

For the 52 weeks ended 1 April 2018 (52 weeks ended 2 April 2017)

2. Significant accounting policies continued

Defined benefit costs are split into three categories:

- Remeasurement;
- Net interest expense or income; and
- Past service cost and gains and losses on curtailments and settlements.

Remeasurement comprises actuarial gains and losses, the effect of the asset ceiling (where applicable) and the return on scheme assets (excluding interest). These costs are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Remeasurement recorded in the statement of comprehensive income is not recycled. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset and is recognised within finance costs (see note 6). As the defined benefit scheme is now closed, no service cost is incurred.

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions. Payments to state-managed schemes are treated as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution scheme.

Share-based payments

Equity-settled share-based payments are issued to certain employees and are measured at the fair value of the equity instruments at the date of grant. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 28.

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

For cash-settled share-based payments, including bonus schemes to be settled in shares, a liability is recognised, measured initially at fair value. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the period.

Non-recurring items

Costs that are one-off in nature and significant, such as restructuring costs, impairment charges or professional fees associated with significant transactions, are deemed to be non-recurring by virtue of their nature and size. Only those restructuring costs that result in a permanent reduction in capabilities are treated as non-recurring. Non-recurring costs 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 underlying performance of the Group.

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.

Financial instruments

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

Financial assets

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

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

2. Significant accounting policies continued

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

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

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

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

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

Loans and receivables
Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets
Financial assets are assessed for indicators of impairment at each reporting 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. A provision for impairment of trade receivables is recognised in the income statement within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement.

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

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

Notes to the Financial Statements continued

For the 52 weeks ended 1 April 2018 (52 weeks ended 2 April 2017)

2. Significant accounting policies continued

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Group's activities expose it to the financial risks of changes in foreign exchange rates, interest rates and commodity prices. The Group enters into a variety of derivative financial instruments to manage its exposure to these risks. The use of financial derivatives is governed by a Group policy approved by the Board of Directors which provides written principles on the use of financial derivatives to hedge certain risk exposures. The Group does not use derivative financial instruments for speculative purposes. Further details of derivative financial instruments are disclosed in note 30 to the financial statements.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations.

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

Hedge accounting

The Group designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency and commodity risk as either cash flow hedges or 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.

Cash flow hedge

Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. Similarly, commodity derivative contracts which are entered into to mitigate commodity price fluctuations on firm purchasing commitments are accounted for as cash flow hedges.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

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 other comprehensive income and accumulated in the hedging and translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

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

2. Significant accounting policies continued

Critical accounting judgements and key sources of estimation uncertainty

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

Critical judgements in applying the group's accounting policies

In applying the Group's accounting policies, management have made the following judgements, which have the most significant effect on the consolidated financial statements.

Non-recurring items

The Group identifies significant non-recurring items separately in order to be able to compare trading performance year on year and in comparison with other businesses. During the period under review, the non-recurring operating items identified in this way totalling $1,552,000 (2017: $15,232,000) comprised restructuring costs where roles were not replaced, costs associated with the transition to the AIM market and acquisitions, impairment of Goodwill and movements in onerous lease provisions. See note 4 for further details. In addition a further $1,551,000 (2017: credit $214,000) of tax related items were identified primarily in relation to the new US "Tax Cuts and Jobs Act 2017".

Taxation

The Group operates in a large number of different tax jurisdictions. The Directors are required to exercise significant judgement in determining the Group's provision for taxes. Amounts provided are based on management's interpretation of country specific tax law. Tax benefits are not recognised unless the tax positions are capable of being sustained. In arriving at this position, management reviews each material tax benefit to assess whether a provision should be taken against full recognition of the benefit.

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

Key sources of estimation uncertainty

The key area where estimates and assumptions are significant to the financial statements is described below.

Inventory provisions

Inventories are carried at the lower of cost and net realisable value, which is calculated as the estimated sales proceeds less costs of sale. Factors considered in the determination of net realisable value are the ageing, category and condition of inventories, recent inventory utilisation and forecasts of projected inventory utilisation. Reviews of provisions held against damaged, obsolete and slow-moving inventory are carried out at least quarterly by management and these reviews require the application of judgement and estimates. Changes to these estimates could result in changes to the net valuation of inventory. At 1 April 2018, the Group had net inventories of $40,686,000 (2017: $36,040,000).

Notes to the Financial Statements continued

For the 52 weeks ended 1 April 2018 (52 weeks ended 2 April 2017)

3. Segment Information

The internal reporting provided to the Group's Board for the purpose of resource allocation and assessment of Group performance is based upon the nature of the products supplied. In addition to the operating divisions, a Central division exists to capture all of the corporate costs incurred in supporting the operations.

Power Cords	The sale and manufacture of electrical power products to manufacturers of electrical/electronic devices and appliances. These include laptop/desktop computers, printers, televisions, power tools vacuum cleaners and electric vehicles.
Cable Assemblies	The sale and manufacture of cables permitting the transfer of electronic, radio frequency and optical data. These cables can range from simple USB cables to complex high speed cable assemblies. Data cables are used in numerous devices including medical equipment, data centres, telecoms networks and the automotive industry.
Central	Corporate costs that are not directly attributable to the manufacture and sale of the Group's products but which support the Group in its operations. Included within this division are the costs incurred by the executive management team and the corporate head office.

The Board believes that the segmentation of the Group based upon product characteristics allows it to best understand the Group's performance and profitability.

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

	52 weeks to 1 April 2018		52 weeks to 2 April 2017	
	Revenue $'000	**Profit/(loss) $'000**	Revenue $'000	Profit/(loss) $'000
Power Cords	**181,170**	**6,825**	188,256	3,228
Cable Assemblies	**141,207**	**8,809**	131,328	10,528
Unallocated Central costs	**–**	**(4,177)**	–	(4,677)
Divisional results before share-based payments and non-recurring items	**322,377**	**11,457**	319,584	9,079
Non-recurring operating items		**(1,552)**		(15,232)
Share-based payment credit/(charge)		**(1,132)**		(468)
Operating profit/(loss)		**8,773**		(6,621)
Share of net profit/(loss) from associates and joint ventures		**(192)**		–
Finance income		**20**		19
Finance costs		**(1,606)**		(1,898)
Profit/(loss) before taxation		**6,995**		(8,500)
Taxation		**(3,070)**		1,452
Profit/(loss) after taxation		**3,925**		(7,048)

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

The non-recurring operating charge of $1,552,000 (2017: $15,232,000) was split $628,000 (2017: $12,740,000) to Power Cords, $305,000 (2017: $1,754,000) to Cable Assemblies and $619,000 (2017: $738,000) to Central.

Divisional profit represents the profit earned by each division before the allocation of central operating expenses, non-recurring items, share-based payments, finance income, finance costs and income tax expense. This is the measure reported to the Group's Board for the purpose of resource allocation and assessment of performance.

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

Depreciation and amortisation	**2018 $'000**	2017 $'000
Power Cords	**1,918**	3,981
Cable Assemblies	**1,255**	1,237
Central	**37**	150
	3,210	5,368

3. Segment Information continued

Impairment charges recognised within pre-operating non-recurring items are allocated between divisions as follows:

Impairment charge	2018 $'000	2017 $'000
Power Cords	**74**	11,987
Cable Assemblies	**–**	504
Central	**–**	–
	74	12,491

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

Information about major customers

Two (2017: two) of the Group's customers individually account for more than 10% of total Group revenue. The Group's largest customer operates in the Cable Assemblies division and accounts for 18% (2017: 17%) of total Group revenue. The other customer operates in the Power Cords division and accounts for 15% (2017: 18%) of total Group revenue.

Geographical information

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

	Revenue		Non-current assets	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Asia (excluding India)	**175,266**	182,079	**16,525**	16,914
North America	**90,421**	78,084	**1,088**	1,090
Europe	**51,959**	52,752	**3,899**	3,179
India	**4,731**	4,929	**811**	774
South America	**–**	1,740	**–**	–
	322,377	319,584	**22,323**	21,957

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

Notes to the Financial Statements continued

For the 52 weeks ended 1 April 2018 (52 weeks ended 2 April 2017)

4. Non-recurring items and share-based payments

	Group	
	2018 $'000	2017 $'000
Restructuring costs	**860**	1,656
Transition to AIM	**513**	–
Acquisition costs	**135**	–
Impairment of Goodwill	**74**	–
Impairment/product portfolio realignment	**–**	12,491
Manufacturing optimisation consultancy	**–**	815
Movement in onerous lease provision	**(30)**	270
Total non-recurring operating items	**1,552**	15,232
Non-recurring tax expense (see note 10)	**1,551**	(214)
Total non-recurring items	**3,103**	15,018
Share-based payments (see note 28)	**1,132**	468
Non recurring items and share-based payments	**4,235**	15,486

During the current year, the Group has incurred $860,000 (2017: $1,656,000) of restructuring spend following further down sizing of an Asian factory, down sizing of the European and South Korean sales team and the restructuring of the Singapore regional head office. In the prior year, restructuring activities included the closures of the Brazil, Ireland, Austin and Jakarta operations plus the departure of the Head of Engineering.

The Group incurred $513,000 of professional and administrative fees in transitioning from the Main Market of the London Stock Exchange to AIM. A further $135,000 of professional fees have been incurred in acquisition costs associated with the post year end acquisitions of MC Electronics LLC and the trade and assets of Silcotec Europe Limited.

Continued poor performance at the Group's Indian operations resulted in a $74,000 impairment of associated goodwill during the year.

In the prior year, an impairment charge of $12,491,000 was recognised, reflecting the write-down of assets within the Power Cords division following a further downturn in Power revenue and the closure of the Brazil operations. A further $815,000 had been expensed in relation to a fixed term external manufacturing consultancy contract to advise on manufacturing best practice and implementation.

A $30,000 onerous lease credit has been recognised in the period relating to the release of surplus provision associated with the old UK headquarters in Leigh (see note 22 for further details). The prior year cost of $270,000 primarily related to the sub let of a property in North America.

5. Finance income

	Group	
	2018 $'000	2017 $'000
Interest on bank deposits	**12**	19
Interest on preferences shares	**8**	–
	20	19

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

6. Finance costs

	Notes	Group 2018 $'000	2017 $'000
Interest on bank overdrafts and loans		**858**	1,208
Net interest expense on defined benefit obligation	29	**107**	94
Unwinding of discount on long term provisions	22	**–**	79
Other		**103**	96
Total interest costs		**1,068**	1,477
Amortisation of debt issue costs	25	**538**	421
Total finance costs		**1,606**	1,898

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

7. Profit/loss for the period

Profit/(loss) for the period has been arrived at after charging/(crediting):

	Notes	Group 2018 $'000	2017 $'000
Net foreign exchange (gain)/losses		**754**	126
Research and development costs		**3,056**	3,303
Depreciation of property, plant and equipment	14	**3,095**	4,927
Impairment of property, plant and equipment	14	**–**	12,491
Amortisation of intangible assets	13	**115**	441
Impairment of Goodwill	12	**74**	–
Cost of inventories recognised as an expense		**193,260**	191,656
Write-down of inventories recognised as an expense		**932**	298
Reversal of write-down of inventories recognised in the period		**–**	–
Staff costs	9	**69,678**	68,605
Impairment loss recognised on trade receivables	18	**43**	158
Reversal of impairment losses recognised on trade receivables	18	**(16)**	(74)
Loss/(gain) on disposal of property, plant and equipment		**89**	61
Operating lease payments	27	**4,417**	3,930

Research and development costs disclosed above comprises the following:

	Group 2018 $'000	2017 $'000
Employment costs	**1,980**	2,197
Raw materials and consultancy	**926**	1,005
Other	**150**	101
	3,056	3,303

In the current year, no development costs were capitalised (2017: $nil).

Notes to the Financial Statements continued

For the 52 weeks ended 1 April 2018 (52 weeks ended 2 April 2017)

7. Profit/loss for the period continued

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

	Group	
	2018 $'000	2017 $'000
Operating profit/(loss)	**8,773**	(6,621)
Add back:		
Non-recurring operating items	**1,552**	15,232
Share-based payment charge/(credit)	**1,132**	468
Underlying operating profit	**11,457**	9,079
Depreciation of property, plant and equipment	**3,095**	4,927
Amortisation of acquired intangible assets	**115**	441
Underlying EBITDA	**14,667**	14,447

8. Auditors' remuneration

The analysis of auditors' remuneration is as follows:

	Group	
	2018 $'000	2017 $'000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	**286**	268
Fees payable to the Company's auditors and their associates for other audit services to the Group		
– the audit of the Company's subsidiaries pursuant to legislation	**248**	284
Total audit fees	**534**	552
Other services	**194**	–
Total non-audit fees	**194**	–

The $194,000 of other services were incurred as part of the transition from the Main Market of the London Stock Exchange to AIM. A description of the work of the Audit Committee is set out in the Audit Committee Report on pages 41 to 43 which includes an explanation of how the objectivity and independence of the auditors is safeguarded when the auditors provide non-audit services.

9. Staff costs

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

	Group	
	2018 No.	2017 No.
Production	**5,705**	5,598
Sales and distribution	**415**	418
Administration	**346**	372
	6,466	6,388

Their aggregate remuneration comprised:

	Group	
	2018 $'000	2017 $'000
Wages and salaries	**60,590**	60,328
Social security costs	**7,656**	7,514
Share-based payment charge/(credit) (note 28)	**1,132**	468
Other pension costs (note 29)	**300**	295
	69,678	68,605

In addition to the above, $859,000 (2017: $1,421,000) has been paid in severance costs. This is included within the restructuring cost of $860,000 (2017: $1,656,000) shown in note 4.

Details of Directors' remuneration, share options, pension contributions, pension entitlements, fees for consulting services and interests for the period required by the Companies Act 2006 are provided in the Directors' Remuneration Report on pages 44 to 58 and form part of the financial statements.

	Company	
	2018 No.	2017 No.
Production	**1**	1
Sales and distribution	**4**	2
Administration	**11**	10
	16	13

	Company	
	2018 $'000	2017 $'000
Wages and salaries	**1,539**	1,744
Social security costs	**282**	231
Share-based payment (credit)/charge (note 28)	**1,132**	468
Other pension costs (note 29)	**230**	211
	3,183	2,654

Notes to the Financial Statements continued

For the 52 weeks ended 1 April 2018 (52 weeks ended 2 April 2017)

10. Taxation

	Before non-recurring items $'000	Non-recurring items $'000	Total $'000	Before non-recurring items $'000	Non-recurring items $'000	Total $'000
Current tax – expense for the period	(441)	255	(186)	(1,542)	214	(1,328)
Current tax – adjustment in respect of previous periods	(236)	–	(236)	58	–	58
Current tax – impact of $965 on deferred foreign income	–	(1,349)	(1,349)	–	–	–
Total current tax	(677)	(1,094)	(1,771)	(1,484)	214	(1,270)
Deferred tax – origination and reversal of temporary differences (note 21)	(842)	(457)	(1,299)	2,722	–	2,722
Income tax expense	(1,519)	(1,551)	(3,070)	1,238	214	1,452

UK corporation tax is calculated at 19% (2017: 20%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	2018 $'000	2018 %	2017 $'000	2017 %
Profit/(loss) before tax	6,995	100	(8,500)	100
Tax at the UK corporation tax rate	1,328	19	(1,700)	20
Tax effect of expenses that are not deductible and income that is not taxable in determining taxable profit	(793)	(11)	1,925	(23)
Tax effect of non-utilisation of tax losses	1,841	26	2,114	(25)
Adjustment in respect of previous periods	(236)	(3)	(58)	1
Effect of different tax rates of subsidiaries operating in other jurisdictions	545	8	812	(10)
Tax effect of recognised deferred tax	842	12	(2,722)	32
Tax effect of loss utilisation	(2,008)	(28)	(1,609)	19
Tax expense and effective tax rate for the period before non-recurring items and share-based payments	1,519	22	(1,238)	15
Tax effect of non-recurring items and share-based payments	1,551	22	(214)	3
Tax expense and effective tax rate for the period	3,070	44	(1,452)	17

The non-recurring income tax expense of $1,551,000 (2017: credit of $214,000) comprises of the tax credit arising on the non-recurring operating items of $255,000 (2017: $214,000) offset by the implementation cost of the US 'Tax Cuts and Jobs Act 2017'. This Act reduced the US tax rate from 34% to 21%. As a result, the deferred tax asset recognised on US tax losses reduced by $457,000. The associated deferred tax expense has been recognised as non-recurring. Further the Act imposed a tax liability on US deferred foreign income under S965 of the internal revenue code. In accordance with the current interpretations of the new tax legislation, the Group has recognised a liability of $1,349,000. This liability will be paid over 8 instalments through to 2025 in accordance with the payment arrangements set out in the new section. As a consequence, $1,242,000 of this tax liability is recognised in non-current liabilities. It is recognised that the legislation is still subject to some technical revisions and the Group will reflect any such changes arising as they affect the Group in due course.

11. Earnings/(loss) per Ordinary share

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

	Notes	Group 2018 $'000	Group 2017 $'000
Profit/(loss) for the purpose of basic and diluted earnings/(loss) per share being net profit attributable to equity holders of the parent		**3,925**	(7,048)
Adjustments for:			
Non-recurring items	4	**1,552**	15,232
Share-based payment charge/(credit)	28	**1,132**	468
Tax effect of above adjustments and other non-recurring tax movements		**1,551**	(214)
Underlying earnings/(loss)		**8,160**	8,438

	No. shares	No. shares
Weighted average number of Ordinary shares for the purpose of basic earnings per share	**88,956,532**	88,956,532
Effect of dilutive potential Ordinary shares/share options	**3,162,104**	281,330
Weighted average number of Ordinary shares for the purpose of diluted earnings per share	**92,118,636**	89,237,862

In the prior year, due to the Group loss for the year, all share options were anti-dilutive and are therefore excluded from the diluted basic loss per share calculation and diluted underlying basic earnings per share calculations.

Basic earnings per share	2018 cents	2017 cents
Basic earnings/(loss) per share	**4.4**	(7.9)
Adjustments for:		
Non-recurring items	**1.7**	17.1
Share-based payment charge/(credit)	**1.3**	0.5
Tax effect of above adjustments and other non-recurring tax movements	**1.8**	(0.2)
Underlying basic earnings/(loss) per share	**9.2**	9.5

Diluted earnings per share	2018 cents	2017 cents
Diluted earnings/(loss) per share	**4.3**	(7.9)
Adjustments for:		
Non-recurring items	**1.7**	17.1
Share-based payment charge/(credit)	**1.2**	0.5
Tax effect of above adjustments and other non-recurring tax movements	**1.7**	(0.2)
Underlying diluted earnings/(loss) per share	**8.9**	9.5

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

Notes to the Financial Statements continued

For the 52 weeks ended 1 April 2018 (52 weeks ended 2 April 2017)

12. Goodwill

	Group	
	2018 $'000	2017 $'000
Cost		
At the beginning of the period	**4,750**	5,394
Exchange differences	**578**	(644)
At the end of the period	**5,328**	4,750
Accumulated impairment losses		
At the beginning of the period	**2,336**	2,653
Impairment	**74**	–
Exchange differences	**285**	(317)
At the end of the period	**2,695**	2,336
Carrying amount at the end of the period	**2,633**	2,414
Carrying amount at the beginning of the period	**2,414**	2,741

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 has been allocated as follows:

	2018 $'000	2017 $'000
Volex North America	**2,010**	1,793
Volex Europe	**623**	555
Volex India	**–**	66
	2,633	2,414

The $74,000 (2017: $nil) impairment charge in the year relates to the write off of goodwill associated with the Indian operations. After a number of years of poor performance, post year end management has decided to close the India factory.

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

The Group prepared a cash flow forecast derived from the most recently approved annual budget. No subsequent growth has been forecast in the cashflows through to March 2023.

The rate used to discount the forecast cash flows is a pre-tax discount rate of 13.6% (2017: 14.1%), which reflects the Group's estimated cost of capital.

13. Other intangible assets

Group	Acquired patents $'000	Capitalised development costs $'000	Software and licences $'000	Total $'000
Cost				
At 3 April 2016	1,358	3,324	5,228	9,910
Additions	–	–	68	68
Disposals	–	–	(369)	(369)
Exchange differences	(162)	(278)	(401)	(841)
At 2 April 2017	1,196	3,046	4,526	8,768
Additions	**–**	**–**	**2**	**2**
Disposals	**–**	**–**	**(93)**	**(93)**
Exchange differences	**140**	**255**	**378**	**773**
At 1 April 2018	**1,336**	**3,301**	**4,813**	**9,450**
Accumulated amortisation and impairment				
At 3 April 2016	1,358	2,600	4,966	8,924
Amortisation charge for the period	–	269	172	441
Disposals	–	–	(369)	(369)
Exchange differences	(162)	(278)	(381)	(821)
At 2 April 2017	1,196	2,591	4,388	8,175
Amortisation charge for the period	**–**	**57**	**58**	**115**
Disposals	**–**	**–**	**(93)**	**(93)**
Exchange differences	**140**	**255**	**360**	**755**
At 1 April 2018	**1,336**	**2,903**	**4,713**	**8,952**
Carrying amount				
At 1 April 2018	**–**	**398**	**100**	**498**
At 2 April 2017	–	455	138	593
At 3 April 2016	–	724	262	986

The capitalised development costs balance primarily relates to a Power Cords product range, the 'V-Novus' range, which was developed in FY2015 and is now in commercial production. The capitalised balance included engineering hours directly attributable to the product and safety certification costs. The asset is being amortised over the projected commercial life of the range.

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

Company	Software and licences 2018 $'000	Software and licences 2017 $'000
Cost		
At the beginning of the period	**2,944**	3,297
Additions	**–**	47
Exchange differences	**358**	(400)
At the end of the period	**3,302**	2,944
Accumulated amortisation		
At the beginning of the period	**2,859**	3,098
Amortisation charge for the period	**32**	143
Exchange differences	**350**	(382)
At the end of the period	**3,241**	2,859
Carrying amount at the end of the period	**61**	85
Carrying amount at the beginning of the period	**85**	199

Notes to the Financial Statements continued

For the 52 weeks ended 1 April 2018 (52 weeks ended 2 April 2017)

14. Property, plant and equipment

Group	Long leasehold buildings $'000	Plant and machinery $'000	Total $'000
Cost			
At 3 April 2016	15,671	65,123	80,794
Additions	327	2,091	2,418
Disposals	(3,115)	(6,713)	(9,828)
Exchange differences	(23)	(32)	(55)
At 2 April 2017	12,860	60,469	73,329
Additions	**–**	**2,436**	**2,436**
Disposals	**–**	**(1,698)**	**(1,698)**
Reclassifications	**14**	**(14)**	**–**
Exchange differences	**12**	**480**	**492**
At 1 April 2018	**12,886**	**61,673**	**74,559**
Accumulated depreciation and impairment			
At 3 April 2016	8,143	39,313	47,456
Depreciation charge for the period	1,002	3,925	4,927
Impairment loss	442	12,049	12,491
Disposals	(3,104)	(6,462)	(9,566)
Exchange differences	(13)	(51)	(64)
At 2 April 2017	6,470	48,774	55,244
Depreciation charge for the period	**931**	**2,164**	**3,095**
Impairment loss	**–**	**–**	**–**
Disposals	**–**	**(1,565)**	**(1,565)**
Exchange differences	**10**	**369**	**379**
At 1 April 2018	**7,411**	**49,742**	**57,153**
Carrying amount			
At 1 April 2018	**5,475**	**11,931**	**17,406**
At 2 April 2017	6,390	11,695	18,085
At 3 April 2016	7,528	25,810	33,338

At 1 April 2018, the Group had $1,120,000 (2017: $829,000) contractual commitments for the acquisition of property, plant and equipment.

Of the $3,095,000 (2017: $4,927,000) depreciation charge for the period, $2,779,000 (2017: $4,604,000) was expensed through cost of sales and $316,000 (2017: $323,000) was expensed through operating expenses. During the prior year an impairment charge of 2017: $12,491,000 was expensed as a non-recurring item (see note 4).

Company	Plant and machinery 2018 $'000	2017 $'000
Cost		
At the beginning of the period	**410**	466
Additions	**3**	–
Disposals	**(15)**	–
Exchange differences	**50**	(56)
At the end of the period	**448**	410
Accumulated depreciation and impairment		
At the beginning of the period	**406**	454
Depreciation charge for the period	**5**	7
Disposals	**(15)**	–
Exchange differences	**50**	(55)
At the end of the period	**446**	406
Carrying amount at the end of the period	**2**	4
Carrying amount at the beginning of the period	**4**	12

15. Investments

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

Company	Shares $'000	Loans $'000	Total $'000
Cost			
At 3 April 2016	48,759	93,359	142,118
Additions	–	2,490	2,490
Repayment	–	(11,411)	(11,411)
Exchange differences	(5,818)	(3,399)	(9,217)
At 2 April 2017	42,941	81,039	123,980
Additions	**–**	**5,017**	**5,017**
Repayment	**–**	**(8,873)**	**(8,873)**
Exchange differences	**5,228**	**1,703**	**6,931**
At 1 April 2018	**48,169**	**78,886**	**127,055**
Accumulated depreciation and impairment			
At 3 April 2016	7,188	11,503	18,691
Impairment	161	–	161
Exchange differences	(858)	(127)	(985)
At 2 April 2017	6,491	11,376	17,867
Impairment	**–**	**5,000**	**5,000**
Exchange differences	**791**	**173**	**964**
At 1 April 2018	**7,282**	**16,549**	**23,831**
Carrying amount			
At 1 April 2018	**40,887**	**62,337**	**103,224**
At 2 April 2017	36,450	69,663	106,113
At 3 April 2016	41,571	81,856	123,427

In the United Kingdom, the Company includes three operational branches, Volex Powercords Europe, Volex Europe Cable Assemblies and Volex Sweden. Details of the Company's subsidiary undertakings are set out on page 121. Investments in subsidiaries are all stated at cost less provision for impairment.

All loans are carried at amortised cost. In the 52 weeks to 1 April 2018, the Company loans with Volex Group Holdings Limited accrued interest at 2.5% and between 3% – 6% with Volex Poland SP z.o.o. All other loans did not accrue interest. Repayments were also received from Volex Inc and Volex Group Holdings Limited during the period. Following an impairment assessment, the group loans to the North American business were impaired by $5,000,000.

Notes to the Financial Statements continued

For the 52 weeks ended 1 April 2018 (52 weeks ended 2 April 2017)

16. Investment in associates and joint ventures

Group	2018 $'000	2017 $'000
Investment in associates:		
– Kepler SignalTek	123	–
– Volex-Jem Co. Ltd	103	–
	226	–

On 12 April 2017, the Group acquired 26.09% of the voting shares in Kepler SignalTek Limited (a company incorporated in Hong Kong) for consideration of $300,000. The company manufactures medical, high frequency data transmission and specialist industrial cable assemblies from a facility in China. As part of the shareholder agreement, Volex is entitled to appoint one of the three directors to the company.

Summarised financial information in respect of Kepler SignalTek is set out below. The summarised information below represents amounts before intra-group eliminations.

	As at 1 April 2018 $'000	As at 12 April 2017 $'000
Current assets	375	1,143
Non-current assets	566	–
Current liabilities	(69)	–
Non-current liabilities	(400)	–
Net assets	472	1,143

	Period from acquisition to 1 April 2018 $'000
Revenue	81
Profit/(loss) for the period	(697)
Other comprehensive income for the period	26
Total comprehensive income for the period	(671)

A reconciliation of the above summarised financial information to the carrying amount of the interests in the consolidated financial statements is set out below:

	As at 1 April 2018 $'000
Net assets of the associate	472
Proportion of the Group	26%
Carrying amount of the Group's interest in Kepler SignalTek Limited	123

On 12 September 2017, the Group completed its 43% investment in Volex-Jem Co. Ltd, a Taiwanese holding company. Volex's investment took the form of cable certification with sufficient customer cables certified in order that a minimum cable production volume would pass through the joint arrangement, The costs associated with the certification process was $100,000. The Taiwanese Holding Company has a 70% shareholding in a Chinese manufacturing company. Under the joint agreement, Volex has the right to appoint one of three directors to the Board of the Taiwanese Holding Company.

16. Investment in associates and joint ventures continued

Summarised financial information in respect of the company is set out below. The summarised information below represents amounts before intragroup eliminations.

	As at 1 April 2018 $'000	As at 12 September 2017 $'000
Current assets	**2,083**	1,110
Non-current assets	**167**	100
Current liabilities	**(1,953)**	(373)
Non-current liabilities	**–**	–
Net assets	**297**	**837**
Attributable to Volex-Jem Co. Ltd	**240**	**618**
Minority interest	**57**	**219**

	Period from acquisition to 1 April 2018 $'000
Revenue	**1,738**
Profit/(loss) for the period	**(576)**
Other comprehensive income for the period	**5**
Total comprehensive income for the period	**(571)**
Attributable to Attributable to Volex-Jem Co. Ltd	**(400)**
Minority interest	**(171)**

A reconciliation of the above summarised financial information to the carrying amount of the interests in the consolidated financial statements is set out below:

	As at 1 April 2018 $'000
Net assets of the associate	**240**
Proportion of the Group	**43%**
Carrying amount of the Group's interest in Volex-Jem Co. Ltd	**103**

17. Inventories

	Group		Company	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Raw materials	**18,118**	15,825	**–**	–
Work-in-progress	**–**	–	**–**	–
Finished goods	**22,568**	20,215	**2,003**	1,844
	40,686	36,040	**2,003**	1,844

Notes to the Financial Statements continued

For the 52 weeks ended 1 April 2018 (52 weeks ended 2 April 2017)

18. Trade and other receivables

	Group		Company	
Trade receivables	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000
Amounts receivable for the sale of goods	**56,425**	54,056	**8,158**	2,214
Allowance for doubtful debts	**(226)**	(608)	**–**	–
	56,199	53,448	**8,158**	2,214

	Group		Company	
Other receivables				
Amounts due from Group undertakings	**–**	–	**4,725**	7,210
Other debtors	**6,866**	6,892	**299**	81
Preference shares due from related parties	**408**	–	**–**	–
Prepayments	**1,662**	1,654	**304**	142
	8,936	8,546	**5,328**	7,433
Due for settlement within 12 months	**7,376**	7,703	**5,266**	7,416
Due for settlement after 12 months	**1,560**	843	**62**	17
	8,936	8,546	**5,328**	7,433

Trade receivables are classified as loans and receivables and are therefore measured at amortised cost. All inter-company balances are unsecured, interest free and repayable on demand.

During the year, the Group acquired $400,000 of 10% cumulative preference shares in Kepler SignalTek, a related party to the Group. These shares are redeemable after 12 April 2020. The Group is committed to a further $1,300,000 investment in 10% preference shares.

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

Two (2017: two) of the Group's customers individually account for more than 10% of total Group revenue. The largest customer operates in the Cable Assemblies division and accounts for 18% (2017: 17%) of total Group revenue. The other customer operates in the Power Cords division and accounts for 15% (2017: 18%) of total Group revenue. Other than these customers, the Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. At 1 April 2018, these two customers represented 34% of the net trade receivables (2017: 29%).

The average credit period taken on sales of goods is 64 days (2017: 65 days). An allowance has been made for estimated irrecoverable amounts from the sale of goods. This allowance has been determined by reference to past default experience and an analysis of the counterparty's current financial position.

Included in trade receivables are receivables with a carrying value of $9,151,000 (2017: $9,074,000) and $613,000 (2017: $396,000) for the Group and Company respectively which are past due at the reporting date for which no provision has been made as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group and Company do not hold any collateral over these balances.

	Group		Company	
Ageing of past due but not impaired receivables	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000
0-60 days	**7,078**	8,416	**553**	373
60-90 days	**587**	373	**10**	16
90-120 days	**104**	147	**46**	7
120+ days	**1,382**	138	**4**	–
	9,151	9,074	**613**	396

18. Trade and other receivables continued

Movement in the allowance for doubtful debts	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Balance at the beginning of the period	**608**	612	**–**	–
Amounts written off during the period	**(396)**	(71)	**–**	–
Amounts recovered during the period	**(5)**	(20)	**–**	–
Increase/(decrease) in allowance recognised in profit or loss	**27**	84	**–**	–
Exchange differences	**(8)**	3	**–**	–
Balance at the end of the period	**226**	608	**–**	–

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

During the prior year, $77,000 of the $84,000 charge recognised in the income statement, was included within non-recurring items as it related to the write-off of debt in Volex do Brasil Ltda following its closure.

Ageing of impaired trade receivables	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
0-60 days	**–**	–	**–**	–
60-90 days	**25**	–	**–**	–
90-120 days	**17**	13	**–**	–
120+ days	**184**	595	**–**	–
	226	608	**–**	–

19. Borrowings

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Unsecured borrowings at amortised cost				
Bank overdrafts	**1,849**	–	**1,789**	6,068
Secured borrowings at amortised cost				
Bank loans	**13,033**	18,230	**13,033**	2,510
Total borrowings at amortised cost	**14,882**	18,230	**14,822**	8,578
Amount due for settlement within 12 months	**1,849**	–	**1,789**	6,068
Amount due for settlement after 12 months	**13,033**	18,230	**13,033**	2,510
	14,882	18,230	**14,822**	8,578

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

	2018 %	2017 %
Bank loans and overdrafts	**2.9**	2.7

Notes to the Financial Statements continued

For the 52 weeks ended 1 April 2018 (52 weeks ended 2 April 2017)

19. Borrowings continued

During the 52 weeks ended 1 April 2018 the Group utilised a multi-currency combined revolving overdraft and guarantee facility. The facility expiry date was extended in June 2017 to 30 June 2019. As part of this extension, Clydesdale Bank plc exited the banking syndicate that provided the facility and the facility limit was reduced from $45,000,000 to $30,000,000. The syndicate at year end comprises Lloyds Banking Group plc and HSBC Bank plc.

The amount available under the facility at 1 April 2018 was $30,000,000 (2017: $45,000,000). The facility was secured by fixed and floating charges over the assets of certain Group companies.

The terms of the facility required the Group to perform quarterly financial covenant calculations with respect to leverage (adjusted total debt to adjusted rolling 12-month EBITDA) and interest cover (adjusted rolling 12-month EBITDA to adjusted rolling 12-month interest). Breach of these covenants could result in cancellation of the facility.

In the current year, professional fees of $496,000 were incurred during the period in relation to the one-year extension of the facility. Of this, $300,000 was paid to the syndicate to agree to the extension. The $496,000 was capitalised and is being charged to the income statement on a straight-line basis over the remaining period to facility expiry. During the prior year professional fees of $582,000 were incurred in relation to the one year extension of the facility.

At 1 April 2018, the facility incurred interest at a margin of 3% (2017: 2.79%) above LIBOR.

Also drawn under the facilities, and not included above, are bonds, guarantees and letters of credit amounting to $362,000 (2017: $1,613,000).

Drawings under the facilities were made in various currencies. Total borrowings for the Group at 1 April 2018 can be analysed by currency as follows:

Group	**2018 $'000**	2017 $'000
USD	**(9,534)**	3,000
Euro	**13,400**	15,720
Pound Sterling	**11,533**	–
	15,399	18,720
Less: debt issue costs (note 25)	**(517)**	(490)
	14,882	18,230

Undrawn borrowing facilities

At 1 April 2018, the Group had undrawn committed borrowing facilities available of $14,239,000 (2017: $24,666,000).

20. Trade and other payables

	Group		Company	
Trade payables	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000
Trade payables	**54,181**	51,156	**315**	462
Other payables				
Amounts owed to Group undertakings	**–**	–	**55,413**	50,186
Other taxes and social security	**4,090**	3,420	**308**	118
Accruals and deferred income	**22,566**	22,005	**2,870**	1,568
	26,656	25,425	**58,591**	51,872
Due for settlement within 12 months	**25,576**	24,993	**31,213**	12,300
Due for settlement after 12 months	**1,080**	432	**27,378**	39,572
	26,656	25,425	**58,591**	51,872

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 84 days (2017: 87 days).

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

21. Deferred tax

Group

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

	Unremitted earnings $'000	Trading losses $'000	Accelerated tax depreciation $'000	Other short term timing differences $'000	Total $'000
At 3 April 2016	(2,132)	823	22	(23)	(1,310)
(Charge)/credit to income	639	2,083	–	–	2,722
Exchange differences	299	–	–	(2)	297
At 2 April 2017	(1,194)	2,906	22	(25)	1,709
(Charge)/credit to income	**(616)**	**(955)**	**–**	**272**	**(1,299)**
Exchange differences	**(198)**	**(30)**	**(22)**	**115**	**(135)**
At 1 April 2018	**(2,008)**	**1,921**	**–**	**362**	**275**

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:

	2018 $'000	2017 $'000
Deferred tax assets	**2,283**	2,948
Deferred tax liabilities	**(2,008)**	(1,239)
	275	1,709

At the balance sheet date, the Group had unused tax losses of $156,441,000 (2017: $139,155,000) available for offset against future profits.

After a strong performance from its US operations in FY2018 and forecast ongoing growth in this region, the level of losses expected to be utilised in the foreseeable future increased. Off-setting this, however, the reduced tax rate in the US of 21% (2017: 34%) following the 2017 US tax reform has resulted in a decrease in the recognised deferred tax asset to $1,921,000 (2017: $2,906,000). The movement due to the reduction in tax rate of $457,000 has been recognised as non-recurring in the year.

Of the $1,921,000 recognised deferred tax asset, we expect to utilise $361,000 (2017: $1,382,000) within the next 12 months.

Included in the unrecognised tax losses are losses of $40,766,000 (2017: $40,758,000) that cannot be carried forward indefinitely. Of this amount, $2,937,000 (2017: $12,142,000) expires during the next five accounting periods. Other losses may be carried forward to future periods.

The carrying amount of deferred tax assets is reviewed at each reporting date and recognised to the extent that it is probable that there are sufficient taxable profits to allow all or part to be recovered. Deferred tax assets have been recognised based on future forecast taxable profits.

The deferred tax assets in Mexico and Poland totalling $362,000 (2017: $73,000) relate to payments for which tax relief is not available in the same year as the accounting expense, but which will be available in a later year.

At the reporting date a deferred tax liability of $2,008,000 (2017: $1,194,000) has been recognised relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the reversal of these temporary differences and it is probable that they will reverse in the foreseeable future. The temporary differences at 1 April 2018 represent only the unremitted earnings of those overseas subsidiaries where remittance to the UK of those earnings may still result in a tax liability, principally as a result of dividend withhold taxes levied by the overseas tax jurisdictions in which those subsidiaries operate.

Company

At the reporting date, the Company had unused tax losses of $64,998,000 (2017: $51,798,000) available for offset against future profits. Of this amount $6,152,000 relate to the period post-31 March 2017. The Company has not recognised any deferred tax assets in respect of these unused tax losses or other temporary differences as the future use of these assets is uncertain. The losses may be carried forward indefinitely.

Notes to the Financial Statements continued

For the 52 weeks ended 1 April 2018 (52 weeks ended 2 April 2017)

22. Provisions

Group	Property $'000	Corporate restructuring $'000	Other $'000	Total $'000
At 3 April 2016	3,294	67	356	3,717
Charge/(credit) in the period	(39)	–	18	(21)
Utilisation of provision	(3,014)	–	(20)	(3,034)
Unwinding of discount (note 6)	79	–	–	79
Exchange differences	(268)	(3)	(28)	(299)
At 2 April 2017	52	64	326	442
Charge/(credit) in the period	**(34)**	**–**	**–**	**(34)**
Utilisation of provision	**1**	**–**	**(64)**	**(63)**
Unwinding of discount (note 6)	**–**	**–**	**–**	**–**
Exchange differences	**1**	**1**	**30**	**32**
At 1 April 2018	**20**	**65**	**292**	**377**
Less: included in current liabilities	**–**	**–**	**292**	**292**
Non-current liabilities	**20**	**65**	**–**	**85**

Company	Property $'000	Corporate restructuring $'000	Other $'000	Total $'000
At 3 April 2016	3,098	–	–	3,098
Charge/(credit) in the period	(50)	–	–	(50)
Utilisation of provision	(2,860)	–	–	(2,860)
Unwinding of discount	78	–	–	78
Exchange differences	(234)	–	–	(234)
At 2 April 2017	32	–	–	32
Charge/(credit) in the period	**(34)**	**–**	**–**	**(34)**
Utilisation of provision	**1**	**–**	**–**	**1**
Unwinding of discount	**–**	**–**	**–**	**–**
Exchange differences	**1**	**–**	**–**	**1**
At 1 April 2018	**–**	**–**	**–**	**–**
Less: included in current liabilities	**–**	**–**	**–**	**–**
Non-current liabilities	**–**	**–**	**–**	**–**

Property provisions

In the prior year, the Group exited the lease on Greenfold Way (the old UK headquarters and factory based in Leigh) following the payment of a surrender premium of $2,481,000. A small provision of $32,000 was retained to cover any incidental costs associated with this property.

During the current year, the Group incurred a small number of costs and received several refunds following the exit of the site. As such the Group released the remaining provision associated with Greenfold Way. The $20,000 remaining balance relates to the Group's Asian property portfolio.

Other

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

23. Share capital

Group and Company	2018 $'000	2017 $'000
Issued and fully paid:		
90,251,892 (2017: 90,251,892) Ordinary shares of 25p each	**39,755**	39,755

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

			Number of shares	
Date of grant	Option price (p)	Exercise period	2018	2017
Performance Share Plan				
18 June 2015	25	June 2018 – June 2025	**362,889**	362,889
31 March 2016	25	March 2019 – March 2026	**2,345,260**	2,809,139
1 December 2016	25	December 2019 – December 2026	**2,973,271**	3,457,357
23 February 2017	25	February 2020 – February 2027	**990,512**	990,512
1 December 2017	25	December 2020 – December 2027	**3,000,000**	–
Restricted Share Scheme				
18 June 2015	–	June 2017 – December 2017	**–**	32,358
Deferred Bonus Plan				
5 June 2017	–	June 2018	**470,588**	–
			10,142,520	7,652,255

For further details of the Group's share option schemes see note 28.

Post year end 266,794 shares have been awarded to the Executive Management Team in lieu of a cash bonus award. The shares vest in June 2019 providing continuous employment with the group.

Notes to the Financial Statements continued

For the 52 weeks ended 1 April 2018 (52 weeks ended 2 April 2017)

24. Own shares and non-distributable reserves

Own shares	**2018 $'000**	2017 $'000
At the beginning and the end of the period	**867**	867

The own shares reserve represents both the cost of shares in the Company purchased in the market and the nominal share capital of shares in the Company issued to the Volex Group plc Employee Share Trust to satisfy future share option exercises under the Group's share option schemes (see note 28).

The number of Ordinary shares held by the Volex Group plc Employee Share Trust at 1 April 2018 was 1,295,360 (2017: 1,295,360). The market value of the shares as at 1 April 2018 was $1,160,000 (2017: $660,000).

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

During the year no (2017: nil) shares were utilised on the exercise of share awards.

In December 2013, the Volex Group plc Employee Share Trust sold 3,378,582 shares at £1.16 per share to the open market. The average price of shares held by the Trust at the time was £0.70 with a number of the shares having been issued by Volex plc to the Trust at nominal value. In accordance with the Accounting Standards, the difference between the sales price of £1.16 and the average share price of £0.70 was recorded as a non-distributable reserve, giving rise to the $2,455,000 non-distributable reserve balance.

25. Analysis of net debt

Group	Cash and cash equivalents $'000	Bank loans $'000	Debt issue costs $'000	Total $'000
At 3 April 2016	25,574	(29,265)	442	(3,249)
Cash flow	3,763	9,240	582	13,585
Exchange differences	228	1,305	(113)	1,420
Amortisation of debt issue costs	–	–	(421)	(421)
At 2 April 2017	29,565	(18,720)	490	11,335
Cash flow	**(6,070)**	**7,285**	**496**	**1,711**
Exchange differences	**(514)**	**(2,115)**	**69**	**(2,560)**
Amortisation of debt issue costs	**–**	**–**	**(538)**	**(538)**
At 1 April 2018	**22,981**	**(13,550)**	**517**	**9,948**

Debt issue costs relate to bank facility arrangement fees.

During the year, $496,000 of professional fees were capitalised in relation to the one year extension obtained on the senior credit facility. The resulting debt issue cost is being amortised over the remaining life of the facility.

26. Notes to the statement of cash flows

	Group		Company	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Profit/(loss) for the period	**3,925**	(7,048)	**(18,922)**	5,612
Adjustments for:				
Finance income	**(20)**	(19)	**(31)**	(215)
Finance costs	**1,606**	1,898	**1,168**	502
Income tax expense	**3,070**	(1,452)	**70**	1
Share of net loss from associates	**192**	–	**–**	–
Depreciation on property, plant and equipment	**3,095**	4,927	**5**	7
Amortisation of intangible assets	**115**	441	**32**	143
Impairment loss	**74**	12,491	**–**	–
(Gain)/loss on disposal of property, plant and equipment	**89**	61	**–**	–
Impairment of investments	**–**	–	**5,000**	161
Share-based payment (credit)/charge	**1,132**	468	**1,132**	468
(Decrease)/increase in provisions	**(810)**	(3,837)	**(795)**	(3,672)
Effects of foreign exchange rate changes	**–**	407	**(662)**	(748)
Operating cash flow before movement in working capital	**12,468**	8,337	**(13,003)**	2,259
(Increase)/decrease in inventories	**(3,974)**	5,382	**(116)**	184
(Increase)/decrease in receivables	**(1,661)**	2,376	**(3,896)**	10,828
Increase/(decrease) in payables	**1,508**	3,070	**18,514**	(3,175)
Movement in working capital	**(4,127)**	10,828	**14,502**	7,837
Cash generated from/(used in) operations	**8,341**	19,165	**1,499**	10,096
Cash generated from/(used in) operations before non-recurring operating items	**9,365**	24,906	**2,012**	13,106
Cash utilised by non-recurring operating items	**(1,024)**	(5,741)	**(513)**	(3,010)
Taxation paid	**(2,469)**	(2,102)	**(29)**	(16)
Interest paid	**(979)**	(1,166)	**(276)**	(373)
Net cash generated from/(used in) operating activities	**4,893**	15,897	**1,194**	9,707

Cash and cash equivalents

	Group		Company	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Cash and bank balances	**24,830**	29,565	**48**	40
Bank overdrafts	**(1,849)**	–	**(1,789)**	(6,068)
	22,981	29,565	**(1,741)**	(6,028)

Cash and cash equivalents comprise cash held by the Group, short term bank deposits with an original maturity of three months or less and bank overdrafts. The carrying amount of these assets approximates their fair value. Included within cash and cash equivalents is $176,000 (2017: $157,000) held in trust which can only be used for Volex employees.

Notes to the Financial Statements continued

For the 52 weeks ended 1 April 2018 (52 weeks ended 2 April 2017)

27. Operating lease arrangements

The following have been recognised during the period:

	Group		Company	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Minimum lease payments made under operating leases				
Paid	**4,417**	7,238	**120**	3,011
Recognised in operating profit	**4,417**	3,930	**120**	151

Payments made under operating leases net of sub-lease receipts and credited to the onerous lease provisions in the year were $nil (2017: $3,308,000) for the Group and $nil (2017: $2,860,000) for the Company.

Within operating profit sublease receipts of $463,000 (2017: $448,000) have been recognised.

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

	Group		Company	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Within one year	**4,452**	3,429	**157**	28
In the second to fifth years inclusive	**6,529**	4,116	**174**	–
After five years	**2,300**	1,826	**–**	–
	13,281	9,371	**331**	28

Operating lease payments primarily represent rentals payable by the Group for its office and manufacturing properties. Leases are negotiated for an average term of four years (2017: three years).

At the reporting date, the Group had contracted with tenants under non-cancellable subleases for the following future minimum lease payments:

	Group		Company	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Within one year	**490**	468	**–**	–
In the second to fifth years inclusive	**1,960**	1,872	**–**	–
After five years	**408**	819	**–**	–
	2,858	3,159	**–**	–

28. Share-based payments

	Group	
	2018 $'000	2017 $'000
Share-based payment charge/(credit)	**938**	436
National insurance charge/(credit) in relation to share awards	**194**	32
	1,132	468

During the period, the Group had two types of equity-settled share option schemes in operation: a Performance Share Plan ('PSP') and a Deferred Bonus Plan ('DBP').

28. Share-based payments continued

Options issued under the PSP are exercisable between three and ten years from the date of grant, subject to the continued employment of the participant and achievement of performance targets. All awards under the PSP have an exercise price of 25p, which is equivalent to the nominal value of the underlying Ordinary share. Full details of how the scheme operates are explained on page 47 of the Directors' Remuneration Report.

The DBP shares are nil cost and vest, subject to continued employment, after a predetermined length of time.

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

	2018		2017	
	Number of share awards	Weighted average exercise price (p)	Number of share awards	Weighted average exercise price (p)
Outstanding at the beginning of the period	**7,652,255**	**25**	3,906,996	25
Granted during the period	**3,470,588**	**22**	4,510,148	25
Exercised during the period	**(32,358)**	**–**	(32,358)	–
Expired during the period	**(947,965)**	**(25)**	(732,531)	(25)
Outstanding at the end of the period	**10,142,520**	**24**	7,652,255	25
Exercisable at the end of the period	**–**	**–**	–	–

Of the share awards that expired during the period, 947,965 (2017: 732,531) lapsed in respect of leavers and no options (2017: nil) expired due to failure to meet performance conditions.

The awards outstanding at 1 April 2018 had a weighted average remaining contractual life of eight years (2017: nine years).

Of the 10,142,520 awards outstanding at 1 April 2018, 9,671,932 had an exercise price of £0.25 and 470,588 had an exercise price of £nil.

Of the 7,652,255 awards outstanding at 2 April 2017, 7,619,897 had an exercise price of £0.25 and 32,358 had an exercise price of £nil.

The aggregate of the estimated fair values of the options granted during the period was $2,352,000 (2017: $1,021,000).

The fair value of awards granted in the period was calculated at the date of grant using a Monte Carlo binomial model or a Black-Scholes model, depending on the vesting criteria of each award. Valuation model inputs were as follows:

	2018	2017
Weighted average share price	**£0.85**	£0.42
Weighted average exercise price	**£0.25**	£0.25
Expected volatility	**41.0%**	44.5%
Expected life (years)	**3.50**	3.50
Risk-free rate	**0.4%**	0.2%
Expected dividends	**0.0%**	0.0%

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

The DBP awards were valued at their market price on the day of grant, being £0.83 on 18 June 2015. Post year end 266,794 shares have been awarded to the Executive Management Team in lieu of a cash bonus award. The shares vest in June 2019 providing continuous employment with the group.

Notes to the Financial Statements continued

For the 52 weeks ended 1 April 2018 (52 weeks ended 2 April 2017)

29. Retirement benefit schemes

Defined contribution schemes

The Company operates two HMRC 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 period was $300,000 (2017: $295,000). The total cost charged to the Company's income statement in the period was $230,000 (2017: $211,000).

Defined benefit schemes

The Company operates a UK defined benefit pension arrangement called the Volex Executive Pension Scheme (the 'Scheme'). The Scheme provides benefits on retirement or death, based on final salary and length of service up to 31 March 2003 or earlier date of leaving service. Future accrual of retirement benefits under the scheme(s) ceased on 31 March 2003 when the scheme(s) was replaced with defined contribution arrangements.

The Scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A full actuarial valuation of the Scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process, the Company must agree with the Trustee of the Scheme the contributions to be paid to address any shortfall against the Statutory Funding Objective. The last full actuarial valuation of the scheme was carried out by a qualified independent actuary on 31 July 2016, and the assumptions used and results from this valuation have been incorporated, as appropriate, in the following IAS 19 disclosures. This valuation has been updated on an approximate basis to 1 April 2018 and utilises the projected unit credit valuation method.

There were no scheme amendments, curtailments or settlements during the period.

The key assumptions utilised are:

	Valuation at	
	2018	2017
Discount rate	**2.6%**	2.5%
Future pension increases	**2.4%**	2.4%
Revaluation in deferment	**2.4%**	2.4%
Inflation assumption (RPI)	**3.4%**	3.4%
Inflation assumption (CPI)	**2.4%**	2.4%

The following mortality assumptions have been made:

	2018 Years	2017 Years
Future life expectancy for a pensioner currently aged 65		
– Male	**22.6**	22.7
– Female	**23.6**	23.8
Future life expectancy at age 65 for a non-pensioner currently aged 55		
– Male	**23.2**	23.5
– Female	**24.3**	24.7

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, inflation and life expectancy. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, assuming that all other assumptions are held constant:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.5%	($1,028,000)/$1,145,000
Inflation	Increase/decrease by 0.5%	$799,000/($799,000)
Life expectancy	Increase/decrease by 1 year	$654,000/($647,000)

In reality one might expect interrelationships between the assumptions, especially between discount rate and inflation. The above analysis does not take the effect of these interrelationships into account.

29. Retirement benefit schemes continued

Amounts recognised in income statement (note 6)	2018 $'000	2017 $'000
Interest cost	**(541)**	(674)
Expected return on scheme assets	**434**	580
Finance income/(costs)	**(107)**	(94)

No other amounts have been recognised in the income statement in the current or prior year.

An actuarial gain of $870,000 (2017: loss of $2,143,000) has been reported in the statement of comprehensive income.

Cumulative actuarial gains/(losses) recognised in equity	2018 $'000	2017 $'000
At the beginning of the period	**(3,708)**	(1,565)
Net actuarial gains/(losses) recognised in the period	**870**	(2,143)
At the end of the period	**(2,838)**	(3,708)

Amounts recognised in the statement of financial position	2018 $'000	2017 $'000
Fair value of scheme assets	**18,835**	16,969
Present value of defined benefit obligations	**(22,152)**	(21,370)
Deficit in scheme recognised in the statement of financial position	**(3,317)**	(4,401)
Current liabilities	**(947)**	(719)
Non-current liabilities	**(2,370)**	(3,682)
	(3,317)	(4,401)

The Company has contributed $749,000 to its defined benefit pension plans in the period ended 1 April 2018 (2017: $708,000).

Movements in the present value of defined benefit obligations	2018 $'000	2017 $'000
At the beginning of the period	**(21,370)**	(21,625)
Interest cost	**(541)**	(674)
Experience gain/(loss) on liabilities	**–**	13
(Losses)/gains from changes to demographic assumptions	**213**	600
Remeasurement gain/(loss)	**298**	(3,417)
Benefits paid	**1,746**	1,044
Foreign exchange	**(2,498)**	2,689
At the end of the period	**(22,152)**	(21,370)

Movements in the fair value of scheme assets	2018 $'000	2017 $'000
At the beginning of the period	**16,969**	18,295
Interest on assets	**434**	580
Actuarial gains/(losses)	**359**	661
Contributions from the sponsoring company	**749**	708
Benefits paid	**(1,746)**	(1,044)
Foreign exchange	**2,070**	(2,231)
At the end of the period	**18,835**	16,969

Notes to the Financial Statements continued

For the 52 weeks ended 1 April 2018 (52 weeks ended 2 April 2017)

29. Retirement benefit schemes continued

Assets

Asset category	2018 $'000	2017 $'000
Equity instruments	**11,350**	10,012
Debt instruments	**7,436**	6,957
Cash	**49**	–
Total	**18,835**	16,969

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 (2017: $nil).

The actual return on scheme assets for the period was a gain of $793,000 (2017: a gain of $1,228,000).

The estimated amount of contributions expected to be paid to the Scheme during the 52 weeks to 31 March 2019 is $947,000 (2018: $719,000).

30. Financial instruments

Capital risk management

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

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

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

The Group has a multi-currency revolving credit facility ('RCF'), which had an available limit of $30,000,000 as at 1 April 2018 (2017: $45,000,000). At this date, the amounts drawn under this facility included term loans of €11,000,000 (2017: $3,000,000 and €14,700,000). Under the RCF, a cash pool facility exists denominated in a variety of currencies. At 1 April 2018, the cash pool was in a net cash overdraft position of $1,849,000 (2017: net cash position of $438,000). The average combined utilisation during the period was $20,476,000 (2017: $29,318,000). The RCF expires on 30 June 2019.

Included in note 19 is a description of undrawn facilities as at the reporting date.

The terms of the RCF require the Group to perform quarterly financial covenant calculations with respect to leverage (adjusted total debt to adjusted rolling 12-month EBITDA) and interest cover (adjusted rolling 12-month EBITDA to adjusted rolling 12-month interest). Breach of these covenants could result in cancellation of the facility.

Subsequent to year end, the Group has raised £36.0 million in equity proceeds. After deducting issue costs, $46.9 million will be available to the Group, of which $10.9 million has been used in the acquisition of the trade and assets of Silcotec Europe Limited. The balance of $36.0 million will be used to deleverage the balance sheet and will be available for future accretive M&A transactions, investment in automation and general working capital requirements.

The Group's forecast and projections, taking reasonable account of possible changes in trading performance, show that the Group should operate within the level of the proposed facility for the period in which the facility is available and should comply with the revised covenants over this period. Given the above equity raise, the Directors believe that on expiry of the facility on 30 June 2019, sufficient funds will be available such that the facility can be repaid and the Group can continue its normal operations.

The Board is therefore confident that the combination of the above facility and post year end equity raise provides adequate liquidity headroom for the successful execution of the Group's operations.

The Group is not subject to externally imposed capital requirements.

30. Financial instruments continued

Financial instruments

The Group's principal financial instruments comprise bank borrowings and overdrafts, cash and short term deposits, trade and other receivables and trade and other payables. The Group also enters into derivative transactions, principally copper forward contracts to manage the commodity price risk arising from its operations and forward currency contracts to manage the currency risks arising from its operations.

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

	Book value 2018 $'000	Book value 2017 $'000	**Fair value 2018 $'000**	Fair value 2017 $'000
Financial assets – loans and receivables				
Cash	**24,830**	29,565	**24,830**	29,565
Trade and other receivables	**59,200**	58,339	**59,200**	58,339
Financial liabilities – amortised cost				
Interest-bearing loans and borrowings	**(14,882)**	(18,230)	**(15,399)**	(18,720)
Trade and other payables	**(70,432)**	(65,218)	**(70,432)**	(65,218)
Financial derivatives for which hedge accounting has been applied				
Derivative financial instruments	**192**	402	**192**	402
Financial derivatives for which hedge accounting has not been applied				
Derivative financial instruments	**–**	–	**–**	–

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

Financial risk management

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

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

Market risk

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

Interest rate risk

The Group's interest rate risk arises principally from borrowings issued at variable rates which expose the Group to cash flow interest rate risk. During the current year, the Group invested in 10% cumulative preference shares with its associate, Kepler SignalTek. The following table sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk:

2018	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							
Trade and other receivables	–	–	408	–	–	–	408
Floating rate							
Cash assets	24,830	–	–	–	–	–	24,830
Bank loans and borrowings	(1,849)	(13,033)	–	–	–	–	(14,882)

Notes to the Financial Statements continued

For the 52 weeks ended 1 April 2018 (52 weeks ended 2 April 2017)

30. Financial instruments continued

2017	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
Floating rate							
Cash assets	29,565	–	–	–	–	–	29,565
Bank loans and borrowings	–	(18,230)	–	–	–	–	(18,230)

Interest rate and sensitivity

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

Management regularly reviews the interest rate risk exposure and is currently of the view that the Group should not fix its interest rate. At 1 April 2018, the Group is exposed to floating rate interest on borrowings at a margin of 3% (2 April 2017: 2.79%) above LIBOR.

Had interest rates been 0.5% higher/ 0.25% lower in the period, and all other variables were held constant, Group profit before tax would have been $102,000 lower/$51,000 higher (2017: $139,000 lower/$70,000 higher). A 0.5% increase/0.25% decrease interest rate sensitivity test has been performed since this represents the Directors' assessment of a reasonably possible change in interest rates.

Foreign currency risk

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

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group's policy is to hedge its related translation exposures through the designation of certain amounts of its foreign currency denominated debt as a hedging instrument.

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

	Liabilities		Assets	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
USD	**36,739**	44,420	**69,864**	76,397
Euro	**16,041**	20,456	**3,286**	5,404
Chinese Renminbi	**11,846**	13,648	**4,763**	7,823
Pound Sterling*	**14,745**	421	**572**	(8,079)
Indian Rupee	**675**	290	**2,261**	2,685
Other	**5,268**	4,262	**3,476**	4,076

* Under the RCF, a cash pool facility exists over two entities, denominated in a variety of currencies. At 1 April 2018, the overall cash pool was in a net cash overdraft position of $1,849,000 (2017: net cash position of $438,000).

Foreign currency sensitivity

The following table details the Group's sensitivity to a 10% increase and decrease in USD against the relevant foreign currencies. The 10% rate used represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes both external loans and loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A 10% change in foreign exchange rate sensitivity test has been performed since this represents the Directors' assessment of a reasonably possible change in foreign exchange rates.

30. Financial instruments continued

	GBP impact		EURO impact		CNY impact	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000
10% depreciation of USD against foreign currency						
(i) Profit before tax	**(8)**	(368)	**(241)**	(428)	**(787)**	(799)
(ii) Equity*	**(10,878)**	(10,280)	**(1,358)**	(713)	**–**	–
10% appreciation of USD against foreign currency						
(i) Profit before tax	**6**	301	**197**	350	**643**	653
(ii) Equity*	**8,900**	8,411	**1,111**	584	**–**	–

i. The main exposure impacting profit before tax is on Chinese Renminbi monetary liabilities in the Group at the reporting date.

ii. This is mainly attributable to changes in the carrying value of intercompany loans for which settlement is not planned.

* Excludes any deferred tax impact.

Copper commodity price risk

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

Copper cash flow hedges	**2018**		2017	
Contracted copper price	**Contracted volume (MT)**	**Fair value $'000**	Contracted volume (MT)	Fair value $'000
$5,500 – $6,000	**–**	**–**	1,350	402
$6,000 – $6,500	**300**	**257**	–	–
$6,500 – $7,000	**450**	**(8)**	–	–
$7,000 – $7,500	**150**	**(57)**	–	–
	900	**192**	1,350	402

All contracts expire within 12 months of 1 April 2018.

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

Bank and cash balances comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value. The credit risk on these assets is limited because the counterparties are predominantly financial institutions with investment grade credit ratings assigned by international credit rating agencies.

The Group's credit risk is therefore primarily attributable to its trade receivables. The Group's customers are predominantly large blue chip OEMs, contract equipment manufacturers and distributors. The Group regularly reviews the creditworthiness of significant customers and credit references are sought for major new customers where relevant. The Board recognises that credit risk is a feature of all businesses, especially international businesses. However, it believes that all reasonable steps to mitigate any loss are taken.

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

Notes to the Financial Statements continued

For the 52 weeks ended 1 April 2018 (52 weeks ended 2 April 2017)

30. Financial instruments continued

Liquidity risk

The Group manages liquidity risk by maintaining adequate banking facilities, regular monitoring of forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 19 is a description of undrawn facilities as at the reporting date.

In addition to the banking facilities available to the Group, the Group has access to a non-recourse invoice discounting facility. Under the terms of the arrangement, the Group can sell up to $15 million of trade receivables associated with a specific customer. As at 1 April 2018, the Group had utilised $1.2 million (2017: $2.3 million) of this facility.

The following table analyses the Group's financial liabilities into relevant maturity groupings to show the timing of cash flows associated with the financial liabilities from the reporting date to the contracted maturity date. The amounts disclosed represent the contracted undiscounted cash flows (based on the earliest date on which the Group may be required to pay).

2018	**Carrying amount $'000**	**Contractual cash flows $'000**	**Within 1 year $'000**	**1—2 years $'000**	**2—5 years $'000**	**More than 5 years $'000**
Non-derivative financial liabilities						
Trade and other payables	**(70,432)**	**(70,432)**	**(69,415)**	**(68)**	**(259)**	**(690)**
Bank overdrafts and loans	**(14,882)**	**(15,399)**	**(1,849)**	**(13,550)**	**–**	**–**
Derivative financial liabilities						
Copper commodity contracts	**–**	**–**	**–**	**–**	**–**	**–**

2017	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	1—2 years $'000	2—5 years $'000	More than 5 years $'000
Non-derivative financial liabilities						
Trade and other payables	(65,218)	(65,218)	(64,797)	–	–	(421)
Bank overdrafts and loans	(18,230)	(18,720)	–	(18,720)	–	–
Derivative financial liabilities						
Copper commodity contracts	–	–	–	–	–	–

31. Contingent liabilities

As a global Group, subsidiary companies, in the normal course of business, engage in significant levels of cross-border trading. The customs, duties and sales tax regulations associated with these transactions are complex and often subject to interpretation. While the Group places considerable emphasis on compliance with such regulations, including appropriate use of external legal advisors, full compliance with all customs, duty and sales tax regulations cannot be guaranteed.

Through the normal course of business, the Group provides manufacturing warranties to its customers and assurances that its products meet the required safety and testing standards. When the Group is notified that there is a fault with one of its products, the Group will provide a rigorous review of the defective product and its associated manufacturing process and, if found at fault and contractually liable, will provide for costs associated with recall and repair as well as rectify the manufacturing process or seek recompense from its supplier. The Group does not provide for such costs where fault has not yet been determined and investigations are ongoing.

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.

32. 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 section of the note.

Remuneration of key management – Directors of parent Company	**2018 $'000**	2017 $'000
Short term employee benefits	**1,325**	913
Post-employment benefits	**81**	–
Share-based payment charge/(credit)	**628**	282
	2,034	1,195

Details of Directors' remuneration for the period are provided in the Directors' Remuneration Report on page 53. A family member of one of the Directors received $1,000 (2017: $1,000) for services provided during the year.

As explained in Note 16, the Group has a 26.09% interest in Kepler SignalTek Limited, which is accounted for as an associate. During the period the company invested $300,000 in shares and a further $400,000 in redeemable preference shares. During the period the Group accrued financial income of $8,000 on the preference shares (2017: $nil). The balance due from the associate as at the period end date was $408,000 (2017: $nil).

The Group also has a 43% interest in Volex-Jem Co. Ltd. During the period the Group purchased $1,738,000 of materials from Volex – JEM Cable Precision (Dongguan) Co., Limited an entity controlled by Volex-Jem Co. Ltd. The balance due to the associate as at the period end date was $1,403,000 (2017: $nil).

Company

During the period, the Company levied/(received) the following charges on its subsidiary undertakings:

	2018 $'000	2017 $'000
Management income/(charges)	**(4,265)**	1,324
Royalty income	**1,331**	–
Interest income	**365**	214
	(2,569)	1,538

Amounts due to and from subsidiary undertaking are shown in notes 18 and 20.

Remuneration of Directors of the Company is discussed above.

33. Events after the balance sheet date

On 30 April 2018, the Group completed the acquisition of MC Electronics LLC, a North-American based manufacturer of customised complex medical and industrial cables, wire harnesses and electro-mechanical assemblies for medical and industrial applications. The consideration for the acquisition comprised an initial 3,000,000 new shares in Volex plc with a further 500,000 shares to be issued subject to trading performance by MC Electronics in the remainder of its financial year to 31 October 2018. Also included within the initial consideration was $393,000 of cash for the working capital acquired.

On 5 June 2018, Volex plc issued 48,000,000 new shares at £0.75 per share. After issue costs, the new equity raised $46,900,000 (£34,900,000). From this $10,880,000 (€9,246,000) has been used in the initial consideration to acquire the trade and assets of Silcotec Europe Limited, a manufacturer of customised complex medical and industrial cables and sub-assemblies for the medical, telecommunications and computer industries. A further 3,521,437 shares have been issued to the seller as part of the initial consideration with a further €2 million due to the seller subject to performance over the 12 months from June 2018.

Five Year Summary

Results	**Unaudited IFRS 2018 $'000**	Unaudited IFRS 2017 $'000	Unaudited IFRS 2016 $'000	Unaudited IFRS 2015 $'000	Unaudited IFRS 2014 $'000
Revenue – total Group	**322,377**	319,584	367,534	423,409	400,177
Gross profit – total Group	**55,843**	42,347	58,519	70,627	66,022
Operating expenses – total Group	**(47,070)**	(48,968)	(55,080)	(75,180)	(70,844)
Normalised operating profit[i] – total Group	**11,457**	9,079	7,172	8,832	4,532
Operating exceptional items	**(1,552)**	(15,232)	(4,742)	(12,528)	(11,642)
Share-based payment (charge)/credit	**(1,132)**	(468)	1,009	(857)	2,288
Profit/(loss) on ordinary activities before taxation	**6,995**	(8,500)	1,542	(7,179)	(7,562)
Depreciation and amortisation – continuing operations	**3,210**	5,368	7,180	7,212	7,972

	Cents	Cents	Cents	Cents	Cents
Basic underlying earnings/(loss) per share – total Group[ii]	**9.2**	9.5	1.5	2.8	(8.6)
Basic earnings/(loss) per share – total Group	**4.4**	(7.9)	(2.6)	(12.8)	(22.6)

Statement of financial position	**$'000**	$'000	$'000	$'000	$'000
Non-current assets	**24,606**	24,905	39,427	41,384	48,670
Net cash/(debt)	**9,948**	11,335	(3,249)	1,880	(32,220)
Other assets and liabilities	**13,590**	10,067	15,174	11,244	20,275
Net assets	**48,144**	46,307	51,352	54,508	36,725
Gearing	**–**	–	6%	–	88%

i Defined as operating profit before non-recurring items and share-based payments.

ii Defined as earnings/(loss) per share before share-based payments and non-recurring items.

Related Undertakings of the Group

The consolidated financial statements include those of the Company, Volex plc, and all of its subsidiaries. Volex Powercords Europe, Volex Cable Assemblies Europe and Volex PLC Sweden Filial are all trading division of Volex plc. In accordance with Section 409 of the Companies Act 2006 the subsidiaries owned at 1 April 2018 are disclosed below. The following entities are 100% owned unless otherwise stated.

Name of entity	Footnote	Country of incorporation	Address
Volex Pte Ltd	1	Singapore	35 Tampines Street 92, Singapore 528880
Volex International Korea LLC	1	South Korea	6th Floor, 100 Toegye-ro (Hoehyun-dong 2-ga, State Tower Namsan), Jung-gu, Seoul
Volex Holdings Inc	2	USA	84 State Street, Boston MA 02109
Volex Canada Inc	1	Canada	1565 Carling Avenue, Fourth floor, Ottawa On K1Z 8R1
Volex do Brasil Ltda	1	Brazil	Rod. Geraldo Scavone 2.080, Unidade 13 A 16, Jacarei, 12305-490, Brazil
Volex Poland SP z.o.o.	1	Poland	Podłuzna 11-13, 85-790, Bydgoszcz, Kuyavian-Pomeranian Voivodeship, Poland
Volex France Sarl	1	France	Citco France Sarl, 8 avenue Hoche, 75008 Paris, France
Volex Germany GmbH	1	Germany	Zu den Mühlen 19, 35390 Gießen, Deutschland
Volex Sweden AB	1	Sweden	SE-831 48 Östersund, Jämtland County
Volex Group Holdings Limited	2	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey TW10 6UA
Volex (No.4) Ltd	3	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey TW10 6UA
Volex (No.3) Ltd	3	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey TW10 6UA
Volex (No.2) Ltd	3	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey TW10 6UA
Volex (No.1) Ltd	3	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey TW10 6UA
Cable products Limited	3	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey TW10 6UA
Pencon Limited	3	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey TW10 6UA
Volex Executive Pension Scheme Trustee	3	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey TW10 6UA
Volex Electrical Products	3	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey TW10 6UA
Volex Group Pension Scheme Trustee Limited	3	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey TW10 6UA
Ward and Goldstone Limited	3	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey TW10 6UA
Volex Interconnect products Limited	3	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey TW10 6UA
Volex Electronics Limited	3	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey TW10 6UA
Ionix Development Company Limited	3	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey TW10 6UA
Pendle Connectors Limited	3	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey TW10 6UA
Mayor (UK) Limited	3	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey TW10 6UA
Volex Interconnect Systems Limited	3	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey TW10 6UA

1 Manufacture and/or sale of power and data cables
2 Act as a Holding company
3 Dormant company

Related Undertakings of the Group continued

Name of entity	Footnote	Country of incorporation	Address
Indirectly Held			
Volex (Asia) Pte Ltd	1	Singapore	35 Tampines Street 92, Singapore 528880
PT Volex Indonesia	1	Indonesia	JL. Ir. Sutami Kawasan Industri Sekupang, Batam, Indonesia 29422, Indonesia
PT Volex Cable Assembly	1	Indonesia	Kawasan EJIP Industrial Park Plot 8M-1, Lemah Abang – Cikarang Selatan, Bekasi 17550, Indonesia
Volex Cable Assemblies (Phils) Inc	1	Philippines	Unit 1 Lot 10 Phase 4 East Science Ave. corner Trade Ave., Laguna Technopark Inc., Binan, Laguna. Philippines 4024
Volex Japan KK	1	Japan	9th floor Kannai Tosei Building II, Sumiyoshi-cho 4-45-1, Naka-Ku, Yokohama-shi, Kangawa
Volex (Taiwan) Co. Ltd	1	Taiwan	11F-2, No.6, Sec.2, Daxing W. Rd., Taoyuan City, Taoyuan Hsien 33046, Taiwan (R.O.C.)
Volex (Thailand) Co. Ltd	1	Thailand	No. 99/349 Moo 2, Chaengwattana Road, Thungsong-Hong, Laksi, Bangkok 10210
Volex Cable Assembly (Vietnam) Pte Ltd	1	Vietnam	Plot D-5B, Thanglong Industrial Park, Dong Anh District, Hanoi, Vietnam
Volex Cable Assemblies Sdn Bhd	1	Malaysia	16th Fllor, Wisma Sime Darby, Jalan Raja Laut, 50350 Kuala Lumpur
Volex Cables (HK) Ltd	1	Hong Kong	Rooms 805-806 8th Floor, Tai Yau Building, 181 Johnston Road Wanchai, Hong Kong
Volex Interconnect (India) Pvt Ltd	1	India	No.22/1-A 1st Street, Kazura Garden, Neelankarai, Chennai, Tamil Nadu, 600041, India
Volex Interconnect Systems (Suzhou) Co. Ltd	1	China	Weiting North Industrial Zone, Weixin Road, Suzhou Industrial Park, Suzhou, Jiang-su Province 215122, China
Volex Cable Assembly (Shenzhen) Co. Ltd	1	China	No. 6279, Henggang Section, Longgang Avenue, Bao'an Village, Henggang Sub-district, Longgang District, Shenzhen City
Volex Cable Assembly (Zhongshan) Co. Ltd	1	China	2 Xingda Street, Torch High-tech Ind Dvpt Zone, Zhongshan, 528437, China
Volex Inc	1	USA	84 State Street, Boston MA 02109
Volex de Mexico SA de CV	1	Mexico	Av 32 Sur, No 8950 Interior G/1,D,E,F, Parque Industrial La Mesa, Fraccionamiento Rubio, Tijuana; Baja California Mexico, CP 22116
Volex Europe Ltd	1	Ireland	Riverside One, 37-42 Sir John Rogerson's Quay, Dublin 2, D02 X576
Volex Europe (No.1) Limited	3	Ireland	Riverside One, 37-42 Sir John Rogerson's Quay, Dublin 2, D02 X576
Volex (no.5) Ltd	3	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey TW10 6UA
Interests in Associates			
Kepler SignalTek	1	Hong Kong	21st Floor, Office Tower, Langham Place, 8 Argyle Street, Mongkok, Kowloon, Hong Kong
Volex Cable Limited	2	Taiwan	19F, No.79, Sec 1. Singtai 5th Road, Sijhih City, Taipei, Country 221, Taiwan

1 Manufacture and/or sale of power and data cables
2 Act as a Holding company
3 Dormant company

Shareholder Information

Financial Calendar

FY2019
Interim Results Announced w/c 5 November 2018
Year End 31 March 2019
Final Results Announced w/c 3 June 2019

FY2020
Interim Results Announced w/c 4 November 2019
Year End 5 April 2020
Final Results Announced w/c 8 June 2020

Registered Office and Advisors

Registered Office

Holbrook House
34-38 Hill Rise
Richmond, Surrey
TW10 6UA
www.volex.com

Registered number

158956 (Registered in England and Wales)

Registrars

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU
www.linkassetservices.com

Independent Auditors

PricewaterhouseCoopers LLP

Bankers

Lloyds Bank plc
HSBC Bank plc

Stockbrokers & Nominated Advisor

Liberum Capital Ltd

Solicitors

Travers Smith LLP

Volex plc
Holbrook House
34-38 Hill Rise
Richmond
Surrey TW10 6UA
United Kingdom

www.volex.com