The Global Cable Assembly Specialists

Annual Report and Accounts 2019

Welcome to our 2019 Annual Report

Who we are

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

We are headquartered in the UK but operate from 12 manufacturing locations and employ over 6,000 staff across 20 countries. Our products are sold through our own global sales force and through distributors to Original Equipment Manufacturers ("OEMs") and Electronic Manufacturing Services companies.

Our 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 to complex machinery.

How we do it

Following recent acquisitions, we now have 12 manufacturing facilities located across nine countries. The factories are supported by sales and/or administrative offices, as well as other staff, in another 11 countries, as well as a number of leased warehouses and stock hubs close to our key customers in order to support their global operational requirements.

Although all of our factories are capable of power cord and cable assembly production, the majority of power cord production is still performed in China, close to raw material suppliers. However, as labour costs increase, our sites in Vietnam and Indonesia are becoming more important. 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. For example, our factory in Suzhou caters primarily for 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. Recent acquisitions have expanded our reach into the medical equipment market and other high-tech sub-sectors.

Our key differentiators

Volex differentiates itself from the competition in three key aspects:

Scale
Volex is one of the 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. Although our competition may be cheaper, few have the consistent safety record of Volex.

Experience
With more than 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 the latest developments in medical, electric vehicle and data connectivity.

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

Highlights

Underlying operating profit
Represents operating profit before adjusting items and share-based payment charges

$21.6m

($11.5 million in FY2018)

Operating cash flow before movement in working capital

$21.2m

($12.5 million in FY2018)

Sales

$372.1m

($322.4 million in FY2018)

Equity raised

$46.7m

(n/a in FY2018)

Acquisitions – MC Electronics, Silcotec and GTK

3

(None in FY2018)

Profit before tax

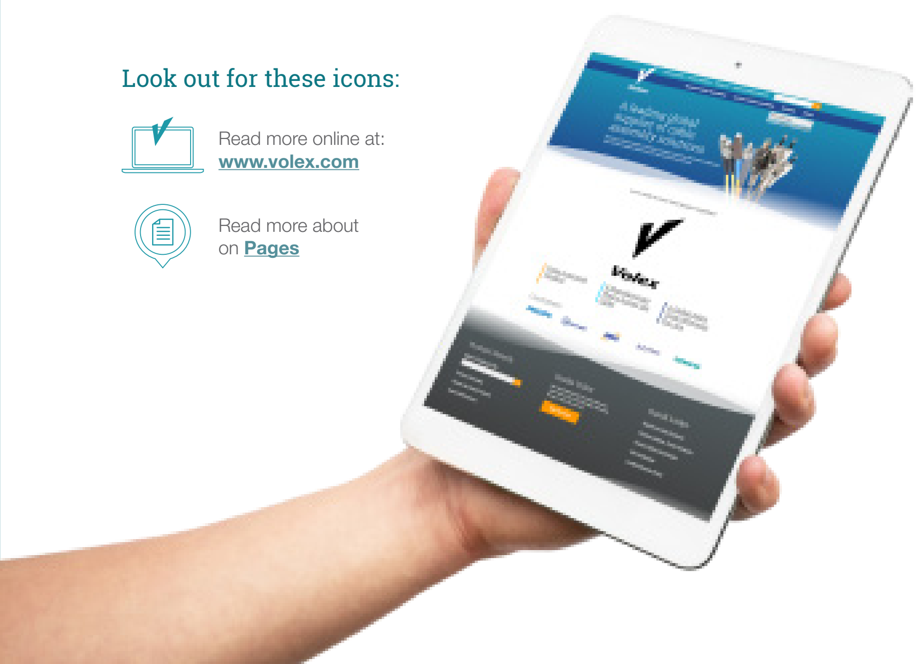
$11.6m

($7.0m in FY2018)

Look out for these icons:

Read more online at: www.volex.com

Read more about on Pages



Contents

At a Glance

What we do

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 and 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' stockholding 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.

Read more about **our Power Cords 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 there is no visible degradation, the cable will pass.

Did you know?
The average UK home download speed is 16.5 Mbps. Our most popular high-speed data cable transmits data at 100 Gbps – 6,000 times as fast.

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 and staff in Canada and the United States. Distribution centres throughout North America. Manufacturing sites in Mexico and the United States.

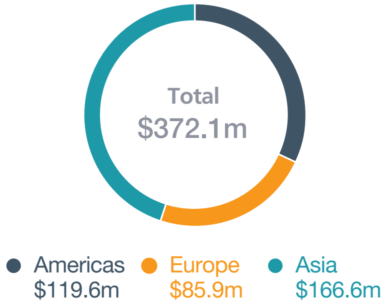
EUROPE

Head office in London and regional office in Poland. A UK and Ireland-based sales team that works with customers across the continent. Manufacturing sites in Poland, the UK, Romania and Slovakia.

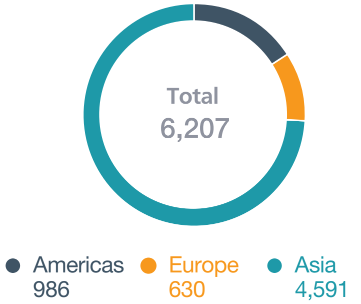
ASIA

Regional head office in Singapore. Sales offices and/or staff in Singapore, China, Malaysia, Thailand, the Philippines, Japan, Taiwan, India and Hong Kong. Manufacturing facilities in China, Indonesia and Vietnam.

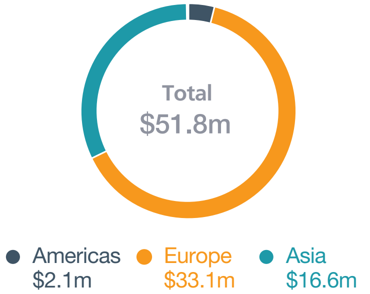
Revenue by location



Employees by location



Non-current assets by location*



*excluding deferred tax assets

Executive Chairman's Statement

Nathaniel Rothschild

> "We continue to diversify our customer base and execute our strategy to be a stable, long-term and trusted partner to our clients. The recovery at Volex continues."

The year ended 31 March 2019 ("FY2019") has seen continued progress in our operational, strategic and financial development. We have added new customers, invested in organic growth, completed three acquisitions and, as our turnaround gathers pace, we have developed significant operational expertise to maximise the Group's return on assets. As a result, our profit margins have improved once again. While we are faced with many challenges, and there is still much to do to achieve our full potential, we start the new financial year in excellent financial health, with a motivated team and the financial resources to continue to grow and improve our market position.

Our strategic goals remain unchanged. We aim to continue to improve our cost position in the manufacture of power cords and to develop our presence in value-added segments of the power market such as electric vehicles. In Cable Assemblies we continue to benefit from the need of our global customers to outsource both simple and highly complex assemblies to a stable partner with a truly global manufacturing footprint. By targeting both organic growth and strategic acquisitions we see our opportunity to move further up the value chain. As we increase our scale and technical capabilities through continued development and innovation, we are accessing higher value opportunities in our core medical, data centre and industrial end markets.

Recent performance

Revenue for FY2019 was $372.1 million, an increase of 15.4% over the prior year. Stripping out the effect of the acquisitions made during the year and the revenue from our largest Power Cords customer, which continued its managed decline, revenue was up 9% year-on-year. In Power Cords, the growth came from our continued success in the electric vehicle segment, supporting a large manufacturer with their home charging cables. We continue to see more opportunities in electric vehicles for Volex and have taken steps to register and protect our proprietary technology and manufacturing know-how.

In Cable Assemblies we saw growth across all our main market segments of data centre connectivity, medical and industrial equipment. Demand from customers in our largest geographic market, North America, was particularly strong during the period. Going forward we expect continued growth in Cable Assemblies as we acquire new customers that seek exposure to a global partner like Volex. We are already seeing the benefits that scale can bring through our recent acquisitions and expect the Cable Assemblies business to be larger than our Power Cords business, in revenue terms, over the coming year.

We were particularly pleased with the improvement in gross margin during the year from 17.4% to 19.8% despite continued cost inflation and competitive pressures on pricing. The improvement in gross margin occurred in both our operating divisions and is a result of the hard work by management to rationalise our factory and office footprint, and a continuous focus on improving profitability across all of our locations, product lines and customers. Each of our factories improved their profitability year-on-year, and the acquisitions that we have made also contributed to the increase in gross margin in the Cable Assemblies division.

Underlying operating expenses at $51.9 million increased by 16.7% year-on-year. This was due to the acquisitions made during the year and also as a result of our strong financial performance triggering increased bonus payments for our staff.

Cost inflation is a common theme across all of the countries in which we operate and we are therefore continuing to invest in automation across the Group to mitigate this inflation. In addition, the effect of US import tariffs on Chinese production has resulted in Volex moving certain production capacity to alternative locations outside of China which has resulted in additional administrative and investment costs for the Group.

Overall underlying pre-adjustment operating profit for the year was $21.6 million, up 87.8% from $11.5 million in the prior year. Our underlying operating margin is above 5% for the first time in seven years.

Acquisitions

We have made three successful acquisitions during the year, which have added new customers, capability and geographic presence to the Cable Assemblies division.

In April 2018 we acquired MC Electronics, with manufacturing facilities in California and Mexico. MC brings a number of new medical and industrial customers to Volex, and increased exposure to the US market.

In July 2018 we acquired Silcotec Europe Limited, a manufacturer of complex medical and industrial cables and sub-assemblies with a manufacturing facility in Slovakia.

In December 2018 we acquired GTK, a UK-based manufacturer of customised electronic solutions including cable assemblies, displays and connectors, providing additional product expertise and the opportunity for cross-selling. GTK's head office is in Basingstoke, with additional manufacturing capacity in Romania and a branch in Taiwan.

Financial flexibility

We ended FY2019 with a net cash balance of $20.6 million, up from $9.9 million in FY2018. As a global Group we rely on a portion of this cash to support ongoing working capital fluctuations and capital investment. However, a substantial proportion of this cash is available to continue to grow Volex through acquisition and allow us to increase our profitability and further diversify our revenue mix.

We are currently in discussions with our banks Lloyds Banking Group plc and HSBC Bank plc to extend our senior credit facility to provide us with further financial flexibility. The current facility is due to expire in June 2019, but is currently undrawn.

People

Our recent success can be attributed to the skill and dedication of all of our employees across the globe, who accepted that without wholesale change, Volex might not survive. The past few years have been extremely difficult, and our employees have shown great resilience as we have reduced production capacity and emerged with a leaner and more competitive business.

On behalf of our Board and our shareholders, I would like to thank all our employees for all of their hard work and dedication.

As we start to aggressively grow the business once again, we recognise the need to invest in and to motivate our people. We have recently taken steps to strengthen our corporate leadership team, including finance, legal and our global human resources function, to ensure that we have the right resources, remuneration structures and succession planning in place going forward.

Outlook

Volex's core markets are expected to remain highly competitive in the near term but we remain focused on improving our business and our performance. Both our divisions occupy market-leading positions and are well placed through their unique geographic footprint.

There remain substantial identifiable opportunities for both divisions to improve sales and margin performance through disciplined execution of our strategy, in both the short and longer term, and we expect to deliver further value to our shareholders in the year ahead. I remain excited about the Company's prospects and our team continues to actively look for new opportunities to grow our business and technical capabilities.

Nathaniel Rothschild
Executive Chairman

Strategic Report

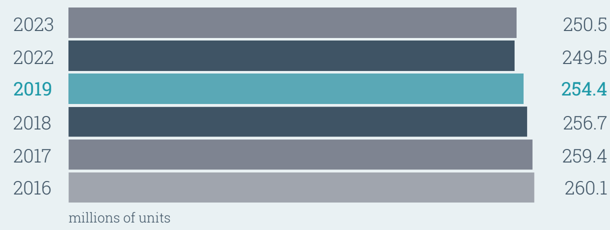
Our Marketplace

Trends affecting the market

Consumer Electronics

- Global PC sales, including desktop and laptop computers, fell by 1.3% in 2018, according to Gartner. Although the rate of decline is expected to level off in coming years, sales will remain at best flat.
- After a year of decline, global TV shipments returned to growth in 2018, increasing by an estimated 3% according to Futuresource Consulting, partly boosted by the increase in demand for 4K sets.
- Improving battery technology has led to an increase in the number of cordless domestic appliances.

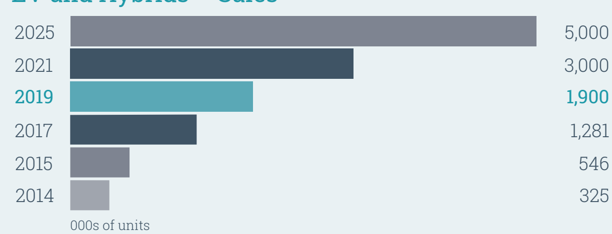
Global PC sales



Electric Vehicles (“EV”)

- Worldwide deliveries of plug-in vehicles reached 2.1 million in 2018, an increase of 64% on 2017, according to the EV-Volumes database.
- China is the main growth market, accounting for 56% of all EV sales in 2018.

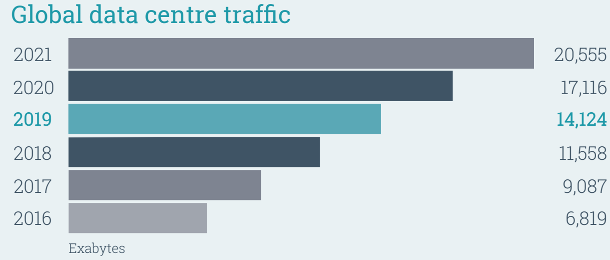
EV and Hybrids – Sales



High-speed solutions

- Global data centre traffic is expected to grow by around 25% between 2018 and 2019. By 2021 it is expected to double in size compared to 2018, to a total of 20,555 exabytes.
- To meet this growth, the number of “hyperscale” data centres will grow from 335 in 2016 to 628 by 2021 – an 87% growth – with 55% of all data traffic to 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.

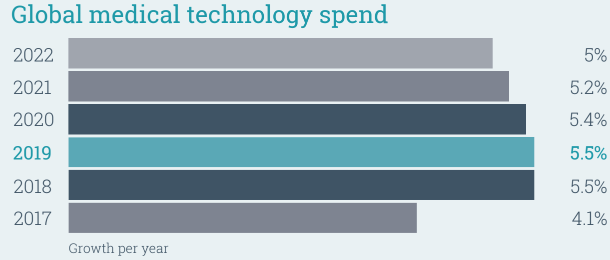
Global data centre traffic



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”.

Global medical technology spend



What this means to Volex	How we are responding
• Volex's traditional markets for power cords are in decline due to changing technology. • The competition for power cord sales to this reducing market will continue to intensify, putting further pricing pressure on already thin margins.	• Targeting only those global customers with a premium brand name for which product quality and service reliability are as important as cost. • Diversifying our sales to new markets which will require Volex's expertise in power cord production. • Looking at strategic initiatives to further reduce our cost base, such as more vertical integration.
• New high-growth market for power cables to EVs. • 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.	• During FY2018, Volex commenced shipment of power cords to a leading name in the manufacture of EVs. • FY2019 saw a significant increase in sales of power cords and adaptors into the EV market. • Our Shenzhen facility in South-East China is a dedicated EV power cord factory. • Significant growth is forecast in the FY2020 budget for EV power cords.
• 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.	• We currently 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.
• 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. • Due to the high-growth prospects in this field over the coming years, Volex continues to investigate other strategic initiatives to grow our sales.

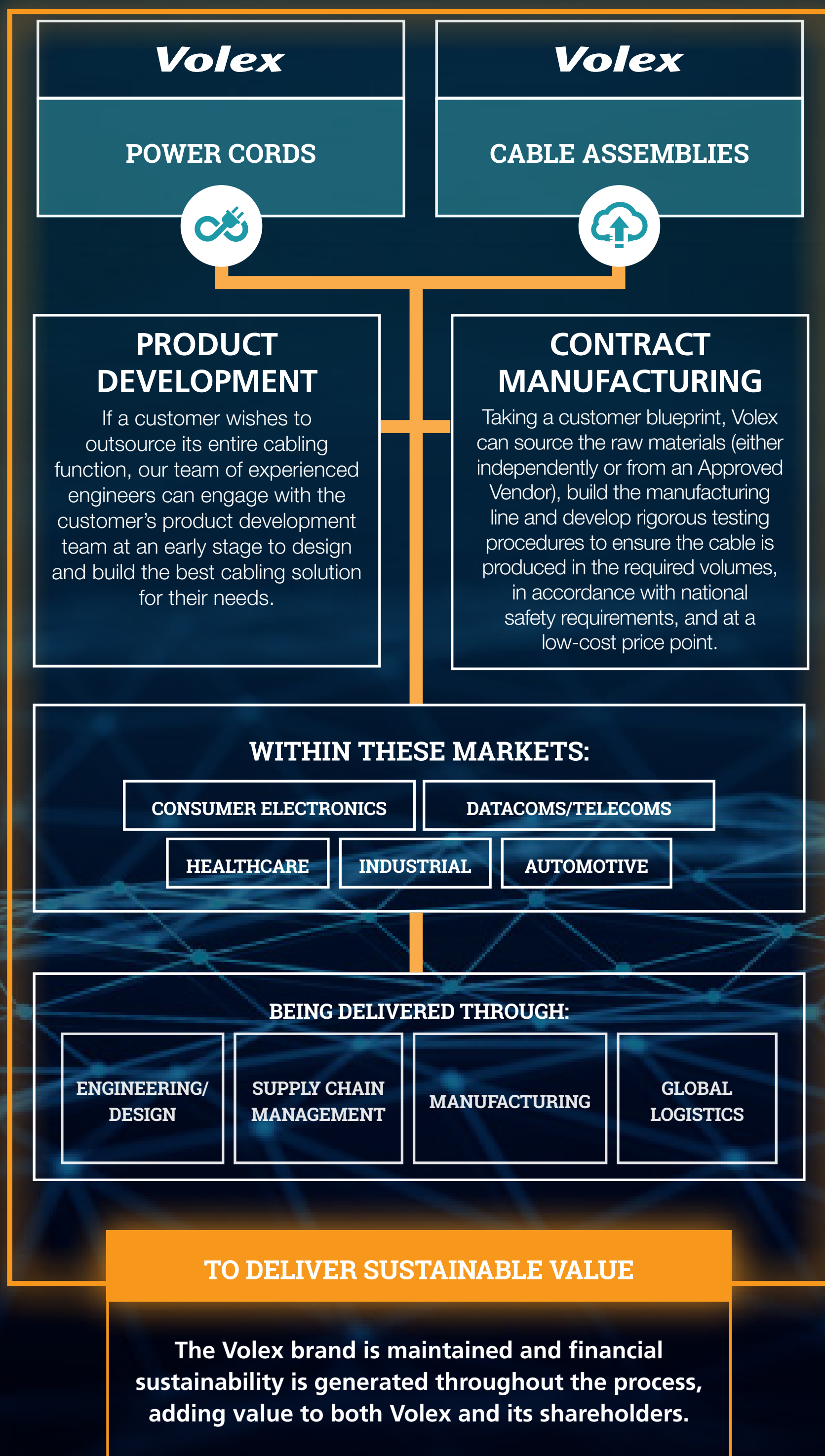
Our Business Model

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

We aim for "trusted partner" status with our customers, where we 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.



Read more about **Our Marketplace** on page 08

Read more about **Our Performance** on page 20

Volex

OUR MARKETS

Consumer Electronics
The supply of 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.

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

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

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 vehicle industry. This is a relatively 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 while also addressing the challenges our customers face with their next-generation products.

We collaborate with our customers' engineering teams 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 is able to offer manufacturing facilities located over nine separate countries across three continents. Our global customers have access to one global supplier, but one with detailed knowledge of their key local markets and an ability to reduce local lead times.

Respected brand known for quality and reliability
Quality and reliability is of importance to our premium customer base. Volex has an enviable reputation in the market for safety and a detailed understanding of local regulatory requirements.

Scale
In a fragmented power cord market, Volex is one of the largest producers, which allows us to benefit from economies of scale and significant purchasing power in the Chinese wire market.

Strategy

Volex's strategy is to diversify its customer base and expand its presence in cable assemblies. Volex is successfully expanding its customer base and market reach through an increasing focus on high-tech and higher-margin products as well as appropriate acquisition activity.

	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. Look for opportunities for vertical integration within the Power Cords division	Strengthen the balance sheet and maintain a focus on increasing shareholder value
FY2019 progress	• Further investment in Kepler SignalTek, a start-up manufacturer of complementary medical, high-frequency data transmission and specialist industrial cable assemblies • Issue of three new patents for an electrical connector, locking connector and electrical plug		• Acquired MC Electronics, a US-based cable assemblies company • Acquired trade and assets of Silcotec Europe Ltd, a European cable assemblies company • Acquired GTK, a UK-based manufacturer of cable assemblies, connectors and display units	• Return to cash generation • Exceeded market forecasts for sales and profits • Strong organic growth across both divisions
FY2020 objectives	• Bring new high-speed data cables to the market (QSFP-DD) • Seek further mutually beneficial partnerships that provide new products or new markets • Integrate recent acquisitions		• Continue to consolidate position in Power Cords and expand Cable Assemblies activities • Review integration of last year's acquisitions • Seek further acquisitions which can add value to the Group	• Refinance the senior credit facility • Maintain recovery in share price and reinstate dividend payments

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	Maintaining cost competitiveness	Implementing lean initiatives across the Group and maximising operational efficiency	Focus on quality and a culture of continuous improvement while maintaining low scrap rates and on-time deliveries	Attract and retain the very best talent

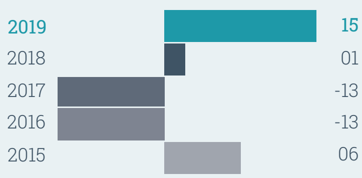
- Ongoing transfer of PVC production from our Shenzhen factory to Zhongshan, leading to better productivity and the opportunity to automate
- Product standardisation project to enable automation
- Increased automation

- Develop Batam as a back-up site for high-speed cable manufacturing to counter US-China tariffs
- Continue product standardisation with launch of V-Novus Hybrid range to grow our Power Cords business
- Drive Kaizen activities across all sites and continue to introduce automation
- Identify and execute acquisitions of complementary businesses that have strong cash generation

Key Performance Indicators

Volex has six measures by which it assesses performance:

1 Annual Revenue change (%)

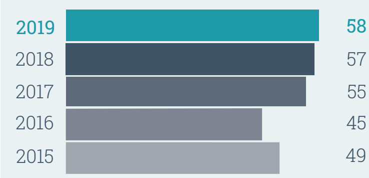


As well as revenue growth in the historic Volex business, the acquisitions completed during the year contributed $44.8 million to the Group's revenue increase.

2 Underlying volumes of PVC cable sales (millions of units)

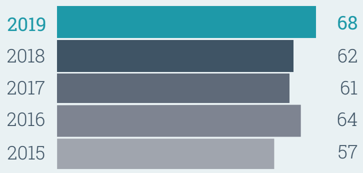
Reduction in PVC volumes as traditional consumer electronic markets contract. The reduction has enabled the PVC transfer plan, with Zhonghsan becoming a dedicated PVC factory. There have been increases in sales associated with electric vehicle charging.

3 Factory utilisation (%)



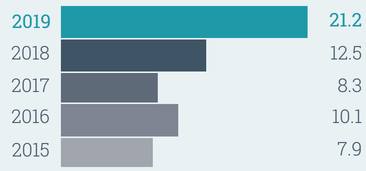
Factory utilisation has increased as the Group continues to focus on efficiency and maximising the Group's global footprint.

4 Inventory holding days (days)



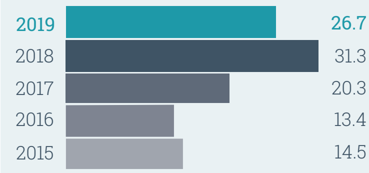
Following the acquisitions, the Cable Assemblies division has expanded significantly. The division typically experiences a slow inventory turn due to longer lead times, goods in transit and the nature of high-mix/low-volume production. Within the Power Cords division, inventory levels were maintained. The division experiences a lower holding time due to the higher production runs and commonality of parts.

5 Operating cash flow before movement in working capital ($'m)



Cash generated by our operations has increased due to improved trading and profitability and the impact of the acquisitions during the year. This metric provides a useful indicator of the underlying cash generation in the business.

6 Return on Capital Employed ("ROCE") (%)



The net asset base has increased significantly following the equity raise. The ROCE has decreased following investment in the business and acquisitions.

Operational Review

John Molloy / Chief Operating Officer

I'm pleased with the progress that we have made during the last year and believe there are significant opportunities for further improvement as we move forward. We operate in a difficult and competitive environment, which means that we need to be clear about where we can be successful. We have earned a strong reputation for quality and delivering on our commitments to customers. While this means that we will not try and compete on price alone, we also recognise that we need to offer a compelling customer proposition that aligns with the market.

We continue to identify areas that require change within our business. There is still a lot of work to do, but we are planning and delivering incremental improvements that have a meaningful impact. We are lucky to have talented colleagues, efficient manufacturing locations and good relations with our customers. Our improvement strategy focuses on leveraging these attributes.

The Power Cords division competes in a fragmented marketplace where there is often little differentiation in a commoditised product set. Our ambition is not to chase volume or win at the lowest price. We work with customers who appreciate the effort we put into ensuring the safety and reliability of the end product. By getting the combination of products and customers right, we can continue to operate profitably in this segment.

Our acquisitions are an exciting development for the Group and offer us great opportunities to develop our products, to cross-sell and to drive consistency across the organisation. We are identifying and refining the ways in which we integrate and embed the new acquisitions into the existing Volex business and the future prospects are very promising.

Product standardisation and automation

There is an attitude of continually driving efficiency in our organisation. By reviewing our manufacturing process flow we can identify where there are opportunities for improvement. We are good at understanding what works in our business and taking a straightforward approach to delivering change.

The cost of labour is increasing in many of our manufacturing locations. This makes the case for implementing further automation more compelling. We also keep our geographic footprint under review to ensure we are making the right products in the right locations. The automation we have delivered on our production lines has been a great success and we will continue this roll-out where it makes sound commercial sense.

Standardisation goes hand in hand with automation. By moving to fewer, more consistent products, we can deliver greater efficiency and lower prices. Our V-Novus Hybrid range launched recently and we are in the process of gaining the necessary product approvals with our customers to switch production to these products.

We are fortunate to have a strong engineering function with significant experience of developing customer solutions. This allows us to offer solutions rather than just products and ensures that we meet the technical demands of our customers.

Operational excellence

We are building on the success of improvements we have implemented in our procurement process by focusing on how we manage the customer offer and quotation process. By improving our responsiveness and making sure we are demonstrating our ability to respond to complex requirements we intend to improve our win rate in competitive request for quotation ("RFQ") situations.

The improvements we have made to supplier management are giving us a better understanding of the risks in our supply chain. This helps us to improve delivery to customers and to identify where there are opportunities for cost savings.

Many of our competitors are highly vertically integrated, which helps them price competitively and secure decent margins. Cable purchases represent approximately 40% of our Power Cords sales, and we are looking at the right ways to deliver vertical integration and to reduce our reliance on a small number of cable suppliers.

We have made significant progress in some locations in delivering marked improvements in efficiency. We are motivated by the opportunity to drive best practice across our entire manufacturing estate. By learning what works well in one location and refining the deployment of new activities, we can accelerate our improvement programme.

Divisional Review
Power Cords

$'000	52 weeks ending 31 March 2019	52 weeks ending 1 April 2018 (restated)**
Revenue	198,885	203,569
Underlying* gross profit	36,377	33,877
Underlying* gross margin	18.3%	16.6%
Operating costs	(23,148)	(21,765)
Underlying* operating profit	13,229	12,112
Underlying* operating margin	6.7%	6.0%
Operating profit	11,557	11,484

* Before adjusting items and share-based payments charge.

** Certain revenues and costs associated with specific customers were transferred between the Power Cords and Cable Assemblies divisions in order that each factory could be wholly identifiable as a Power Cords or Cable Assemblies contributor.

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 largest global power cable suppliers. Our global presence differentiates us from our fragmented China-based competition, and is increasingly important as companies look to source products from outside of China due to the impact of tariffs.

The market for power cords is highly competitive, with customers deploying multi-sourcing strategies and expecting regular productivity improvements and price reductions over the product life cycle. 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, Indonesia and Vietnam. 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 divisional revenue for FY2019 was $198.9 million, down 2.3% on the prior period. This decrease included a reduction in revenue of 42.8% from the largest customer in the Power Cords division, where we have been managing the decline in revenue for a number of years. This customer now ships a USB-C charger rather than a traditional power cord with its laptops and their current duck head products are due to go end of life over the next 12 months. We are therefore expecting revenues from this customer to continue to decline. As a result of this decline, restructuring of the operations at the Shenzhen factory continued during the year.

Other customers in the Power Cords division demonstrated strong growth. Excluding the sales to our largest Power Cords customer described in the previous paragraph, revenue grew by 10.3% from $155.0 million to $171.1 million. In particular, sales with one of the world's leading electric vehicle manufacturers more than doubled year-on-year. This provides an indication of how the division is able to respond to changing technology and provide innovative solutions.

During the year the Group closed the factory in India and moved production to other facilities in the Group. Investment has continued in the factory in Batam, which is likely to become the principal location for Power Cords production growth outside of China, with some PVC production lines transferring across.

Gross margin has been improved by the removal of negative margin products from our portfolio and improvements in productivity and scrap rates following the roll-out of Kaizen manufacturing initiatives. Negative margins have now been eliminated and the focus has shifted to understanding and correcting product cost or selling price, where margins are

PVC

Revenue **$138.1m**
Volume **111.8m**

Halogen-free

Revenue **$18.0m**
Volume **5.1m**

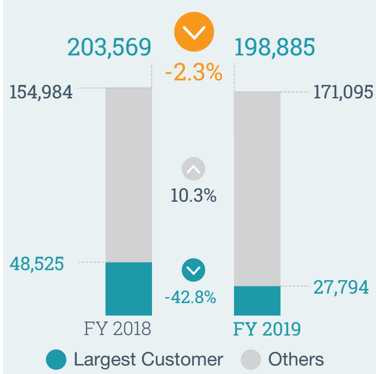
Duck heads

Revenue **$8.1m**
Volume **9.9m**

Internal harnesses and other

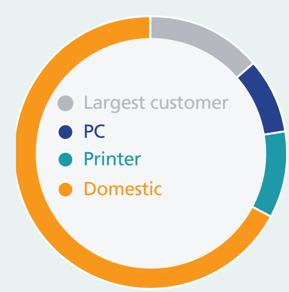
Revenue **$34.7m**

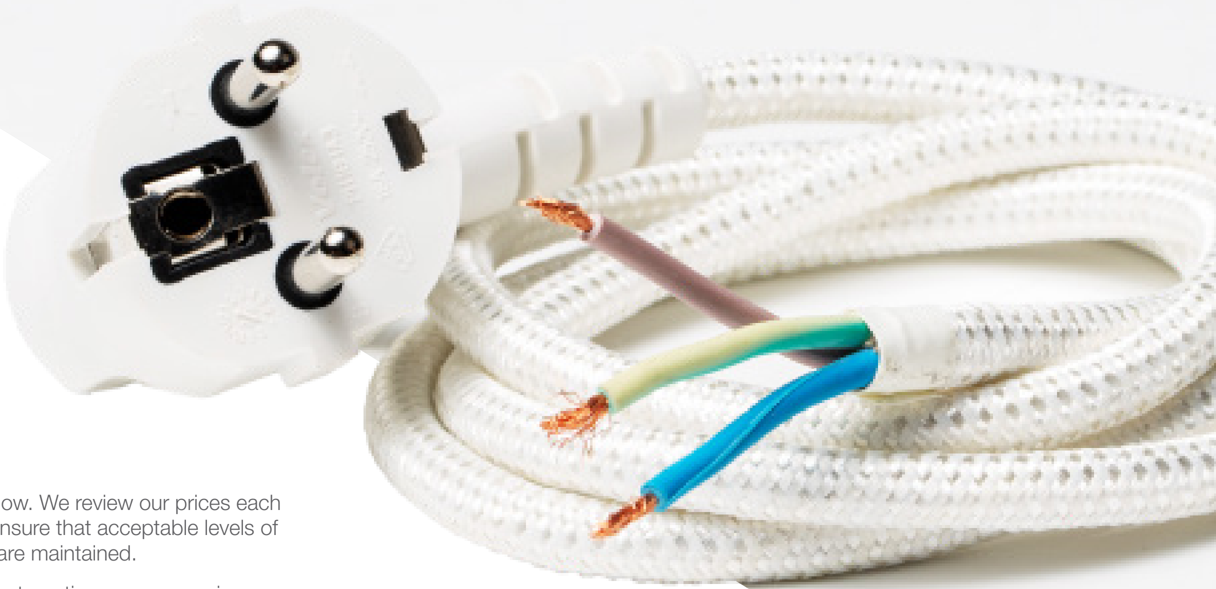
Revenue growth FY2018 to FY2019



Progress in year: Significant decline in largest customer offset by growth in other accounts

Power Sales by end market





particularly low. We review our prices each quarter to ensure that acceptable levels of profitability are maintained.

A targeted automation programme is being rolled out in Zhongshan, creating productivity gains. This is combined with the reconfiguration of operations across the Chinese factories to maximise factory output and achieve greater fixed-cost recovery. Actions have included moving all PVC production from Shenzhen to Zhongshan, which will allow us to remove fixed cost in Shenzhen and benefit from lower labour rates in Zhongshan.

Further efficiency and automation benefits will come from the standardisation of the Power product offering, reducing the number of variants of essentially the same product. As a result, a new range of products, “V-Novus Hybrid”, was developed during the year. The engineering team is currently working to secure safety approvals on these new products and once certified all new sales will be made using the new range, with Volex also looking to transition existing customers to these products.

Many of our competitors operating in China have highly vertically integrated supply chains which allow them to offer a lower price on the end product. A review of opportunities to reduce input costs by integrating parts of our supply chain is ongoing.

The introduction of further tariffs on Chinese manufactured goods brought into the USA is likely to have an impact on decisions around where to manufacture products to be sold into this market. In addition, there is a risk that our competitors will be willing to reduce prices to maintain volumes in their factories in response to falling demand from US customers. This situation will be monitored closely. The flexibility to relocate manufacturing across our global production estate is one option to mitigate the impact of the tariffs.

Market Trends	Our Response to These Trends
The Power Cords sector remains a challenging one to operate in, due to the decline or flatlining of sales in traditional electronic-goods markets, and the low margins often involved in products. Competition in the sector remains strong, with pressure on pricing. However, growth areas exist, such as the electric vehicle segment.	We are constantly looking to see how we can cut our own costs and therefore remain competitive. We are also looking to build on EV-related business, working with new clients to develop products and expand our expertise.

Underlying Gross Margin

18.3%

16.6% (FY2018)

Divisional Review
Cable Assemblies

$'000	52 weeks ending 31 March 2019	52 weeks ending 1 April 2018 (restated)**
Revenue	173,219	118,808
Underlying* gross profit	37,141	22,112
Underlying* gross margin	21.4%	18.6%
Operating costs	(23,668)	(18,590)
Underlying* operating profit	13,473	3,522
Underlying* operating margin	7.8%	3.0%
Operating profit	9,884	3,217

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

** Certain revenues and costs associated with specific customers were transferred between the Power Cords and Cable Assemblies divisions in order that each factory could be wholly identifiable as a Power Cords or Cable Assemblies contributor.

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 North America, Mexico, Europe and China, all within close proximity to many existing and potential new customers. It operates in a fragmented market that is growing rapidly. 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.
- Revenue for FY2019 was $173.2 million, up 45.8% on the prior year. This includes revenue of $44.8 million from the three acquisitions, all of which are reported within the Cable Assemblies division. Excluding the acquisitions, revenue increased by $9.6 million, an improvement of 8.1% on the prior year. This increase arose principally from the high-speed interconnect solutions and healthcare sectors, with a large online retailer providing significant growth in the period. However, that growth has been partially offset by the decline seen from a key US transportation and telematics customer. As we have noted previously, demand from this customer is cyclical and after a year of high demand, this year Volex is seeing reduced activity.

Underlying gross profit improved by $15 million, which included $12.1 million from the three acquisitions. The $2.9 million organic improvement includes the benefit of selected price increases agreed in the second half of FY2019 and a resolution of certain operational issues that had a negative impact on the performance of the Tijuana facility in the prior year. This improvement represents an increase in the gross margin (excluding acquisitions) from 18.6% in FY2018 to 19.6% in FY2019. The acquisitions improve the margins further as a result of the contribution from higher-margin products, delivering a blended margin of 21.4%.

Wiring harness

Revenue **$46.2m** Volume **1.6m**

Multi-conduction I/O

Revenue **$40.6m** Volume **4.9m**

High-speed solutions

Revenue **$29.0m** Volume **2.0m**

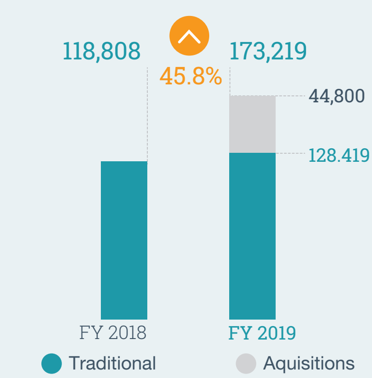
Other data

Revenue **$12.6m**

Acquisitions

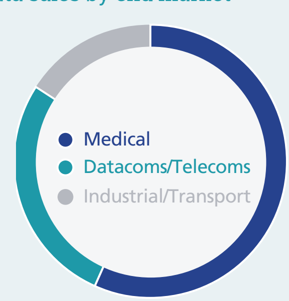
Revenue **$44.8m**

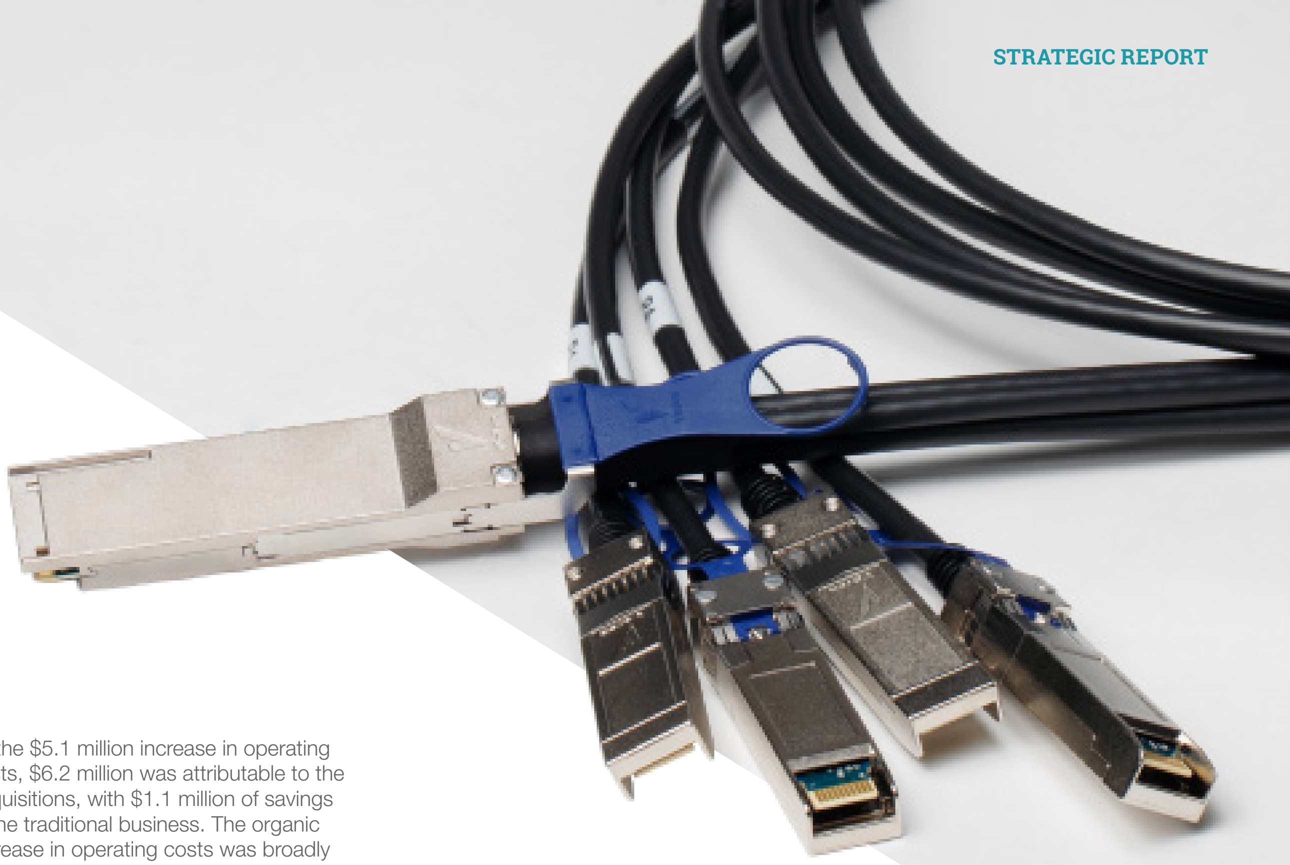
Revenue growth FY2018 to FY2019



Progress in year: Strong growth in core business supported by contributions from three acquisitions

Data sales by end market





Of the $5.1 million increase in operating costs, $6.2 million was attributable to the acquisitions, with $1.1 million of savings in the traditional business. The organic increase in operating costs was broadly in line with the increase in like-for-like revenue. Operating costs continue to represent an area of focus for the division, in order to continue to improve the future operational profit margins.

The acquisitions made during the year present a great opportunity to develop and improve the Cable Assemblies division. The acquired entities have a number of significant relationships with customers that are either new to the Group or where there has been little traction in the past. This creates a platform for the cross-selling of the full suite of Volex Cable Assemblies and Power Cords products.

Looking forward, the Cable Assemblies division is targeting growth through new business development and further penetration of existing accounts. The acquired businesses include talented sales specialists who will complement the existing sales organisation. There are plans to be first to market with next-generation high-speed copper data cables that we expect will be popular with data centre customers as demand for ever-increasing bandwidth continues.

The focus on efficiency will continue in the coming year with further Kaizen initiatives in the plants and the introduction of automation where this improves our financial returns. By maintaining a strong focus on quality and delivering products at competitive prices, the division is targeting sales growth. This will be underpinned by efforts to improve customer engagement in the sales life cycle through centralising the quotation process and ensuring consistency in pricing.

Market Trends	Our Response to these trends
Global data traffic is expected to continue to grow year on year, as is spending on medical technology, offering opportunities for Volex in a sector that sometimes presents more complex engineering demands but as a result potentially higher margins.	We are well placed to maintain our position in this sector and to develop new business, especially with our recent acquisitions, which have a strong presence in specialist fields such as healthcare.

Underlying Gross Margin

21.4%

18.6% (FY2018)

Financial Review

Daren Morris / Chief Financial Officer

"FY2019 has seen an improvement in profitability in both divisions, as a result of operational improvements and a change in business mix to higher-margin products."

	52 weeks to 31 March 2019		52 weeks to 1 April 2018	
	Revenue $'000	Profit/ (loss) $'000	Revenue $'000	Profit/ (loss) $'000
Power Cords division	198,885	13,229	203,569	12,112
Cable Assemblies division	173,219	13,473	118,808	3,522
Unallocated central costs		(5,096)		(4,177)
Divisional underlying results	372,104	21,606	322,377	11,457
Adjusting operating items		(6,226)		(1,552)
Share-based payments		(2,388)		(1,132)
Operating profit		12,992		8,773
Share of net loss from associates		(210)		(192)
Net finance costs		(1,147)		(1,586)
Profit before taxation		11,635		6,995
Taxation		(2,429)		(3,070)
Profit after taxation		9,206		3,925
Basic earnings per share:				
Statutory		6.9 cents		4.4 cents
Underlying		13.1 cents		9.2 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 adjusting items and share-based payment expense/credit
Underlying EPS	Earnings per share adjusted for the impacts of adjusting items and share-based payment expense/credit
Free cash flow	Net cash flow before financing activities and transactions in own shares

Trading performance

During the year, the Group completed the acquisitions of MC Electronics LLC ("MC"), Silcotec Europe Limited ("Silcotec") and GTK (Holdco) Limited ("GTK"). These acquisitions are included within the Cable Assemblies division and are currently trading in line with their acquisition plans. The acquisitions present opportunities to drive scale and efficiencies in respect of procurement and sales so that Volex maximises the benefits arising from an enlarged and global Cable Assemblies division.

The three acquisitions have contributed $44.8 million to revenue, with over 90% of that revenue derived from customers that Volex had little or no relationship with prior to acquisition. This has made a significant contribution to the Group's strategy of diversifying the customer base. The acquisitions deliver higher margin than the rest of the Group partly due to their product mix (for example higher-margin healthcare cable assemblies as opposed to commoditised power cords) and partly due to a lower overhead cost structure.

Group revenue increased by 1.5% excluding the impact of acquisitions (the "traditional" Group), from $322.4 million in FY2018 to $327.3 million in FY2019. The like-for-like growth was driven by a strong sales performance in the Cable Assemblies division, where revenue increased by 8.1%, from $118.8 million in FY2018 to $128.4 million. Power Cords revenue fell by 2.3%, from $203.6 million to $198.9 million. It is important to note in Power Cords that revenue from our historically largest customer continued to decline from $48.6 million to $27.8 million. Excluding this customer, the remaining Power Cords revenue increased by 10.3%. We were able to drive revenue growth in areas where we have invested in compelling solutions and are able to deliver high-quality products for technically demanding applications. This included strong growth in Cable Assemblies for healthcare products and high-speed cables for deployment in data centres and a continuation in Power Cords of our push into the promising electric vehicle segment.

As a Group, we continue to focus on delivering products at competitive prices by optimising the production process and identifying the most efficient ways of working. Where increases in our cost base are unavoidable, we aim to have transparent conversations with our customers regarding price increases. By matching the types of products and product volumes to the different characteristics of our factories, we ensure that we deliver a level of production which covers the factory overheads and delivers an acceptable return at each and every location. Our work to improve productivity, manage scrap rates and roll out Kaizen manufacturing initiatives helped increase the underlying gross margin in our traditional business to 18.8% (FY2018: 17.4%). This was also helped by the introduction of automated production lines in the second half of the year, which is expected to drive further productivity improvements in future periods.

The underlying operating profit from the traditional Volex business (before unallocated central costs) increased by $5.2 million to $20.8 million (FY2018: $15.6 million). Controlling operating costs continues to be an area of focus to maximise the benefit from increases in profitability. During the year, the three acquisitions added a further $5.9 million to operating profit. This is an encouraging performance and we expect to make further progress in improving profit margins in future periods.

Adjusting operating items and share-based payments

The Group has incurred costs of $8.6 million in FY2019 (FY2018: $2.7 million).

As part of managing declining revenues from a significant Power Cords customer, it was necessary to downsize our factory in Shenzhen, China. This resulted in severance costs of $1.5 million. In the previous year we incurred restructuring costs in Shenzhen, as well as costs associated with restructuring our European and South Korean sales teams and our Singapore regional head office.

The Group closed its Indian manufacturing facility during the year. Several of the key accounts previously served by the Indian factory have been retained and will be serviced from other factories. Volex has incurred closure costs of $0.5 million in relation to redundancies, asset sales and retention bonuses (several key personnel were paid bonuses to help close the factory in an orderly manner). During the review of the balance sheet, certain accounting irregularities were identified that have been fully provided for and appropriate action taken. This gave rise to an additional net $0.3 million charge.

As a result of the three acquisitions during the year, we incurred legal charges and some additional costs to ensure the retention of certain key individuals who are critical to the ultimate integration of the acquired businesses and their continued successful operation immediately following the transaction. In total, these costs came to $1.8 million in the period. The Group also recognised $2 million of amortisation expense associated with intangible assets recognised on acquisition.

The Group recognised a one-off pension past service cost of $0.5 million as a result of Guaranteed Minimum Pension ("GMP") equalisation. This was partly offset by a $0.3 million release of a provision no longer required.

The share-based payments charge in the year was $2.4 million (FY2018: $1.1 million). The increase in the charge reflects the impact of the acquisitions as well as revised expectations of the likelihood of meeting non-share price related performance conditions.

Share of net loss from associates

During the year, the Group made a further investment of $1.3 million in cumulative preference shares of Kepler SignalTek ("KST"), a manufacturer of medical high-frequency data transmission and specialist medical and industrial cable assemblies. This product range complements the current Volex Cable Assemblies product offering, providing opportunities for cross-selling. As at year end, we hold preference shares with a value of $1.8 million in respect of our investment.

With KST in its start-up phase, it has generated losses in the period to 31 March 2019. As a result, the equity

Financial Review

continued

element of the investment has been equity-accounted to nil. The business has made good progress in its objectives and is working with a solid list of customers on several promising projects. The current trading performance is in line with expectations for a business at this point in its life cycle, and management is confident that it has the opportunity to develop successfully in the future.

The Group's other associate, Volex-Jem Co Ltd ("JEM"), is a Taiwanese holding company that owns a controlling interest in a Chinese cable production company. JEM is one of our options to attempt to deliver vertical integration to support further efficiencies in the Power Cords division. We continue to explore ways to accelerate the pace and scale of vertical integration.

Net finance costs

Total net finance costs in FY2019 were $1.1 million (FY2018: $1.6 million). The underlying reduction in net finance costs is due to the lower average net debt level throughout FY2019 in comparison to the prior year.

Refinancing

In June 2018, the Group raised $46.7 million through the issue of 48 million shares at £0.75 each. Some of the proceeds were used to fund the three acquisitions that were made during the year.

The Group's $30 million senior credit facility with Lloyds Banking Group plc and HSBC Bank plc, which was undrawn at year end, expires in June 2019. Discussions are currently ongoing in respect of a replacement facility to provide capacity for further acquisitions and business growth in the future. These negotiations are expected to be concluded successfully in due course. We do not believe we will need to draw on the facility to meet our operational working capital requirements in the next year.

Tax

The Group incurred a tax charge of $2.4 million (FY2018: $3.1 million) representing an effective tax rate ("ETR") of 20.9% (FY2018: 43.9%). The rate in 2018 was significantly impacted by the adoption of the US "Tax Cuts and Jobs Act 2017" which resulted in an adjusted tax expense in 2018 of $1.8 million in the period.

The underlying tax charge of $2.6 million (FY2018: $1.5 million) represents an ETR of 13.1% (FY2018: 15.7%).

The underlying tax charge of $2.6 million (FY2018: $1.5 million) comprises an underlying current tax charge of $3.4 million (FY2018: $0.7 million) and an underlying deferred tax credit of $0.8 million (FY2018: charge of $0.8 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.

An underlying deferred tax credit of $1.5 million (FY2018: charge of $0.8 million) arose due to an increase in the deferred tax asset recognised on trading losses due to the utilisation based on future forecast taxable profits in certain regions.

The adjusted tax credit of $0.2 million (2018: charge of $1.6 million) arises mainly on the amortisation charge on acquisitions. In 2018 the adjusted tax charge of $1.8 million on the new US tax legislation was offset by a $0.2 million tax credit arising from the adjusted operating items.

As at the reporting date the Group has recognised a deferred tax asset of $4.3 million (2018: $2.3 million). The Group recognised a deferred tax asset of $3.4 million (FY2018: $1.9 million) in relation to tax losses.

Earnings per share

Basic earnings per share for FY2019 was 6.9 cents compared to 4.4 cents in FY2018, reflecting the improved performance in FY2019. The underlying fully diluted earnings per share was 12.7 cents compared to 8.9 cents in FY2018.

Cash flow and net debt

Net cash increased from $9.9 million at 1 April 2018 to $20.6 million at 31 March 2019. This increase was primarily due to the $46.7 million raised through the equity issue in June 2018 (48 million shares issued at £0.75 each) less the net $24.9 million consideration paid on the acquisition of MC Electronics, Silcotec and GTK. Immediately after the acquisition of Silcotec, the Group provided Silcotec Europe with $2.3 million in order that it could pay off its external loan.

Operating cash flow before movements in working capital was an inflow of $21.2 million (FY2018: $12.5 million). The impact of working capital movements was an outflow of $24.7 million (FY2018: outflow of $4.1 million). The outflow comprises:

- a reduction in inventory leading to a cash inflow of $0.6 million (FY2018: outflow of $4 million). This improvement is due to tighter controls on inventory in key factories;
- an increase in receivables leading to a cash outflow of $10.2 million (FY2018: $1.7 million). This increase is due to the increased level of trade, the acquisitions of GTK and MC Electronics plus the fact that the Silcotec business was acquired without any trade receivables. The cash collection of invoices raised prior to the acquisition date was left with the seller, with Volex responsible only for cash collection on sales post-acquisition. At year end, Silcotec trade debtors totalled $4.8 million; and
- an outflow related to payables of $15.1 million (FY2018: $1.5 million). Following the equity raise, the Group decided to take advantage of prompt payment discounts offered by several key suppliers in order to improve margins, resulting in a reduction in payables.

After aggregated outflows for tax and interest of $3.2 million (FY2018: $3.4 million), the net cash generated from operations was an outflow of $6.7 million (FY2018: $4.9 million inflow). Of this a $3.4 million outflow had been generated from normal trading activity (FY2018: $5.9 million inflow) with $3.3 million spent on adjusting items. These adjusting items include restructuring fees (such as severance payments) and professional fees associated with corporate activity.

The acquisition of businesses, net of cash acquired, led to an outflow of $23.9 million (FY2018: nil). Capital expenditure in FY2019 was $3.2 million (FY2018: $2.4 million). A further $1.3 million was invested in Kepler SignalTek preference shares (FY2018: $0.8 million investment in associates).

Under the senior credit facility, the Group repaid $12.8 million (FY2018: $7.3 million) in the year.

As a result of the above cash flows, the Group experienced a $1.9 million net cash outflow (FY2018: $6.1 million) for the year. As at 31 March 2019, the Group held net funds of $20.6 million compared with net funds of $9.9 million at 1 April 2018.

Banking facilities, covenants and going concern

During the year, the Group had access to a $30 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) and was undrawn at year end.

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 31 March 2019, the loan facility was undrawn (FY2018: drawn in the amount of $13.6 million) with a further $0.3 million drawn under the cash pool facility (FY2018: $1.8 million). After accounting for bonds, guarantees and letters of credit, the remaining headroom as at 31 March 2019 was $29.1 million (FY2018: $14.2 million).

Under the terms of the facility, the two covenant tests above must be performed at each quarter-end date. Throughout FY2019 both covenants were met.

The Group's forecasts show that the Group should, taking account of the cash reserves available at year end, continue to operate in compliance with its banking covenants during the remaining term of the facility. Given the equity raise that occurred during the year, the Directors believe that on expiry of the facility on 30 June 2019, the Group can continue its normal operations without drawing on a facility in the next 12 months. The Group is in advanced discussions with banks to agree a new facility to provide future financial flexibility.

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.

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 27 where rising commodity prices have been identified as a key risk).

These contracts act as an economic hedge against the impact of copper price movements. They meet the hedge accounting requirements of IFRS 9 and therefore are accounted for as cash flow hedges of forecast future purchases of copper. As at 31 March 2019, a financial asset of $0.1 million (FY2018: $0.2 million) has been recognised in respect of the fair value of open copper contracts with a corresponding $0.1 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 $0.1 million has been recognised in cost of sales in FY2019 (FY2018: credit of $0.8 million) in respect of copper hedging contracts that closed out during the period. 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 19 as at 31 March 2019 was $2.4 million (FY2018: $3.3 million). The decrease is primarily due to the $0.9 million pension contributions made by the Company during the period.

UK referendum on EU membership

At the time of writing, the exact nature of the UK's future trading relationship with the EU is still unclear. At present our power cord sales into Europe are manufactured in Asia and then shipped to Tilbury docks in Essex before onward shipment to the end customer. Annual European sales from our Power Cords division are approximately $14 million, with roughly half of these sales remaining in the UK for a UK end customer. We have identified alternate landing locations in mainland Europe to take delivery of the half of sales destined for EU end customers. For our Cable Assemblies sales, the level of sales to UK customers is small. Therefore we believe the impact upon the business will be minimal.

Daren Morris
Chief Financial Officer and
Company Secretary

Group Risk Management

Risk governance

Given the risks and uncertainties involved in operating in a complex, competitive and fast-changing global environment, identifying, understanding and managing those risks is essential to the Group's long-term success and sustainability.

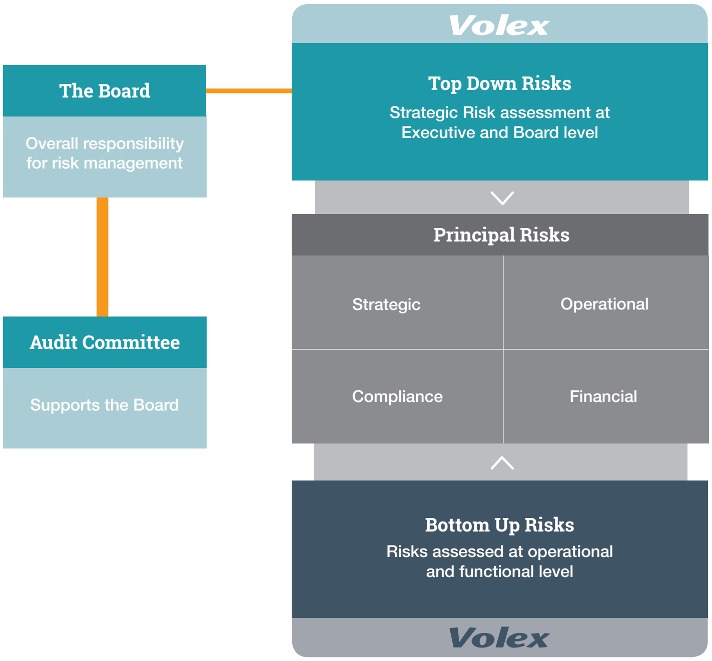
The Board is mindful of the requirement in the QCA Code on it "to ensure that the company's risk management framework identifies and assesses all relevant risks in order to execute and deliver strategy", including the need to determine "the extent of exposure to the identified risks that the company is able to bear and willing to take".

The Board has overall responsibility for the management of risk within the Group as part of its role in providing strategic oversight, while responsibility for reviewing the effectiveness of the Group's system of internal controls and risk management is delegated to the Audit Committee.

Risk management process

The Group conducts an annual risk survey of all its senior management across its various global locations and subsidiary entities, which this year included the Group's recent acquisitions. Recipients in turn consult staff at an operational or functional level, so providing a detailed and extensive assessment of risks and threats, which is presented to the Board for consideration at the start of each financial year.

Major risks are categorised in a matrix that reflects both likelihood of occurrence and potential impact on the business from a strategic, operational, compliance and financial perspective, and ranks them accordingly. The extent to which such risks are being mitigated is also evaluated, and finally an assessment is then made of whether each risk appears to be increasing or decreasing.



Risk management processes are established within business practices across the organisation whenever possible. For identified risks, a mitigation plan is established and progress against the plan is reviewed, discussed and reassessed at least annually. Risk reporting and monitoring is incorporated into periodic business and financial reviews by the executive team and the Board. A new Head of Internal Audit was appointed at the start of the new financial year, based in Singapore, who will strengthen the Group's capacity to monitor, anticipate and manage risks across the Group.

Principal risks

The Group's principal risks and how they are managed at Group level are summarised in the following section. They are not listed in any order of priority. The Board, having reviewed the risk survey results, 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. Identifying these potential risks assists in ensuring risk management procedures and internal controls exist to prevent them occurring, or to at least mitigate their impact should they occur.

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 in areas such as sales and operations planning, procurement, warehousing, 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.

Developments

The results of the risk survey for this financial year suggested a shift in perceived risks to the Group, with those relating to acquisition integration and HR/staffing issues taking over from customer concentration and competitors as the top identified potential risks. To a large extent, this reflects material changes in the Group's structure and business operations since the last financial year.

Risk and Possible Impact	Risk Mitigation Activities	Trend
Strategic – Competitor Risk		
The Group operates in highly competitive markets and faces competition from rivals operating at a lower cost base and with lower overheads. Within the Power Cords division, many of the key competitors are vertically integrated. Increased competition and pricing pressures from customers may lead to reduced sales and profit margins, potentially impacting future growth, cash flow and profitability.	The Group intends to focus on markets and customers where we can differentiate on factors other than price, including engineering know-how and quality. Increased R&D investment and improved strategic marketing function. Improved purchasing and economies of scale via acquisition. Constantly improving procurement and production efficiencies to reduce cost.	
Strategic – Customer Concentration Risk		
A large proportion of the Group's revenue continues to be derived from a small number of large customer accounts. The Group's performance, financial condition and future prospects may be significantly impacted if allocation on a key customer account is reduced or lost or a key customer weakens its competitive position.	In recent years the Group has become less dependent on individual large customers. New customers have been brought on board. The largest Power Cords customer accounted for 7.5% of revenue this financial year, down from 15.2% in the previous year. Significant attempts are being made to diversify the customer base and win new business.	
Strategic – Acquisition Integration		
If dedicated resource is not assigned to the integration of new acquisitions and business ventures, and insufficient time given to post-investment monitoring, there is the danger that the synergies envisaged in the pre-acquisition monitoring do not materialise and the full benefits of the acquisition are not realised.	Incentive plans are in place to ensure the Group retains key staff and management capability in newly acquired entities. These form a key part of acquisition agreements. The extent to which new acquisitions will be left to run as standalone businesses or integrated into the core Volex Group is kept under review.	

Group Risk Management

continued

Risk and Possible Impact	Risk Mitigation Activities	Trend
Operational – Supplier Dependency Risk		
The Group is reliant on single-source suppliers for key materials or critical components. Suppliers' inability to meet our standards such as quality, reliability, demand and cost reductions may result in difficulties providing the same level of standards to our customers.	This risk is being mitigated through proposed vertical integration and improved purchasing capability. In addition, as a contract manufacturer, we are dependent to a large degree on customers' approved vendor lists, so we lack control we might otherwise have on this aspect of our business.	
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. Subsequent customer complaints, warranty claims and product recall or replacement may result in reputational damage and reduced allocation.	The Group has looked to improve quality controls, and ensure better coordination between the factory and sales force. A new contract approvals process has ensured more focus on limiting and capping liabilities under any new sales agreements.	
Operational – Product Development		
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.	To the extent that Volex is a contract manufacturer, the Group is driven by customer needs and designs. The Group is nonetheless addressing this risk through increased R&D investment, acquisitions and an improved strategic marketing function.	
Operational – Key People/Staff		
The Group is reliant on a small number of key executives who are leading the turnaround. Retention of those staff and succession planning remain an issue. Labour market conditions in the countries we operate in have also shifted, with high staff turnover in the Group's factories a risk area.	Key managers and staff have been given performance-related share awards, which are now starting to vest due to recent success, while remuneration levels for all senior staff are constantly under review. For the new financial year, a Global Head of HR has been employed to lead on succession planning and staff engagement and incentivisation more generally.	

Risk and Possible Impact	Risk Mitigation Activities	Trend
Financial – Going Concern		
The Group has a $30 million multi-currency revolving credit facility with onerous covenants. This expires in June 2019.	Improved Group performance and the recent fundraising have more or less eliminated this risk entirely. The current facility is undrawn and the Group is likely to be able to renew its credit facility on much improved terms this new financial year.	↓
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.	The Group maintains forward copper purchase contracts extending out 12 months, which are refreshed on a rolling monthly basis. Copper agreements are also being put in place with customers to offer additional assurance that Volex will not bear excessive risk from commodity price movements.	↔
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 central finance function closely monitors the exposure to key currencies such as the Chinese Renminbi, Euro and Pound Sterling. Hedging is undertaken where appropriate.	↔
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. Non-compliance with legislation or other regulatory requirements may compromise the Group's ability to conduct business in certain jurisdictions.	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 compliance and audit functions have been enhanced recently by the recruitment of additional staff in London and Singapore.	↔

Corporate and Social Responsibility

The Volex Board is committed to the Group having a positive impact on the environment and society. The Board has responsibility for considering the Group's strategy on matters including health and safety, diversity, compliance with ethical trading practices, conflict minerals, and modern slavery and human trafficking. The Group's Code of Business Conduct and the range of more detailed internal policies that sit under it set out clear ethical values, which the Board expects all Group companies and staff to adhere to. In the new financial year, we are looking to establish new policy and practice on charitable donations and community involvement, especially in the overseas locations in which we operate.

Our people

The commitment, enthusiasm and skill of the people who work for Volex are critical if the Group is to continue its successful transformation. Communication with and input from staff are key, and the appointment in the new financial year of a new Global Head of HR to provide strategic direction and consistency across the Group in dealing with staff matters will be vital to building on that. All senior staff are expected each year, on behalf of their business units, to sign a certificate confirming their compliance with key internal Volex policies.

Equality and human rights

Volex is committed to generating benefits for all its stakeholders while ensuring that it does not infringe the human rights of others. We recognise that our employees are crucial to the ongoing success of the business and to how the Company is regarded by the wider market, and believe that all employees should be treated equally, fairly and with respect.

Modern slavery

Modern slavery is a fundamental violation of human rights. It takes various forms, all of which seek to deprive a person of their liberty for another's commercial or personal gain. Volex has a zero-tolerance approach to any form of modern slavery and is committed to ensuring there is no modern slavery or human trafficking in any part of its supply chains, or its own business. As required by UK law, we also publish a Modern Slavery Transparency Statement each financial year, which is made available on our website. We expect the same high standards from all of our contractors, suppliers and other business partners.

Diversity

Volex's 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 total proportion of female staff across the Group, excluding the recent acquisitions, is 53.6%, although only seven out of 32 staff classed as senior management are female.

Health and safety

Volex maintains stringent safety practices and implements industry best practice across the Group. Each manufacturing site conducts programme training, risk assessments and regular management reviews to identify safety risks and ensure compliance with industry best practice. All sites comply with local law and regulations relating to health and safety, and most have ISO45001 or equivalent accreditation.

Customers and suppliers

Just as Volex's customers around the world demand strict adherence to high environmental and ethical standards, we demand the same of our suppliers, and introduced a new Supplier Code of Conduct this year. All traditional Volex sites, and all but one of the newly acquired sites, are ISO9001 certified and have adopted the Responsible Business Alliance Code of Conduct (formerly the Electronic Industry Citizenship Coalition Code of Conduct). Sites focused on medical equipment have ISO13485 accreditation. We aim to meet any additional requirements explicitly requested by our customers.

Conflict minerals

Volex has a dedicated policy addressing the issue of conflict minerals. We are committed to avoiding the use of conflict minerals in our products, and we ask our suppliers to ensure that materials used in components and products they supply to us, including tin, tantalum, tungsten and gold, are conflict-free.

Our impact on the environment

We comply with all relevant statutory and regulatory requirements in the jurisdictions in which we operate. We monitor the environmental impact of our business activities and encourage employee awareness of waste reduction, recycling and responsible disposal. All manufacturing sites but one are ISO14001 certified and have local waste-reduction and/or pollution-prevention programmes. We are compliant with the provisions of EU RoHS and EU REACH, and implement stringent controls to eliminate the use of hazardous substances. We offer products that are free from MCCP, phthalates, lead and DINP, and a range of halogen-free cables.

Carbon reporting

Although as an AIM company Volex does not come under the UK's mandatory greenhouse gas reporting regime this financial year, we nonetheless continued to undertake full carbon reporting as part of our commitment to sustainable environmental practices. Using data taken from all our worldwide sites over the past financial year, our emissions have again been assessed using the Greenhouse Gas Protocol and the UK Government's Guidelines on Greenhouse Gas Reporting, to cover Scope 1, Scope 2 and Scope 3 emissions.

Substantive comparisons with figures in the previous reports are difficult due to changes to the Group's structure and factory footprint – these figures do include, prorata, those relating to the recent acquisitions, which we have incorporated into our monitoring programme – however we have undertaken initiatives to help to reduce our carbon emissions. For example, we are expanding our use of electric vehicles where possible and implementing energy-use reduction programmes in our factory sites. Overall, our carbon emissions are down on last year by 3%.

The Strategic Report on pages 8 to 29 was approved by the Board and signed on its behalf by:

Daren Morris
Chief Financial Officer and Company Secretary

12 June 2019

FY2019 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)	921.97
Electricity, heat, steam and cooling purchased for own use (GHG Protocol Scope 2)	13,580.78
Total	**14,502.75**
Intensity metric (tonnes CO_2e / Full Time Equivalent employee)	2.65

Scope 3 Indirect Emissions from:	Tonnes of CO_2e
Supply chain, logistics and outsourced services (GHG Protocol Scope 3)	1,157.13
Total Emissions (Scope 1, 2 and 3)	**15,659.88**
Intensity metric (tonnes CO_2e per employee) (Scope 1, 2 and 3 per emissions per employee)	2.86

Year-on-year comparison

Emissions from:	Tonnes of CO_2e		% change
	2017-2018	2018-2019	
Scope 1	685.64	921.97	+34.5%
Scope 2	14,164.01	13,580.78	-4.1%
Total	**14,849.65**	**14,502.75**	**-2.3%**
Intensity metric (tonnes CO_2e / Full Time Equivalent employee) (Scope 1 and 2)	2.61	2.65	+1.5%
Scope 3	1,288.67	1,157.13	-10.2%
Total Emissions (Scope 1,2 and 3)	**16,138.32**	**15,659.88**	**-3.0%**
Intensity metric (tonnes CO_2e per employee) (Scope 1,2 and 3 per emissions per employee)	2.84	2.86	+0.7%

Governance

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, Genel Energy plc, Asia Resource Minerals plc and RIT Capital Partners plc.

Key areas of expertise
Sales & 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, and a member of the Remuneration Committee and Nominations Committee. He is the Senior Independent Director.

Dean has wide ranging non-executive director and public company experience. He currently sits on the Board of Cineworld Group plc. Formerly Chair of its Remuneration Committee, he now chairs its Audit Committee. He is a chartered accountant with extensive and relevant financial experience, having previously been Chief Financial Officer of Cineworld Group 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 Econsult Health Limited, 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

This corporate governance section of the Annual Report sets out what governance means to Volex and to me as Executive Chairman, both in itself and in terms of its impact on decision-making in the business, and looks to assure shareholders and others we have embedded the values that they would expect to see in place. Corporate governance is not just a set of guidelines but a framework which underpins the core values of the business. It sets standards against which we can judge whether we are acting in the right way and for the right reasons when we make decisions, while ensuring we have all the appropriate and necessary safeguards, checks and balances in place.

Since Volex's move from the Main Market of the London Stock Exchange to AIM last financial year, we have looked to follow the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code') in place of, as previously, the UK Corporate Governance Code. In September 2018, as required by AIM regulations, we formally acknowledged the QCA Code as our recognised code. We remain committed to those standards and continue to comply with the provisions of the QCA Code, with some exceptions.

The Board retained its existing structure this financial year, including the Executive Chairman role, and intends to do so for the forthcoming year. We acknowledge that this is one respect in which we do not fully comply with the requirements of the QCA Code, which recommend a division between the role of Chairman and Chief Executive. However, given the ongoing progress made under this leadership arrangement, and since my interests continue to match closely those of other shareholders, the Board still believes that it is in the best interests of the Company for the arrangement to continue, at least for the time being. It is something though that remains under regular review.

The Non-Executive Directors have played a vital role in advising the Executive Directors this past year, through informal engagement as well as through attendance at formal Board and Committee meetings. They continue to provide effective and independent oversight of the Company's strategy and its broad business operation. In the coming year, we are looking to appoint a third Non-Executive Director, with more operational industry experience, in order to strengthen that oversight and review capability.

Our Corporate Governance Report is set out on pages 34 to 37 and explains how we manage the Group to follow the provisions of the QCA Code. It also sets out further details about the activity of the Board and its various Committees during the year.

As Executive Chairman, I am committed to maintaining high standards of governance and effective leadership of the business. We believe our practical approach will continue to drive Volex's long-term performance, while at the same time maintaining our values and the integrity of the Volex brand. We will continue to work hard to further improve our governance and overall Board performance, to the benefit of all shareholders. We do not intend to be complacent, but much has been achieved in recent years, and we remain committed to and confident about the future of the Company.

> "Volex remains committed to the **highest standards of corporate governance,** to the benefit of all shareholders."

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 41 to 55, 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 31 March 2019, and from that date up to the date of publication of this Annual Report and Accounts, other than as highlighted.

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 32.

The Board provides leadership within a framework of prudent and effective controls for risk assessment and management. The Board has a formal list of matters specifically reserved for its decisions, although it delegates its authority to its various Committees to assist in meeting its business objectives and to ensure 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, including strategic decisions, receive adequate time and attention at Board meetings.

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

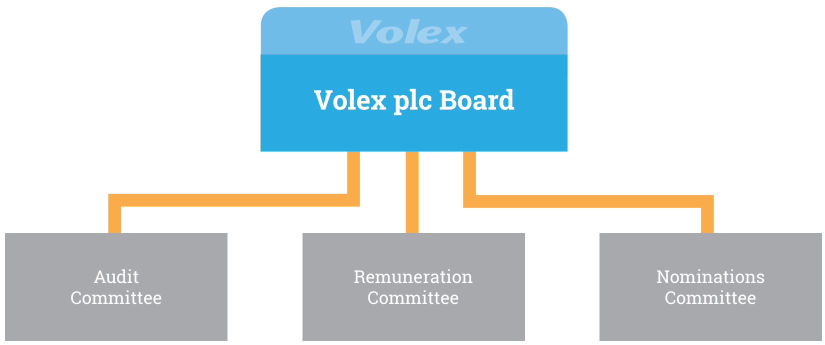
The Chief Financial Officer also acts as Company Secretary, and reports to the Executive Chairman and Senior Independent Director on governance matters. He is responsible for keeping the Board up to date on all legislative, regulatory and governance issues. He is also responsible for supporting the Executive 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. Although this is not an arrangement preferred by the QCA Code, we believe such a structure is appropriate given the size of the Company. He receives support in this role from the Company's Nominated Adviser and from an Assistant Company Secretary, who is a qualified lawyer.

Non-Executive Directors are responsible for exercising independent and objective judgement to constructively challenge the decisions of executive management and satisfy themselves that the systems of business risk management and internal financial controls are robust. They are expected to spend as much time as is necessary to perform their duties.

Dean Moore acts as the Senior Independent Non-Executive Director. He provides a sounding board for the Executive Chairman when necessary, and is available to shareholders to address concerns regarding governance and, if necessary, other issues where resolution through the normal channels is inappropriate.

Operation of the Board

The Board is responsible for setting the Company's business objectives, reviewing oversight of risk, strategic development and effective corporate governance. It discharges these responsibilities through regular, scheduled meetings to review the Company's financial and operational performance and to consider any other matters as appropriate, including potential merger and acquisition opportunities, risk management and shareholder feedback. In addition, when issues requiring the attention of the Board arise outside the regular schedule, the Directors collectively can discuss issues informally and/or action agreement via written resolutions.



Directors receive comprehensive briefing papers in advance of Board and Committee meetings. They have access to the services of the Company Secretary and external advisers, and can take independent professional advice at the Company's expense if needed.

Matters reserved for the Board

The Board delegates day-to-day management of the Company to the Executive Directors who, as appropriate, delegate to executive management. However, certain matters are reserved for decision by the Board, including:

- 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 acquisitions;
- 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 financing arrangements.

Board focus in FY2019

The major focus this year, following the financial recovery of the business, was to identify strategic gaps in capability in the Volex portfolio and begin to execute an acquisition strategy to fill those gaps. Activities included:

- approval of a fundraising through the placing of 48,000,000 shares with new and existing institutional shareholders;
- approval of continued investment in KeplerSignalTek to expand our capability in disposable medical cables;
- expansion of our Cable Assemblies division with the acquisitions of MC Electronics and Silcotec Europe. The acquisitions brought management expertise in Europe and in North America, together with new customers for the Group;
- acquisition of GTK, which brings new products to Volex and an important sales capability in the European market.

In October 2018, the Board travelled to our factory in Tijuana, Mexico, for a three-day visit, where they reviewed the operational improvements being made in Tijuana to improve quality, on-time delivery and financial performance at that site. In addition, the full senior management team was in attendance and updated the Board on the key initiatives which will drive improved performance in Volex over the coming years.

Attendance at Meetings/Board process

The Board met nine times during the year, following a timetable set at the start of the year and based around the calendar of key upcoming events for the Company. The three Board Committees met eight times in total. The size of the Board allows it 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. Directors' attendance at the Board and Committee meetings during the financial year was as per the table below:

Number of meetings	Board (9 meetings)	Audit Committee (4 meetings)	Remuneration Committee (2 meetings)	Nominations Committee (2 meetings)
Executive Chairman				
Nathaniel Rothschild	9/9	1/4[1]	2/2[1]	2/2
Executive Director				
Daren Morris	9/9	4/4[1]	2/2[1]	2/2[1]
Non-Executive Directors				
Adrian Chamberlain	9/9	4/4	2/2	2/2
Dean Moore	9/9	4/4	2/2	2/2

1. Attended by invitation.

Corporate Governance Report

continued

Committees of the Board

The Board has delegated certain responsibilities to the following Committees:

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

Each of the above Committees operates under defined terms of reference, which are available on the Company's website. To ensure independent oversight of the audit and remuneration functions, only the Company's independent Non-Executive Directors serve on those Committees; the Nominations Committee, however, is chaired by Nathaniel Rothschild. The Company Secretary acts as secretary to each Committee.

Nominations Committee

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

The Committee met twice during the 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.

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.

Audit Committee

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

The Committee met four times during the year.

The Committee is responsible for monitoring the integrity of the Company's financial statements, including its annual and half-yearly results, as well as for keeping the Company's internal controls under review, overseeing the Internal Audit function and overseeing the relationship with the external auditors.

Details of the Committee's activities and composition are contained in the Audit Committee Report on pages 38 to 40.

Remuneration Committee

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

The Committee met twice during the year.

The Committee is charged with determining and agreeing the remuneration of the Executive Directors as well as recommending and monitoring the structure of remuneration for senior management and the management of the Company's share incentive scheme.

Details of the Committee's activities are contained in the Directors' Remuneration Report on pages 41 to 55.

Board effectiveness

Composition, independence and diversity on the Board

During the year the Board comprised the Executive Chairman, the Chief Financial Officer and two Non-Executive Directors, such that 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.

Currently, there is no female representation on the Board. 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 pages 28 to 29.

Re-election of Directors

Directors are elected by shareholders at the first Annual General Meeting after any appointment by the Board and, thereafter, may offer themselves up for re-election by shareholders at regular intervals and in any event at least once every three years. Nathaniel Rothschild and Adrian Chamberlain will be offered for re-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 Non-Executive Directors met separately with the Executive Chairman and the Chief Financial Officer at numerous points during the year. 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.

Development

All new Directors receive an induction programme tailored to their background and experience, organised by the Company Secretary and the Company's Nominated Adviser. In addition, all Directors are regularly informed of changes to relevant legislation or regulations and receive regular updates and 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, which culminates in formal approval of the annual budget by the Board. Regular forecasts and updates on financial performance are presented to the Board during the year. The reasons why the Directors continue to adopt the going concern basis for preparing the financial statements are given in the Directors' Report on page 59.

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. The 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.

An ongoing process for identifying, evaluating and managing the significant risks faced by the Group 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 and likelihood, and how these risks are being managed. Read more about our Principal Risks and Uncertainties on pages 24 to 27.

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, with audit observations and recommendations to improve controls being 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. The recent appointment of a Head of Internal Audit since the year end will further enhance the Group's capability in this area.

Relations with shareholders

The Board is responsible for effectively engaging with shareholders. The Board achieves this through regular dialogue with brokers, analysts and shareholders themselves, with the Executive Chairman and Chief Financial Officer taking a lead in those relationships.

The Board takes steps to understand the views of major shareholders of the Company, including through receiving feedback from any shareholder meetings and through 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 Pensions and Lifetime Savings Association. The Executive Chairman and Chief Financial Officer are available to meet with major and prospective shareholders. Both 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 substantive 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 Executive Directors, available to meet shareholders and answer questions. The Board welcomes questions from shareholders, who will have 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 a vote was withheld, are given at the meeting and are made available on the Company's website at **www.volex.com.**

Daren Morris
Chief Financial Officer and
Company Secretary
12 June 2019

Audit Committee Report

Dean Moore / Chairman of the Audit Committee

"As Audit Committee Chair, I remain comfortable with the Company's internal controls, and satisfied that the accounts are fair, balanced and understandable."

Key objective

The Committee aims to ensure appropriate corporate governance is applied to the Group's systems for internal control and risk management and in respect of other compliance matters. It also monitors the integrity of financial information published externally for use by shareholders, and ensures 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 Committee is responsible for:

- Monitoring the integrity of the Group's financial statements and any other formal announcements relating to the Group's financial performance, and reviewing significant financial reporting judgements contained in them;
- Reporting to the Board on the processes in place to confirm that the Annual Report and Accounts, when taken as a whole, are fair, balanced and understandable and contain 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 and bribery and for handling 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 auditors including assessing the independence of the external auditors and, 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

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

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 at least two members, all of whom should be independent Non-Executive Directors.

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 32.

Meetings

The Audit Committee met four times in the year, with those meetings and their agendas linked in to events in the Group's financial calendar. 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 Chief Financial Officer, the Group Financial Controller or Deputy Chief Financial Officer, senior representatives of the external auditors and other staff to attend its meetings as required, although it reserves the right to request any of these individuals to withdraw.

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') the appropriateness of the half-year and annual financial statements, concentrating on, among 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; and
- The processes to ensure that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders.

To aid its review the Committee considers reports from the Chief Financial Officer and the Group Financial Controller or Deputy Chief Financial Officer, and reports from the external auditors. In addition, following its review of the Annual Report and Accounts, the Committee challenges management on the 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 to the financial statements on page 81. The primary areas of judgement considered and discussed by the Committee in relation to the FY2019 financial statements and how these have been addressed are listed below.

- Going concern – Having reviewed the Group's budget and trading position, and considered its compliance with banking facility covenants, the Committee has concluded that the Accounts should continue to be prepared on a going concern basis.
- Adjusting items – Management has presented a breakdown of adjusting items, and explanations as to why they should be categorised as such. The Audit Committee has reviewed and discussed this analysis with management. Details are shown in note 4 on page 84. Adjusting items during the year amounted to $6.2 million. (In the prior year, the Group disclosed non-recurring items. The new description expands on the previous disclosure to not only include costs that are one-off in nature and significant, such as restructuring costs, impairment charges or acquisition related costs, but to also include the non-cash amortisation of intangible assets.)
- 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 the $7.4 million provision is reasonable.
- Acquisitions – the Committee reviewed the provisional fair values that were allocated to the assets and liabilities as part of the acquisition accounting.

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 Group's current whistleblowing policy and delegated authority matrix;
- The results of the annual Certificate of Compliance exercise and survey, involving all senior personnel in the organisation;
- The updated risk register prepared by Board members and senior management; and
- Volex financial policies and expenditure controls.

Details of our internal controls and risk management systems including controls over the financial reporting process can be found on page 37 in the Corporate Governance Report with our risk factors in full in the Strategic Report on pages 24 to 27.

Audit Committee Report

continued

Internal audit

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.

Following staff departures in London, the Group operated for some of this year without a dedicated Internal Audit function. However, a new Head of Internal Audit was appointed at the start of FY2020 and will be based in Singapore, closer to the Group's main factory sites.

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

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 87 of the consolidated financial statements.

The auditors' independence and objectivity are 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 nil (FY2018: $0.2 million).

Audit tender

The Audit Committee considers the reappointment of the external auditors each year. PwC have been the Group's auditors since their appointment on 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 auditors, 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 2019 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;
- 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 has provided the Board with its recommendation that PwC be reappointed as external auditors for the 53 weeks ending 5 April 2020.

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
12 June 2019

Directors' Remuneration Report

Adrian Chamberlain

Annual Statement

Overview from the Chairman of the Remuneration Committee

I am pleased to introduce the Directors' Remuneration Report for the year ended 31 March 2019, which includes my statement, the Directors' Remuneration Policy and the Annual Report on Remuneration for the year.

FY2019 was a year in which we continued to see an improvement in our underlying business performance with improved pre-adjusted operating profits and a return to growth in overall revenue, both on a like-for-like basis and through acquisitions.

We are pleased to report that the Company has exceeded the bonus targets that we set out in last year's annual report. The Company has exceeded the maximum Group revenue, operating profit and net cash position targets. The Remuneration Committee has applied the bonus deferral policy (whereby two-thirds of any bonus above 25% of annual salary is deferred into Volex shares) and therefore 49% of the Executive Directors' bonuses have been deferred into Volex shares, and will vest after one year. The targets were challenging, and this result reflects the achievements of the Group this year.

In FY2020, Executive Directors will continue to have the opportunity to earn up to 100% of annual salary under the remuneration plan. We have refined the quantitative targets for FY2020 to focus on operating profit and cash generation. The purpose of this is to incentivise the Executive Directors to focus on generating cash and therefore value for shareholders. 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 11 December 2018, Mr Morris and Mr Rothschild were each issued with awards under the PSP of 93% of base salary, such awards being in line with the policy.

Base salaries of the Executive Directors for FY2019 were reviewed and increased by 3%, 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.

As the Company's current Performance Share Plan expired in March 2019, the Committee is working on the terms of a replacement scheme, which should be presented to shareholders for approval at the AGM, or later this year.

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
12 June 2019

> "The Committee is pleased to report the Company has exceeded the bonus targets that we set out in last year's annual report."

Directors' Remuneration Report

continued

Compliance statement

The Company is no longer 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 (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 Remuneration Policy for Executive Directors

The Policy Table below sets out the Remuneration Policy which was approved by shareholders at the 2018 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.

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 requires 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% 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.	The 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 49.

Directors’ Remuneration Report

continued

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 adjusted 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 49.

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. Underlying 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 increases in 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 the 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.

Remuneration policy for other employees

Volex’s approach to annual salary reviews is consistent across the Group, with consideration given to the levels of experience and responsibility, to individual performance and to 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. 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 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. 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 below 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 2019. For the annual bonus, the amounts illustrated are those potentially receivable in respect of performance for FY2020. For the PSP, the award opportunities are based on those PSP awards which are expected to be granted in FY2020. 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.

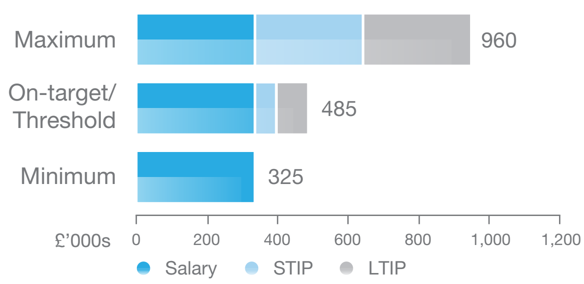
In illustrating potential reward opportunities the following assumptions have been made:

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

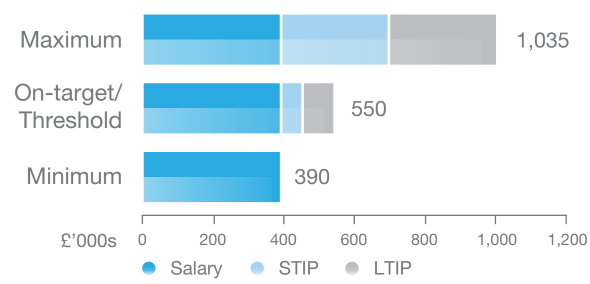
Directors' Remuneration Report

continued

Executive Chairman – Nathaniel Rothschild



Chief Financial Officer – Daren Morris



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 prorated 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.

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 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 45. 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 QCA Code and guidelines issued by institutional investors recommend that notice periods of no more than one year be set 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 Directors' 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:

			Notice period	
Executive Director	**Position**	**Effective date of contract**	**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 31 March 2019	Date of appointment	Notice period
Adrian Chamberlain	16 June 2016	3 months	16 June 2016	3 months
Dean Moore	18 April 2017	12 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 and deferred bonus and PSP are typically treated in different leaver scenarios and a change of control. Although 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.

Directors' Remuneration Report

continued

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.

Annual Report on Remuneration

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

Remuneration Committee membership in FY2019

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

Committee member	Member throughout 2018/19	Number of meetings attended
Adrian Chamberlain	Yes	2
Dean Moore	Yes	2

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 FY2019

The agenda during FY2019 included:

- Approval of the FY2018 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 FY2020, incorporating institutional investor feedback;
- Evaluation of the terms of a new PSP for long-term retention and incentivisation of key executives; and
- Evaluation of the proposal for the FY2019 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.

Fees of £19,750 (FY2018: nil) were paid to advisers in respect of work carried out for the year under review.

Summary of shareholder voting at the FY2018 AGM

It is the Remuneration Committee's policy to consult with major shareholders prior to any major changes to its Executive Directors' remuneration structure. The table below shows the results of the vote on the FY2018 Remuneration Report at the AGM on 31 July 2018.

	FY18 Remuneration Report	
	Total number of votes	% of votes cast
For (including discretionary)	102,475,694	99.9%
Against	42,098	0.1%
Total votes cast (excluding withheld votes)[1]	102,517,792	100%
Votes withheld	3,403	
Total votes cast (including withheld votes)	102,521,195	

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.

Directors' Remuneration Report

continued

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 31 March 2019 and the prior year:

Name	Year	Salary GBP	Benefits[1] GBP	Pension[2] GBP	Cash annual bonus[3] GBP	PSP[4] GBP	Deferred annual bonus (restricted shares)[3] GBP	Total GBP
Nathaniel Rothschild	**2019**	**£313,958**	**£1,822**	**–**	**£153,839**	**–**	**£150,700**	**£620,319**
	2018	£306,300	£731	–	£126,604	–	£100,058	£533,693
Daren Morris	**2019**	**£313,958**	**£2,211**	**£62,792**	**£153,839**	**£83,694**	**£150,700**	**£767,194**
	2018	£306,273	£5,232	£61,260	£132,730	–	£112,310	£617,805

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 FY2019 targets were substantially met and 97% of maximum bonuses were awarded. In accordance with the bonus deferral policy, two-thirds of any bonus above 25% of annual salary is deferred into Volex shares. Therefore, a significant proportion of the Executive Directors' bonuses (approximately 49%) were deferred into Volex shares for a period of one year. The FY2018 targets were partially met and between 74% and 80% of maximum bonuses were awarded. In accordance with the bonus deferral policy, two-thirds of any bonus above 25% of annual salary is deferred into Volex shares. Therefore, a significant proportion of the Executive Directors' bonuses (approximately 45%) were deferred into Volex shares for a period of one year. Details can be found on page 51 of this report.
4. During the year Mr Morris exercised awards in respect of 136,083 shares received under the PSP with a valuation (net of exercise price and fees) of £83,694.

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 31 March 2019 and the prior year:

Non-Executive Director	Year	Base fee (£)	Committee fee (£)	Additional fee (£)	Benefits in kind (£)	Total
Dean Moore	**2019**	**£50,000**	**£20,000**	**–**	**–**	**£70,000**
	2018	£45,718	£13,333	–	–	£59,051
Adrian Chamberlain	**2019**	**£50,000**	**£10,000**	–	–	**£60,000**
	2018	£44,841	£8,800	–	–	£53,641
Robert Beveridge	**2019**	**–**	**–**	**–**	**–**	**–**
	2018	£10,683	£2,035	–	–	£12,718

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 FY2020 (effective from the date of the AGM) are:

	Fee[1]	
	FY2020	FY2019
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 31 March 2019

Annual bonus in respect of FY2019 performance

For FY2019, the maximum bonus potential for the Executive Directors was set at 100% of basic annual salary with 30% based on achieving an underlying operating profit target, 25% on an improvement in average net cash target, 25% based on achieving a sales target and 20% based on achieving personal objectives.

The performance against the criteria, as defined, determined that bonuses would be earned under the annual bonus plan at the level of 97% for the Executive Directors. The Remuneration Committee has applied the bonus deferral policy (whereby two-thirds of any bonus above 25% of annual salary is deferred into Volex shares) and therefore a significant proportion of the Executive Directors' bonuses (approximately 49%) have been deferred into Volex shares, and will vest after one year.

Annual bonus in respect of FY2017 and FY2018 performance

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.

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.

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 applied the bonus deferral policy (whereby two-thirds of any bonus above 25% of annual salary is deferred into Volex shares) and therefore a significant proportion of the Executive Directors' bonuses (approximately 45%) were deferred into Volex shares for a period of one year.

Annual bonus target for FY2020 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 FY2020 targets see page 53.

PSP Schemes

PSP awards held by Nat Rothschild of 574,147 shares vested on 31 March 2019 based on the TSR target being 100% met and the cumulative profit target being 75% met.

PSP awards held by Daren Morris of 574,147 shares vested on 31 March 2019 based on the TSR target being 100% met and the cumulative profit target being 75% met.

PSP awards held by Daren Morris of 136,083 shares vested on 18 June 2018 based on the TSR target not being met and the cumulative profit target being 75% met.

Scheme interests awarded in FY2019

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	11 December 2018[1]	340,000	89.8p	£305,320
Chief Financial Officer	11 December 2018[1]	340,000	89.8p	£305,320

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 2 April 2018 and will end on 4 April 2021.

Directors' Remuneration Report

continued

The FY2019 awards to the Executive Chairman and to the Chief Financial Officer amounted to 93% of base salary for each.

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 2022 Directors' Remuneration Report).

Payments for loss of office

No Executive Directors left the Group during the year, and therefore no payments were made.

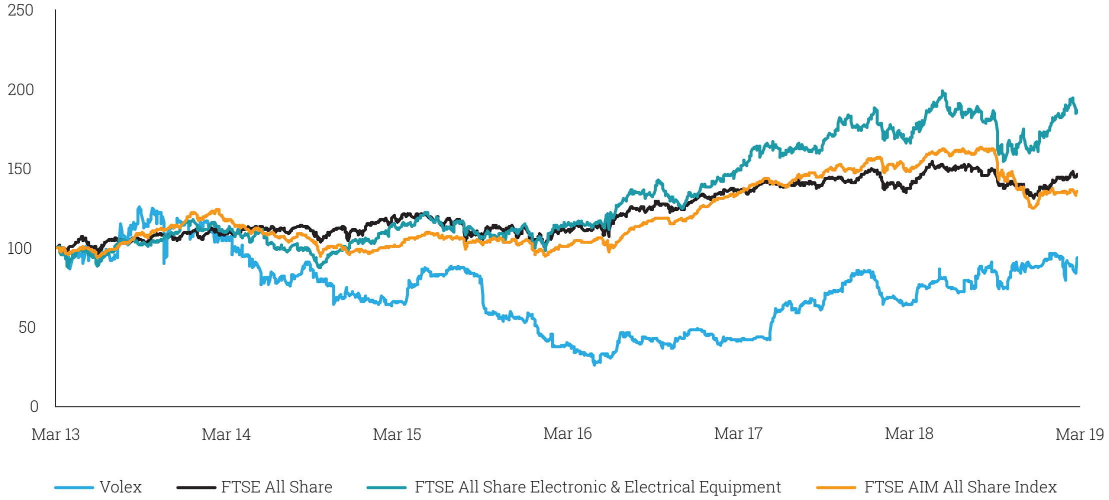
Payments to past Directors

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 2013 to March 2019. 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.

	2014[1]	2015[2]	2016	2017	2018	**2019**
CEO / Executive Chairman single figure of remuneration (£'000)	1,654	906	547	392	534	**620**
Annual bonus pay-out (% of maximum)	0%	76%	0%	50%	74%	**97%**
PSP vesting (% of maximum)	0%	0%	0%	0%	0%	**88%**

1. 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.
2. 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.

Implementation of Executive Director Remuneration Policy for FY2020

Base salary

Market positioning of base salary is approached on an individual basis, taking account of advice received from the Committee's independent advisers 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 3.0%.

Executive Director	Base salary in place prior to review	Base salary effective from 1 April 2019	Percentage increase from 1 April 2019
Nathaniel Rothschild	£313,958	£323,377	3.0%
Daren Morris	£313,958	£323,377	3.0%

A salary increase averaging 3.0% 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 FY2020 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 40% based on achieving an operating profit target, 40% on achieving a cash generation from operations before adjusting items target and 20% based on achieving personal objectives. Proposed target levels have been set to be challenging relative to the FY2020 business plan, and are as follows:

	Threshold (20%)	Maximum (100%)
Group operating profit	$24.4m	$28.0m
Group cash generation from operations before adjusting items	$20.0m	$25.6m
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.

Directors' Remuneration Report

continued

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 2020 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.

	FY19 fees	**FY20 fees**
Base fees		
Chairman	n/a	**n/a**
Non-Executive Director	£50,000	**£50,000**
Additional fees		
Audit Committee Chair	£10,000	**£10,000**
Remuneration Committee Chair	£10,000	**£10,000**

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 31 March 2019	Current shareholding (% salary/fees)	Shareholding[1] guideline (as % of salary)	Guideline met
Nathaniel Rothschild[2]	35,422,354	10,323%	100%	Yes
Daren Morris	533,063	155%	100%	Yes
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 Chief Executive Officer and Chief Financial Officer 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 equal to gross basic salary. There is no time limit defined for achieving the target level. Senior Executives, as defined by the Remuneration Committee, must (unless a waiver is obtained from the 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		Subject to performance		
	Shares held	Vested but unexercised	Not subject to performance	PSP	Deferred Shares[1]	Total
Nathaniel Rothschild	35,422,354	574,147	–	**1,290,000**	**280,902**	37,567,403
Daren Morris	533,063	574,147	–	**1,640,000**	**296,294**	3,043,504
Adrian Chamberlain	24,986	–	–	**–**	**–**	24,986
Dean Moore	15,000	–	–	**–**	**–**	15,000

1. Post year end, Nathaniel Rothschild has been awarded 155,201 deferred shares and Daren Morris 155,201 deferred shares as part of the FY2019 bonus plan.

Directors’ interests in shares and options under Volex PSP

Details of the Directors’ interests in long-term incentive schemes are set out below. Details, including explanation of movements during FY2019, 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 1 April 2018	Number of shares subject to PSP options granted during FY2019	Number of shares subject to PSP options exercised during FY2019	Number of shares subject to PSP options lapsed during FY2019	**Number of shares subject to PSP options held at 31 March 2019**	Exercise price of shares subject to PSP options (£)
Nathaniel Rothschild	1,606,168	340,000	–	(82,021)	**1,864,147**	0.25
Daren Morris	2,319,057	340,000	(136,083)	(308,827)	**2,214,147**	0.25

The Directors’ Remuneration Report was approved by the Board of Directors on 11 June 2019 and signed on its behalf by:

Adrian Chamberlain
Chairman of the Remuneration Committee

Directors' Report

Statement of the Directors' responsibilities in respect of the financial statements

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 regulation.

Company law requires the Directors to prepare financial statements for each financial 52 week period. 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 Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- 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;
- Make judgements and accounting estimates that are reasonable and prudent; 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 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 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.

The Directors are responsible for the maintenance and integrity of the 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.

By order of the Board

Nathaniel Rothschild
Executive Chairman

Daren Morris
Chief Financial Officer & Company Secretary

The Directors of the Company present their Annual Report for the year ended 31 March 2019. 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 Statement, 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 31 March 2019 are set out in the Consolidated Income Statement on page 68.

The Board is not recommending payment of a final dividend for the 52 weeks ended 31 March 2019 (FY2018: nil).

Directors

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

Executive Director	Non-Executive Directors
Nathaniel Rothschild	Adrian Chamberlain
Daren Morris	Dean Moore

Biographical details of the Directors currently serving on the Board and their dates of appointment are set out on page 32.

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 money 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).

The number of Directors should be no fewer than three and no more than 15. 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 Director 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 he or she 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 31 March 2019 is set out in the Directors' Remuneration Report on pages 41 to 55.

Articles of Association

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

Directors' Report

continued

Share capital

Details of the Company's share capital and share issues during the year 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 31 March 2019, there were 147,367,933 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 28 May 2019.

Shareholder	Number of ordinary shares of 25p each	% of total voting rights
NR Holdings Limited	35,996,501	24.43%
Ruffer LLP	28,885,337	19.60%
Downing	10,506,118	7.13%
Quaero Capital	10,050,975	6.82%
JO Hambro Capital Management	6,566,500	4.46%
Herald Investment Management	5,678,020	3.85%

Authority to purchase own shares

The Company was authorised by shareholder resolution at the 2018 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 41.

Future developments

The development of the business is detailed in the Strategic Report on pages 8 to 29.

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 and pursue the development of patents where relevant.

Employees

The Company's disclosures on employee policies and involvement can be found in the Strategic Report on page 28.

Political and charitable donations

The Company made no political or charitable donations during the year.

Greenhouse gas emissions

The Directors elect to provide details on greenhouse gas emissions in their report; such disclosures are made within the Corporate and Social Responsibility Report on pages 28 to 29.

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 27.

Going Concern statement

The considerations made by the Directors with regards to Going Concern are set out in the Financial Review on pages 20 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 no new or additional overseas branches were established.

Takeover directive disclosure

The Company has in issue, as at 28 May 2019, 147,367,933 fully paid-up shares of 25p each. The rights associated with 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 28 May 2019 are given on page 58.

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 have 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 30 July 2019. 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
12 June 2019

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 31 March 2019 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 International Financial Reporting Standards (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 2019 (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 31 March 2019; the Consolidated Income Statement and 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: $1,000,000 (2018: $521,000), based on 5% of profit before tax, interest expense, adjusting items and share based payments.
- Overall Company materiality: $525,000 (2018: $450,000), initially based on 1% of total assets but capped at the component materiality allocation.

- We conducted a full scope audit of 7 components and specified procedures on 6 components, which provided us with the following coverage: 88% of revenue, 76% of profit before tax, interest and adjusting items and share based payments, 100% of adjusting items, 90% of interest payable and over 69% of net assets. Furthermore, analytical review procedures were performed on a further 9 components.
- We visited the manufacturing facilities in Shenzhen and the Volex sales office in Singapore and Galway (Ireland). We also visited component audit teams in China, Ireland and Singapore and attended planning and clearance calls with all component teams.

- Adjusting items (Group); and
- Business combinations (Group).

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
Adjusting items The Directors have classified $6.2m of pre-tax expenses and $0.2m of tax income 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 the restructuring programme, costs associated with the acquisitions made during the year, amortisation of acquired intangibles and GMP equalisation costs. 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. Adjusting items are discussed in note 4 and in the Financial Review on page 21.	We obtained management's detailed listing of adjusting items and our procedures included the following: • Testing that they met the Group's accounting policy for adjusting items, as described on page 84, and applying professional scepticism as to the appropriateness of the classification of these items as non-recurring considering their nature and value; • 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 acquisition costs, we assessed whether the costs related to the acquisitions and had been incurred pre year end, and were non-recurring in nature; we agreed a sample of costs to invoices; • For the amortisation of acquired intangibles, we performed a high level analytic and substantiated differences above a threshold lower than materiality; • For GMP equalisation costs, our pension experts evaluated the estimates and data used by management to calculate the cost. They benchmarked the assumptions to external data and challenged the reasonableness of the assumptions used; • We tested that the reconciliation of operating profit to statutory measures as shown in note 7 is accurate; and • We assessed that the appropriateness and completeness of disclosures, included in the Group financial statements, reflected the output of management's positions taken, noting no significant deviations. Overall, we consider the position taken by management to be appropriate.

Independent auditors' report

to the members of Volex plc continued

Key audit matter	How our audit addressed the key audit matter
Business combinations – MC Electronics LLC, Silcotec Europe Limited and GTK (Holdco) Limited As disclosed in note 34 to the financial statements, during the year the Group acquired 100% of the issued share capital of MC Electronics, the trade and assets of Silcotec Europe Limited ("Silcotec") and 100% of the share capital of GTK (Holdco) Limited. All three transactions are considered to be business combinations under IFRS 3. Accounting for business combinations is complex and involves judgement around identifying the date of acquisition, determination of the fair value of consideration paid and payable, and assessment of the fair value of assets and liabilities assumed. Management made further fair value adjustments to working capital balances as required. The fair value exercise resulted in a $15.1m increase in goodwill and a $13.1m increase in intangible assets. Accounting for a business combination requires that the accounting policies of the acquiree are aligned with the accounting policies of the acquirer – this has been performed by the Group management. Given the significance and complexity around the transactions, there is a risk that the accounting treatment may be incorrect and as such this is a key audit matter.	We obtained management's fair value calculations and evaluated the key judgements and estimates made by management in determining the fair value of net assets acquired. We focussed on this area due to the significance of these transactions and the complexity around judgements and estimates made in accounting for the acquisitions. We undertook the following procedures: • We used our valuation experts to evaluate the key assumptions, including revenue growth, customer value and discount rates used by management. We benchmarked these to external data and challenged the assumptions based on our knowledge of the Group and the industry within which it operates. • We obtained and reviewed the sale and purchase agreements. • We obtained management's fair value calculations for each component of the consideration and assessed the appropriateness of these calculations. • For the assets and liabilities acquired, we tested a selection to supporting documentation and recalculated estimates to gain comfort over the fair value on acquisition of all three entities. There were no material differences. • In respect of the fair value of the intangibles, we obtained management's discounted cash flow calculations and assessed the reasonableness of the assumptions. Key assumptions made by management included discount rate, forecast sales, gross profit margins, operating profit margins and period for discounting. Based on our procedures, we found no exceptions and overall consider management's key assumptions to be within an acceptable range.

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

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, 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 and Silcotec Europe, with our component auditors in Poland performing the work in respect of the significant branches of the Company for which the books and records are located in that territory. The Group audit team performed the audit of the consolidation.

We identified seven 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, Galway 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 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 88% of revenue, 76% of profit before tax, interest and adjusting items and share based payments, 100% of adjusting items, 90% of interest payable and over 69% of net assets. Furthermore, analytical review procedures were performed on a further nine 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	$1,000,000 (2018: $521,000).	$525,000 (2018: $450,000).
How we determined it	5% of profit before tax, interest expense, and adjusting items and share based payments.	Allocated component materiality.
Rationale for benchmark applied	We consider profit before tax, adjusting items and share based payments and interest expense to provide an accurate depiction of the underlying profitability of the business.	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 $400,000 and $650,000. 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 $50,000 (Group audit) (2018: $25,000) and $50,000 (Company audit) (2018: $25,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

Independent auditors' report

to the members of Volex plc continued

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.

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 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements (CA06).

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 (CA06).

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 56, 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
12 June 2019

Financials

Consolidated Income Statement

For the 52 weeks ended 31 March 2019 (52 weeks ended 1 April 2018)

		Group					
		2019			2018		
	Notes	Before adjusting items and share-based payments $'000	Adjusting items and share-based payments (Note 4) $'000	Total $'000	Before adjusting items and share-based payments $'000	Adjusting items and share-based payments (Note 4) $'000	Total $'000
Revenue	3	372,104	–	372,104	322,377	–	322,377
Cost of sales		(298,586)	–	(298,586)	(266,388)	(146)	(266,534)
Gross profit		73,518	–	73,518	55,989	(146)	55,843
Operating expenses		(51,912)	(8,614)	(60,526)	(44,532)	(2,538)	(47,070)
Operating profit/(loss)		21,606	(8,614)	12,992	11,457	(2,684)	8,773
Share of net loss from associates and joint ventures	16	(210)	–	(210)	(192)	–	(192)
Finance income	5	129	–	129	20	–	20
Finance costs	6	(1,276)	–	(1,276)	(1,606)	–	(1,606)
Profit/(loss) on ordinary activities before taxation		20,249	(8,614)	11,635	9,679	(2,684)	6,995
Taxation	10	(2,650)	221	(2,429)	(1,519)	(1,551)	(3,070)
Profit/(loss) for the period attributable to the owners of the parent	7	17,599	(8,393)	9,206	8,160	(4,235)	3,925
Earnings per share (cents)							
Basic	11	13.1		6.9	9.2		4.4
Diluted	11	12.7		6.7	8.9		4.3

The notes on pages 73 to 127 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the 52 weeks ended 31 March 2019 (52 weeks ended 1 April 2018)

	Notes	Group 2019 $'000	Group 2018 $'000
Profit for the period		**9,206**	3,925
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain on defined benefit pension schemes	29	**305**	870
		305	870
Items that may be reclassified subsequently to profit or loss			
Gain/(loss) arising on cash flow hedges during the period		**180**	(265)
Exchange gain/(loss) on translation of foreign operations		**579**	(3,631)
		759	(3,896)
Other comprehensive income/(loss) for the period		**1,064**	(3,026)
Total comprehensive income for the period attributable to the owners of the parent		**10,270**	899

The notes on pages 73 to 127 are an integral part of these financial statements.

Consolidated and Company Statements of Financial Position

As at 31 March 2019 (1 April 2018)

		Group		Company	
	Notes	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Non-current assets					
Goodwill	12	**17,531**	2,633	**–**	–
Other intangible assets	13	**11,115**	498	**59**	61
Property, plant and equipment	14	**20,420**	17,406	**2**	2
Investments	15	**–**	–	**119,006**	103,224
Interests in associates and joint ventures	16	**–**	226	**–**	–
Other receivables	18	**2,704**	1,560	**72**	62
Deferred tax asset	21	**4,271**	2,283	**–**	–
		56,041	24,606	**119,139**	103,349
Current assets					
Inventories	17	**49,122**	40,686	**2,956**	2,003
Trade receivables	18	**71,307**	56,199	**12,647**	8,158
Other receivables	18	**8,448**	7,376	**19,299**	5,266
Current tax assets		**1,092**	948	**140**	–
Derivative financial instruments	30	**374**	192	**460**	192
Cash and bank balances	26	**20,913**	24,830	**3,448**	48
		151,256	130,231	**38,950**	15,667
Total assets		**207,297**	154,837	**158,089**	119,016
Current liabilities					
Borrowings	19	**320**	1,849	**–**	1,789
Trade payables	20	**45,863**	54,181	**246**	315
Other payables	20	**30,212**	25,576	**28,765**	31,213
Current tax liabilities		**4,811**	4,030	**–**	–
Retirement benefit obligation	29	**975**	947	**975**	947
Provisions	22	**1,121**	292	**–**	–
		83,302	86,875	**29,986**	34,264
Net current assets/(liabilities)		**67,954**	43,356	**8,964**	(18,597)
Non-current liabilities					
Borrowings	19	**–**	13,033	**–**	13,033
Other payables	20	**988**	1,080	**25,420**	27,378
Non-current tax liabilities	10	**1,134**	1,242	**–**	–
Deferred tax liabilities	21	**4,447**	2,008	**–**	–
Retirement benefit obligation	29	**1,460**	2,370	**1,460**	2,370
Provisions	22	**318**	85	**–**	–
		8,347	19,818	**26,880**	42,781
Total liabilities		**91,649**	106,693	**56,866**	77,045
Net assets		**115,648**	48,144	**101,223**	41,971
Equity attributable to owners of the parent					
Share capital	23	**58,792**	39,755	**58,792**	39,755
Share premium account		**44,532**	7,122	**44,532**	7,122
Non-distributable reserve	24	**2,455**	2,455	**1,186**	1,186
Hedging and translation reserve		**(7,391)**	(8,150)	**(24,993)**	(19,757)
Own shares	24	**(1,890)**	(867)	**–**	–
Merger reserve		**–**	–	**15,540**	15,540
Retained earnings/(accumulated losses)		**19,150**	7,829	**6,166**	(1,875)
Total equity		**115,648**	48,144	**101,223**	41,971

The profit after tax for the year of the Company amounted to a profit of $5,895,000 (2018: loss of $18,922,000).

The notes on pages 73 to 127 are an integral part of these financial statements.

The financial statements on pages 68 to 127 of Volex plc (company number: 158956) were approved by the Board of Directors and authorised for issue on 12 June 2019. 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 31 March 2019 (52 weeks ended 1 April 2018)

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 2 April 2017	39,755	7,122	2,455	(4,254)	(867)	2,096	46,307
Profit for the period attributable to the owners of the parent	–	–	–	–	–	3,925	3,925
Other comprehensive (loss)/income for the period	–	–	–	(3,896)	–	870	(3,026)
Total comprehensive (loss)/income for the period	–	–	–	(3,896)	–	4,795	899
Credit to equity for equity-settled share-based payments	–	–	–	–	–	938	938
Balance at 1 April 2018	**39,755**	**7,122**	**2,455**	**(8,150)**	**(867)**	**7,829**	**48,144**
Profit for the period attributable to the owners of the parent	**–**	**–**	**–**	**–**	**–**	**9,206**	**9,206**
Other comprehensive income for the period	**–**	**–**	**–**	**759**	**–**	**305**	**1,064**
Total comprehensive income for the period	**–**	**–**	**–**	**759**	**–**	**9,511**	**10,270**
Share issue	**18,886**	**37,410**	**–**	**–**	**–**	**–**	**56,296**
Exercise of deferred bonus shares	**151**	**–**	**–**	**–**	**–**	**(151)**	**–**
Own shares sold/(utilised) in the period	**–**	**–**	**–**	**–**	**75**	**(31)**	**44**
Own shares purchased in the period	**–**	**–**	**–**	**–**	**(1,098)**	**–**	**(1,098)**
Credit to equity for equity-settled share-based payments	**–**	**–**	**–**	**–**	**–**	**1,992**	**1,992**
Balance at 31 March 2019	**58,792**	**44,532**	**2,455**	**(7,391)**	**(1,890)**	**19,150**	**115,648**

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 2 April 2017	39,755	7,122	1,186	(26,012)	15,540	15,239	52,830
Loss for the year attributable to the owners of the parent	–	–	–	–	–	(18,922)	(18,922)
Other comprehensive income for the period	–	–	–	6,255	–	870	7,125
Total comprehensive income/(loss) for the period	–	–	–	6,255	–	(18,052)	(11,797)
Credit to equity for equity-settled share-based payments	–	–	–	–	–	938	938
Balance at 1 April 2018	**39,755**	**7,122**	**1,186**	**(19,757)**	**15,540**	**(1,875)**	**41,971**
Profit for the year attributable to the owners of the parent	**–**	**–**	**–**	**–**	**–**	**5,895**	**5,895**
Other comprehensive (loss)/income for the period	**–**	**–**	**–**	**(5,236)**	**–**	**305**	**(4,931)**
Total comprehensive (loss)/income for the period	**–**	**–**	**–**	**(5,236)**	**–**	**6,200**	**964**
Shares issued	**18,886**	**37,410**	**–**	**–**	**–**	**–**	**56,296**
Exercise of deferred bonus shares	**151**	**–**	**–**	**–**	**–**	**(151)**	**–**
Credit to equity for equity-settled share-based payments	**–**	**–**	**–**	**–**	**–**	**1,992**	**1,992**
Balance at 31 March 2019	**58,792**	**44,532**	**1,186**	**(24,993)**	**15,540**	**6,166**	**101,223**

Consolidated and Company Statements of Cash Flows

For the 52 weeks ended 31 March 2019 (52 weeks ended 1 April 2018)

		Group		Company	
	Notes	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Net cash generated from/(used in) operating activities	26	**(6,743)**	4,893	**(4,449)**	1,194
Cash flow generated from/(used in) investing activities					
Interest received	5	**11**	12	**–**	1
Acquisition of businesses, net of cash acquired	34	**(23,843)**	–	**(25,526)**	–
Proceeds on disposal of intangible assets, property, plant and equipment		**512**	44	**–**	–
Purchases of property, plant and equipment	14	**(3,180)**	(2,436)	**(2)**	(3)
Purchases of intangible assets	13	**(163)**	(2)	**(46)**	–
Acquisition of own shares (net of funds received on option exercise)		**(1,023)**	–	**–**	–
Net cash inflow/(outflow) on intercompany funding		**–**	–	**(4,636)**	(4,994)
Purchase of preference shares	18	**(1,300)**	(400)	**–**	–
Investment in associates	16	**–**	(400)	**–**	–
Net cash generated from/(used in) investing activities		**(28,986)**	(3,182)	**(30,210)**	(4,996)
Cash flows before financing activities		**(35,729)**	1,711	**(34,659)**	(3,802)
Cash generated/(used) before adjusting items		**(32,457)**	2,735	**(34,062)**	(3,289)
Cash utilised in respect of adjusting items		**(3,272)**	(1,024)	**(597)**	(513)
Cash flow generated from/(used in) financing activities					
Refinancing costs paid		**–**	(496)	**–**	(496)
Dividend received		**–**	–	**6,468**	–
Repayment of borrowings		**(12,826)**	(7,285)	**(12,826)**	(3,000)
Proceeds on issue of shares		**46,685**	–	**46,685**	–
New bank loans raised		**–**	–	**–**	12,738
Net cash generated from/(used in) financing activities		**33,859**	(7,781)	**40,327**	9,242
Net increase/(decrease) in cash and cash equivalents		**(1,870)**	(6,070)	**5,668**	5,440
Cash and cash equivalents at beginning of period	25	**22,981**	29,565	**(1,741)**	(6,028)
Effect of foreign exchange rate changes	25	**(518)**	(514)	**(479)**	(1,153)
Cash and cash equivalents at end of period	25	**20,593**	22,981	**3,448**	(1,741)

The notes on pages 73 to 127 are an integral part of these financial statements.

Notes to the Financial Statements

For the 52 weeks ended 31 March 2019 (52 weeks ended 1 April 2018)

1. Presentation of financial statements

Volex plc ('the Company' and together with its subsidiaries 'the Group') is a public limited company incorporated and registered in England and Wales and domiciled in the United Kingdom under the Companies Act 2006 and whose shares are listed on AIM, a market on the London Stock Exchange. The address of the registered office is given on page 129. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 8 to 29.

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 profit for the parent company for the period was $5,895,000 (2018: loss of $18,922,000).

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 a going concern basis under the historical cost convention 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')

The Group adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from 2 April 2018. These are the first set of the Group's annual financial statements where IFRS 15 and IFRS 9 have been applied and the changes to the significant accounting policies are set out below.

There were no other new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 2 April 2018, that had a material impact on the Group or Parent Company.

IFRS 15 Revenue from Contracts with Customers introduced a single, principles-based approach to the recognition and measurement of revenue from all contracts with customers. This requires the 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 is recognised as a single point, on delivery or pick up depending upon the agreed terms with the customer. This treatment is consistent with the approach that the Group applied under IAS 18 Revenue and related interpretations.

The impact assessment performed by the Group on the implementation of IFRS 15 included a review of each of its revenue streams and significant customer contracts to identify distinct performance obligations and the appropriate method for recognising revenue upon satisfaction of the performance obligations.

The Group has applied IFRS 15 from its effective date and in accordance with the transitional provisions in IFRS 15, comparative figures have not been restated. There were no adjustments required on transition.

IFRS 9 Financial Instruments has replaced IAS 39 in its entirety. The Group has applied IFRS 9 in the current year and prospectively. In accordance with the transition provisions in IFRS 9, comparative figures have not been restated. There were no material changes in relation to the classification and measurement of financial assets and liabilities. There were no material changes for hedge accounting other than additional disclosure requirements. IFRS 9 introduced more comprehensive guidance on the impairment of financial assets. This requires the use of a three-stage 'expected credit loss (ECL)' model which is forward looking. It is no longer necessary for an impairment event to have occurred before credit losses are recognised. In accordance with the standard, the Group has reviewed and updated its provisioning policy. The impact on the Group of this change has been low and management monitor trade receivables closely.

The adoption of IFRS 9 did not have a material impact on the Group's financial statements. The Group assessed the impact of the new standard on its hedging arrangements, investments valuation and provisioning for trade receivables.

Notes to the Financial Statements continued

For the 52 weeks ended 31 March 2019 (52 weeks ended 1 April 2018)

2. Significant accounting policies continued

New standards, amendments and interpretations issued but not yet effective for the financial year beginning 2 April 2018 and not early adopted.

- IFRS 16 'Leases', effective for financial periods beginning on or after 1 January 2019

IFRS 16 replaces existing lease guidance, including IAS 17 Leases and IFRIC 4 'Determining whether an arrangement contains a lease'. The standard requires lessees to account for most contracts under an on-balance sheet model, with the distinction between operating and finance leases being removed.

IFRS 16 Leases prescribes a single lessee accounting approach 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 the future lease payments for the lease term. The depreciation of the right of use asset and interest on the lease liability will be recognised in the income statement over the lease term. 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 Group has completed work to understand the impact of the new standard. This work has included a detailed assessment of contracts to establish lease classification which is complete for the traditional business and in progress for the acquisitions. The Group has also elected to apply the practical expedient to avoid the requirement to assess arrangements which were not classified as leases under IAS 17 and IFRIC 4 at 31 March 2019. The Group will apply IFRS 16 initially on 1 April 2019, using a modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 April 2019, with no restatement of comparatives.

The implementation of IFRS 16 is likely to have a significant impact on the Group.

- IFRIC 23 'Uncertainty over income tax treatments' effective for financial periods beginning on or after 1 January 2019

Management has assessed the impact of this change and this is expected to be immaterial.

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.

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.

2. Significant accounting policies continued

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.

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 recognised in accordance with the satisfaction of performance obligations of contracts. The majority of the Group's contracts have just one performance obligation which is the delivery of goods, which under IFRS 15 is recognised as a single point, on delivery or pick up depending on the agreed terms with the customer. This is normally when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements.

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.

Notes to the Financial Statements continued

For the 52 weeks ended 31 March 2019 (52 weeks ended 1 April 2018)

2. Significant accounting policies continued

The Group considers whether there are additional commitments in contracts that are separate performance obligations to which a portion of the transaction price needs to be allocated. 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. In addition, most customer contracts include a warranty clause for general repairs of defects that existed at the time of sale. Warranties cannot be purchased separately. These assurance-type warranties are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

In determining the transaction price for the sale of equipment, the Group also considers the effects of the following:

- the existence of significant financing components. There are contracts where the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less. The normal credit term is 60 to 90 days upon delivery;
- consideration payable to the customer – in certain instances the Group purchases raw materials from the customer. This consideration is not treated as a reduction to revenue since the payments made are in exchange for a distinct good (the raw material) that the customer transfers to the Group;
- variable consideration and non-cash consideration – both of these are deemed to be immaterial for the Group.

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

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

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

Taxation

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

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

2. Significant accounting policies continued

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land which is not depreciated) less their residual values over their useful lives, using the straight-line method, on the following basis:

Freehold and long leasehold buildings	up to 50 years or period of lease, if shorter
Plant and machinery	3 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.

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 and customer contracts and relationships

Separately acquired patents are stated at cost less accumulated amortisation. Customer contracts and relationships acquired in a business combination are recognised at fair value at the acquisition date. These intangible assets 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.

Notes to the Financial Statements continued

For the 52 weeks ended 31 March 2019 (52 weeks ended 1 April 2018)

2. Significant accounting policies continued

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.

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 determined using a standard cost methodology 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 statement of financial position 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.

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 statement of financial position 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

Certain senior employees (including executives) receive remuneration in the form of share-based payment transactions where the individuals are compensated for services they provide with consideration in the form of equity instruments.

The cost of equity-settled transactions with employees is measured with reference to the fair value of the equity instrument at the date they are granted and is recognised as an expense over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the employee becomes fully entitled to the award.

No expense is recognised for awards that do not ultimately vest as a result of not meeting performance or service conditions. Where all service and performance vesting conditions have been met, the awards are treated as vesting, irrespective of whether or not the market condition is satisfied, as market conditions have been reflected in the fair value of the equity instruments.

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 movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Adjusting items

Adjusting items replace the previously disclosed non-recurring items. The new description expands on the previous disclosure to not only include costs that are one-off in nature and significant (such as restructuring costs, impairment charges or acquisition related costs) but to also include the non-cash amortisation charge of intangible assets which have arisen under IFRS 3 business combinations. Only those restructuring costs that result in a permanent reduction in capabilities are treated as adjusting items.

Adjusting items are included under the statutory classification appropriate to their nature but are separately disclosed on the face of the income statement within adjusting items 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.

Investments and other financial assets – classification

Financial assets within the scope of IFRS 9 'Financial Instruments' are classified as financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVOCI) and financial assets at amortised cost.

The classification of financial assets is determined on initial recognition. This takes account of the nature of the financial asset and the purpose for which it was acquired. Where an asset is classified as fair value through profit or loss (FVTPL) it is measured at fair value. Any net gains and losses, including dividend income or interest are recognised in finance revenue or finance cost in the income statement.

Financial assets classified as at fair value through other comprehensive income (FVOCI) are measured at fair value. For investments in equity instruments, dividends are recognised when the entity's right to receive payment is established, the amount can be measured reliably and it is probable that the economic benefits will flow to the entity. Dividends are recognised in the income statement unless they represent the recovery of part of the cost of the investment, in which case they are included in other comprehensive income.

Notes to the Financial Statements continued

For the 52 weeks ended 31 March 2019 (52 weeks ended 1 April 2018)

2. Significant accounting policies continued

Changes in the fair value of the financial asset are recognised in other comprehensive income and are not recycled to the income statement.

Financial assets that are held with the objective of collecting contractual cash flows and where the contractual terms of the financial asset give rise to cash flows on specified dates that represent the repayment of principal and interest are measured subsequently at amortised cost.

Investments and other financial assets – recognition and measurement

Where an entity holds an investment in an equity instrument that is actively traded in an organised financial market, the fair value is determined with reference to quoted closing market bid prices at the balance sheet date. Where there is no such active market, fair value is determined using valuation techniques and models appropriate to the instrument.

Loans and receivables are measured at amortised cost using the effective interest method and taking into consideration any allowance for impairment. The calculation includes any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

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

At each balance sheet date the Group undertakes an assessment as to whether a financial asset or group of financial assets is impaired.

Trade and other receivables

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, resulting in trade receivables recognised and carried at original invoice amount less an allowance for any uncollectible amounts based on expected credit losses. The Group assesses on a forward-looking basis the expected credit losses associated with its receivables carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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.

Borrowings

Interest-bearing loans and overdrafts are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, borrowings are measured at amortised cost, using the effective interest rate method.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

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

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.

2. Significant accounting policies continued

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.

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.

Business combinations

Acquisitions are accounted for using the acquisition method as described in the business combinations accounting policy. This includes the determination of fair values for assets and liabilities acquired, including the separate identification of intangible assets, which use assumptions and estimates and are therefore subjective. The Group has developed a process to meet the requirements of IFRS 3 including the separate identification of customer relationship intangible assets based on estimated future performance and customer attrition rates. External valuation specialists are used where appropriate.

Adjusting items

The Directors believe that presenting adjusting items separately provides a clearer understanding of the business performance and facilitates comparison of trading performance year-on-year. In determining the classification of items management exercises significant judgement. During the period under review the adjusting operating items identified total $6,226,000 (2018: $1,552,000). These comprise restructuring costs, acquisition related costs, amortisation of intangibles arisen from business combinations and past service costs. See note 4 for further details. Management see this as a key judgement as a decision has to be made as to which income statement items fall within the criteria and therefore should be shown separately.

Notes to the Financial Statements continued

For the 52 weeks ended 31 March 2019 (52 weeks ended 1 April 2018)

2. Significant accounting policies continued

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 31 March 2019, the Group had net inventories of $49,122,000 (2018: $40,686,000).

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 which the Group supplies. 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, floor cleaning equipment 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 industrial robotics.
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 Group consider the executive members of the Company's Board and the Chief Operating Officer to be the chief operating decision maker.

Following a change in reporting lines and in an attempt to improve the transparency and accountability of each site, a number of sites which had been classified as "hybrid" and had their revenues and costs allocated across the reporting divisions have now been reclassified to either the Power Cords or the Cable Assemblies divisions. As a result, the prior year segmental reporting has been restated so that it is presented on a comparable basis to the current year.

3. Segment information continued

The following is an analysis of the Group's revenues and results by reportable segment. Prior year performance has been restated into divisional reporting on the same basis as the current period.

	52 weeks to 31 March 2019		52 weeks to 1 April 2018 (restated)	
	Revenue $'000	Profit/(loss) $'000	Revenue $'000	Profit/(loss) $'000
Power Cords	**198,885**	**13,229**	203,569	12,112
Cable Assemblies	**173,219**	**13,473**	118,808	3,522
Unallocated Central costs	**–**	**(5,096)**	–	(4,177)
Divisional results before share-based payments and adjusting items	**372,104**	**21,606**	322,377	11,457
Adjusting operating items		**(6,226)**		(1,552)
Share-based payment charge		**(2,388)**		(1,132)
Operating profit		**12,992**		8,773
Share of net loss from associates and joint ventures		**(210)**		(192)
Finance income		**129**		20
Finance costs		**(1,276)**		(1,606)
Profit before taxation		**11,635**		6,995
Taxation		**(2,429)**		(3,070)
Profit after taxation		**9,206**		3,925

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

The adjusting items operating charge of $6,226,000 (2018: $1,552,000) was split $1,672,000 (2018: $628,000) to Power Cords, $3,589,000 (2018: $305,000) to Cable Assemblies and $965,000 (2018: $619,000) to Central.

Divisional profit represents the profit earned by each division before the allocation of central operating expenses, adjusting 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	2019 $'000	2018 (restated) $'000
Power Cords	**2,389**	2,332
Cable Assemblies	**1,353**	841
Central	**44**	37
	3,786	3,210

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

Impairment charge	2019 $'000	2018 $'000
Power Cords	**–**	74
Cable Assemblies	**–**	–
Central	**–**	–
	–	74

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 on which such assets and liabilities can be allocated.

Notes to the Financial Statements continued

For the 52 weeks ended 31 March 2019 (52 weeks ended 1 April 2018)

3. Segment information continued

Information about major customers

One (2018: two) of the Group's customers individually accounts for more than 10% of total Group revenue. This customer operates in the Cable Assemblies division and accounts for 17% (2018: 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	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Asia (excluding India)	**164,343**	175,266	**16,618**	16,525
North America	**119,623**	90,421	**2,067**	1,088
Europe	**85,883**	51,959	**33,083**	3,899
India	**2,255**	4,731	**2**	811
	372,104	322,377	**51,770**	22,323

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

4. Adjusting items and share-based payments

	Group	
	2019 $'000	2018 $'000
Restructuring costs	**1,942**	860
Acquisition costs	**1,821**	135
Amortisation of acquired intangibles	**1,983**	–
Pension past service costs	**480**	–
Transition to AIM	**–**	513
Impairment of Goodwill	**–**	74
Movement in onerous lease provision	**–**	(30)
Total adjusting operating items	**6,226**	1,552
Adjusting items tax (income)/expense (see note 10)	**(221)**	1,551
Total adjusting items	**6,005**	3,103
Share-based payments (see note 28)	**2,388**	1,132
Total adjusting items and share-based payments	**8,393**	4,235

Adjusting items replace the previously disclosed non-recurring items. The new description expands on the previous disclosure to not only include costs that are one-off in nature and significant (such as restructuring costs, impairment charges or acquisition related costs) but to also include the non-cash amortisation of intangible assets.

The adjusting items and share-based payments 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 financial performance of the Group.

During the current year, the Group has incurred $1,942,000 (2018: $860,000) of restructuring costs. Following a further decline in revenue with the Power Cords division's largest customer, further restructuring costs of $1,459,000 were incurred at our Shenzhen factory, primarily in relation to severance costs. In addition, during the period, the decision was taken to close the Indian factory. As part of this closure, the Group has incurred $478,000 of closure costs, principally in relation to severance fees, retention bonuses paid to several key staff (in order that they remain and work on an orderly closure of the factory) and the write-off of assets no longer deemed recoverable. Following a review of the organisational structure, a number of senior roles were made redundant resulting in an expense of $270,000. Off-setting these charges was a $265,000 credit resulting from the release of a provision made several years ago for minimum order quantity commitments that have now become time barred.

4. Adjusting items and share-based payments continued

In the prior year, the Group incurred $860,000 of restructuring spend following the downsizing of an Asian factory, the downsizing of the European and South Korean sales team and the restructuring of the Singapore regional head office.

Acquisition related costs of $1,821,000 (2018: $135,000) are split between $1,171,000 for Silcotec Europe Limited, $460,000 for MC Electronics LLC and $190,000 for GTK (Holdco) Limited. These costs cover legal fees associated with the transactions and post-acquisition remuneration charges linked to the retention of key staff.

Associated with the acquisitions, the Group has recognised certain intangible assets including customer relationships and customer order backlogs. The amortisation of these intangibles is non-cash and totals $1,983,000 for the period, split $980,000 for Silcotec Europe Limited, $251,000 for MC Electronics LLC and $752,000 for GTK (Holdco) Limited.

During the year the Group recognised a one-off pension past service cost of $480,000 as a result of Guaranteed Minimum Pension (GMP) equalisation. This is a past service cost that pension schemes that had “contracted out” of the State Earnings Related Pension Scheme must now recognise following the Lloyds Banking Group judgement in October 2018. This judgement requires the equalisation of male and female members’ benefits for the effect of unequal GMPs.

5. Finance income

	Group	
	2019 $’000	2018 $’000
Interest on bank deposits	**12**	12
Interest on preference shares	**117**	8
	129	20

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

		Group	
	Notes	**2019 $’000**	2018 $’000
Interest on bank overdrafts and loans		**730**	858
Net interest expense on defined benefit obligation	29	**71**	107
Unwinding of discount on long-term provisions	22	**76**	–
Other		**12**	103
Total interest costs		**889**	1,068
Amortisation of debt issue costs	25	**387**	538
Total finance costs		**1,276**	1,606

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

Notes to the Financial Statements continued

For the 52 weeks ended 31 March 2019 (52 weeks ended 1 April 2018)

7. Profit/loss for the period

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

	Notes	Group 2019 $'000	Group 2018 $'000
Net foreign exchange (gain)/losses		**(411)**	754
Research and development costs		**2,644**	3,056
Depreciation of property, plant and equipment	14	**3,318**	3,095
Amortisation of intangible assets	13	**2,451**	115
Impairment of Goodwill	12	**–**	74
Cost of inventories recognised as an expense		**220,443**	193,260
Write-down of inventories recognised as an expense		**3,495**	932
Staff costs	9	**73,309**	69,678
Impairment loss recognised on trade receivables	18	**378**	43
Reversal of impairment losses recognised on trade receivables	18	**(55)**	(16)
Loss on disposal of property, plant and equipment		**324**	89
Operating lease payments	27	**4,976**	4,417

Research and development costs disclosed above comprise the following:

	Group 2019 $'000	Group 2018 $'000
Employment costs	**1,917**	1,980
Raw materials and consultancy	**592**	926
Other	**135**	150
	2,644	3,056

In the current year, no development costs were capitalised (2018: $nil).

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

	Group 2019 $'000	Group 2018 $'000
Operating profit	**12,992**	8,773
Add back:		
Adjusting operating items	**6,226**	1,552
Share-based payment charge	**2,388**	1,132
Underlying operating profit	**21,606**	11,457
Depreciation of property, plant and equipment (note 14)	**3,318**	3,095
Amortisation of acquired intangible assets (note 13)	**468**	115
Underlying EBITDA	**25,392**	14,667

8. Auditors' remuneration

The analysis of auditors' remuneration is as follows:

	Group	
	2019 $'000	2018 $'000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	326	286
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	306	248
Total audit fees	632	534
Other services	–	194
Total non-audit fees	–	194

During the prior year, $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 38 to 40 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	
	2019 No.	2018 No.
Production	5,456	5,705
Sales and distribution	389	415
Administration	362	346
	6,207	6,466

Their aggregate remuneration comprised:

	Group	
	2019 $'000	2018 $'000
Wages and salaries	62,461	60,590
Social security costs	8,020	7,656
Share-based payment charge (note 28)	2,388	1,132
Other pension costs (note 29)	440	300
	73,309	69,678

In addition to the above, $2,187,000 (2018: $859,000) has been paid in severance costs and retention bonuses. This is included within the net restructuring cost of $1,942,000 (2018: $860,000) 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 41 to 55 and form part of the financial statements.

Notes to the Financial Statements continued

For the 52 weeks ended 31 March 2019 (52 weeks ended 1 April 2018)

9. Staff costs continued

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

	Company	
	2019 No.	2018 No.
Production	–	1
Sales and distribution	4	4
Administration	9	11
	13	16

The aggregate remuneration comprised:

	Company	
	2019 $'000	2018 $'000
Wages and salaries	2,286	1,539
Social security costs	313	282
Share-based payment charge (note 28)	2,388	1,132
Other pension costs (note 29)	181	230
	5,168	3,183

10. Taxation

	2019 Before adjusting items $'000	2019 Adjusting items and share-based payments $'000	2019 Total $'000	2018 Before adjusting items $'000	2018 Adjusting items and share-based payments $'000	2018 Total $'000
Current tax – expense for the period	(4,241)	(74)	(4,315)	(441)	255	(186)
Current tax – adjustment in respect of previous periods	709	–	709	(236)	–	(236)
Current tax – impact of S965 on deferred foreign income	108	–	108	–	(1,349)	(1,349)
Total current tax	(3,424)	(74)	(3,498)	(677)	(1,094)	(1,771)
Deferred tax – credit for the period	1,211	295	1,506	(842)	(457)	(1,299)
Deferred tax – adjustment in respect of previous periods	(437)	–	(437)	–	–	–
Total deferred tax (note 21)	774	295	1,069	(842)	(457)	(1,299)
Income tax expense	(2,650)	221	(2,429)	(1,519)	(1,551)	(3,070)

UK corporation tax is calculated at 19% (2018: 19%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

10. Taxation continued

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

	2019 $'000	2019 %	2018 $'000	2018 %
Profit/(loss) before tax	11,635	100	6,995	100
Tax at the UK corporation tax rate	2,211	19	1,328	19
Tax effect of expenses that are not deductible and income that is not taxable in determining taxable profit	1,424	12	(793)	(11)
Tax effect of non-utilisation of tax losses	1,199	10	1,841	26
Adjustment in respect of previous periods	(272)	(2)	(236)	(3)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(41)	(1)	545	8
Tax effect of recognised deferred tax	(289)	(2)	842	12
Tax effect of loss utilisation	(1,582)	(13)	(2,008)	(28)
Tax expense and effective tax rate for the period before adjusting items and share-based payments	2,650	23	1,519	22
Tax effect of adjusting items and share-based payments	(221)	(2)	1,551	22
Tax expense and effective tax rate for the period	2,429	21	3,070	44

The non-recurring income tax expense of $1,551,000 in 2018 comprised the tax credit arising on the non-recurring operating items of $255,000 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 in 2018 reduced by $457,000.

The US Tax Cuts and Jobs Act 2017 imposed a tax liability on US deferred foreign income under S965 of the internal revenue code. In accordance with the new tax legislation, in 2018 the Group 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, $1,134,000 (2018: $1,242,000) of this tax liability is recognised in non-current liabilities.

11. Earnings per Ordinary share

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

	Notes	Group 2019 $'000	Group 2018 $'000
Profit for the purpose of basic and diluted earnings per share being net profit attributable to equity holders of the parent		9,206	3,925
Adjustments for:			
Adjusting items	4	6,226	1,552
Share-based payment charge	28	2,388	1,132
Tax effect of above adjustments and other adjusting item tax movements		(221)	1,551
Underlying earnings		17,599	8,160

	No. shares	No. shares
Weighted average number of Ordinary shares for the purpose of basic earnings per share	134,382,209	88,956,532
Effect of dilutive potential Ordinary shares/share options	3,892,712	3,162,104
Weighted average number of Ordinary shares for the purpose of diluted earnings per share	138,274,921	92,118,636

Notes to the Financial Statements continued

For the 52 weeks ended 31 March 2019 (52 weeks ended 1 April 2018)

11. Earnings per Ordinary share continued

Basic earnings per share	2019 cents	2018 cents
Basic earnings per share	**6.9**	4.4
Adjustments for:		
Adjusting items	**4.6**	1.7
Share-based payment charge	**1.8**	1.3
Tax effect of above adjustments and other adjusting item tax movements	**(0.2)**	1.8
Underlying basic earnings per share	**13.1**	9.2

Diluted earnings per share	2019 cents	2018 cents
Diluted earnings per share	**6.7**	4.3
Adjustments for:		
Adjusting items	**4.5**	1.7
Share-based payment charge	**1.7**	1.2
Tax effect of above adjustments and other adjusting item tax movements	**(0.2)**	1.7
Underlying diluted earnings per share	**12.7**	8.9

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

12. Goodwill

	Group	
	2019 $'000	2018 $'000
Cost		
At the beginning of the period	**5,328**	4,750
Business combinations	**15,099**	–
Exchange differences	**(399)**	578
At the end of the period	**20,028**	5,328
Accumulated impairment losses		
At the beginning of the period	**2,695**	2,336
Impairment	**–**	74
Exchange differences	**(198)**	285
At the end of the period	**2,497**	2,695
Carrying amount at the end of the period	**17,531**	2,633
Carrying amount at the beginning of the period	**2,633**	2,414

12. Goodwill continued

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:

	2019 $'000	2018 $'000
GTK	**10,010**	–
Silcotec	**4,127**	–
MC Electronics	**953**	–
Volex North America	**1,864**	2,010
Volex Europe	**577**	623
	17,531	2,633

During the prior year, the $74,000 impairment charge relates to the write-off of goodwill associated with the Indian operations. After a number of years of poor performance, management decided to close the India factory during the 2019 financial year.

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 which has been extrapolated over a five-year period. These assume a level of revenue and profits which are based on both past performance and expectations for future market development and take into account the cyclicality of the business in which the CGU operates. Cash flows beyond the five year period are extrapolated in perpetuity using a zero percentage growth rate.

The rate used to discount the forecast cash flows is a pre-tax discount rate of 11.8% (2018: 13.6%), which reflects the Group's estimated cost of capital.

Notes to the Financial Statements continued

For the 52 weeks ended 31 March 2019 (52 weeks ended 1 April 2018)

13. Other intangible assets

Group	Acquired patents $'000	Capitalised development costs $'000	Software and licences $'000	Customer contracts and relationships $000	Total $'000
Cost					
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
Business combinations	**–**	**–**	**–**	**13,053**	**13,053**
Additions	**–**	**–**	**163**	**–**	**163**
Disposals	**–**	**–**	**(608)**	**–**	**(608)**
Exchange differences	**(93)**	**(173)**	**(260)**	**(162)**	**(688)**
At 31 March 2019	**1,243**	**3,128**	**4,108**	**12,891**	**21,370**
Accumulated amortisation and impairment					
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
Amortisation charge for the period	**–**	**398**	**70**	**1,983**	**2,451**
Disposals	**–**	**–**	**(608)**	**–**	**(608)**
Exchange differences	**(93)**	**(173)**	**(253)**	**(21)**	**(540)**
At 31 March 2019	**1,243**	**3,128**	**3,922**	**1,962**	**10,255**
Carrying amount					
At 31 March 2019	**–**	**–**	**186**	**10,929**	**11,115**
At 1 April 2018	–	398	100	–	498
At 2 April 2017	–	455	138	–	593

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.

13. Other intangible assets continued

Customer contracts and relationships relate to customer related intangible assets acquired as part of a business combination. They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line basis on the timing of projected cash flows of the contracts over their estimated useful lives. More details on business combinations are included in note 34.

	Software and licences	
Company	2019 $'000	2018 $'000
Cost		
At the beginning of the period	**3,302**	2,944
Additions	**46**	–
Exchange differences	**(242)**	358
At the end of the period	**3,106**	3,302
Accumulated amortisation		
At the beginning of the period	**3,241**	2,859
Amortisation charge for the period	**43**	32
Exchange differences	**(237)**	350
At the end of the period	**3,047**	3,241
Carrying amount at the end of the period	**59**	61
Carrying amount at the beginning of the period	**61**	85

Notes to the Financial Statements continued

For the 52 weeks ended 31 March 2019 (52 weeks ended 1 April 2018)

14. Property, plant and equipment

Group	Freehold land and buildings $'000	Long leasehold buildings $'000	Plant and machinery $'000	Total $'000
Cost				
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
Additions	**83**	**176**	**2,838**	**3,097**
Business combination	**3,171**	**34**	**1,150**	**4,355**
Disposals	**(30)**	**(311)**	**(7,713)**	**(8,054)**
Exchange differences	**(118)**	**(43)**	**(648)**	**(809)**
At 31 March 2019	**3,106**	**12,742**	**57,300**	**73,148**
Accumulated depreciation and impairment				
At 2 April 2017	–	6,470	48,774	55,244
Depreciation charge for the period	–	931	2,164	3,095
Disposals	–	–	(1,565)	(1,565)
Exchange differences	–	10	369	379
At 1 April 2018	–	7,411	49,742	57,153
Depreciation charge for the period	**208**	**508**	**2,602**	**3,318**
Disposals	**(30)**	**(306)**	**(6,882)**	**(7,218)**
Exchange differences	**(4)**	**(40)**	**(481)**	**(525)**
At 31 March 2019	**174**	**7,573**	**44,981**	**52,728**
Carrying amount				
At 31 March 2019	**2,932**	**5,169**	**12,319**	**20,420**
At 1 April 2018	–	5,475	11,931	17,406
At 2 April 2017	–	6,390	11,695	18,085

At 31 March 2019, the Group had $406,000 (2018: $1,120,000) contractual commitments for the acquisition of property, plant and equipment.

Of the $3,318,000 (2018: $3,095,000) depreciation charge for the period, $2,665,000 (2018: $2,779,000) was expensed through cost of sales and $653,000 (2018: $316,000) was expensed through operating expenses.

14. Property, plant and equipment continued

Company	Plant and machinery 2019 $'000	2018 $'000
Cost		
At the beginning of the period	**448**	410
Additions	**2**	3
Disposals	**(3)**	(15)
Exchange differences	**(33)**	50
At the end of the period	**414**	448
Accumulated depreciation and impairment		
At the beginning of the period	**446**	406
Depreciation charge for the period	**1**	5
Disposals	**(2)**	(15)
Exchange differences	**(33)**	50
At the end of the period	**412**	446
Carrying amount at the end of the period	**2**	2
Carrying amount at the beginning of the period	**2**	4

Notes to the Financial Statements continued

For the 52 weeks ended 31 March 2019 (52 weeks ended 1 April 2018)

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 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
Additions	**22,355**	**4,482**	**26,837**
Repayment	**–**	**(7,064)**	**(7,064)**
Exchange differences	**(3,518)**	**(1,197)**	**(4,715)**
At 31 March 2019	**67,006**	**75,107**	**142,113**
Accumulated depreciation and impairment			
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**
Impairment	**–**	**–**	**–**
Exchange differences	**(532)**	**(192)**	**(724)**
At 31 March 2019	**6,750**	**16,357**	**23,107**
Carrying amount			
At 31 March 2019	**60,256**	**58,750**	**119,006**
At 1 April 2018	40,887	62,337	103,224
At 2 April 2017	36,450	69,663	106,113

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 in note 35. Investments in subsidiaries are all stated at cost less provision for impairment.

All loans are carried at amortised cost. In the 52 weeks to 31 March 2019, the Company's loans with Volex Group Holdings Limited accrued interest at 2.8% and between 3% to 6% with Volex Poland SP z.o.o. All other loans did not accrue interest. Repayments were also received from Volex Inc, MC Electronics LLC and Volex Poland SP z.o.o during the period. During the prior year following an impairment assessment, the Group loans to the North American business were impaired by $5,000,000.

The Company acquired the trade and assets of Silcotec Europe Limited on 8 June 2018. On the same day, the Company disposed of the trade and assets of Silcotec Europe Limited (with the exception of 11% of the share capital of Silcotec Europe SK, the entity that owns the Slovakian factory) to Volex Europe Limited, a wholly-owned subsidiary of the Company, with consideration satisfied by way of an intercompany loan. Details of the acquisition of the trade and assets of Silcotec Europe Limited are provided in note 34.

During the year the Company received two dividends totalling $6,468,000 from its subsidiary Volex Group Holdings Limited.

16. Interests in associates and joint ventures

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate or joint venture. The Group uses the equity method, where the Group's share of post-acquisition profits and losses are recognised in the Consolidated Statement of Comprehensive Income (except for losses in excess of the Group's investment in the associate or joint venture unless there is an obligation to make good those losses).

Group	2019 $'000	2018 $'000
Investment in associates:		
– Kepler SignalTek Limited	–	123
– Volex-Jem Co. Ltd	–	103
	–	226

Kepler SignalTek Limited

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 Limited is set out below. The summarised information below represents amounts before intra-group eliminations.

	As at 31 March 2019 $'000	As at 1 April 2018 $'000
Current assets	975	375
Non-current assets	659	566
Current liabilities	(435)	(69)
Non-current liabilities	(1,825)	(400)
Net (liabilities)/assets	(626)	472

	Period to 31 March 2019 $'000	Period from acquisition to 1 April 2018 $'000
Revenue	1,701	81
Loss for the period	(1,059)	(697)
Other comprehensive income for the period	(39)	26
Total comprehensive income for the period	(1,098)	(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 31 March 2019 $'000	As at 1 April 2018 $'000
Net (liabilities)/assets of the associate	(626)	472
Proportion of the Group	26%	26%
Carrying amount of the Group's interest in Kepler SignalTek Limited	–	123

Notes to the Financial Statements continued

For the 52 weeks ended 31 March 2019 (52 weeks ended 1 April 2018)

16. Interests in associates and joint ventures continued

Volex-Jem Co. Ltd

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.

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

	As at 31 March 2019 $'000	As at 1 April 2018 $'000
Current assets	1,666	2,083
Non-current assets	124	167
Current liabilities	(2,096)	(1,953)
Net (liabilities)/assets	(306)	297
Attributable to Volex-Jem Co. Ltd	(306)	240
Minority interest	–	57

	Period to 31 March 2019 $'000	Period from acquisition to 1 April 2018 $'000
Revenue	3,998	1,738
Loss for the period	(593)	(576)
Other comprehensive income for the period	1	5
Total comprehensive income for the period	(592)	(571)
Attributable to Volex-Jem Co. Ltd	(540)	(400)
Minority interest	(52)	(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 31 March 2019 $'000	As at 1 April 2018 $'000
Net (liabilities)/assets of the associate	(306)	240
Proportion of the Group	43%	43%
Carrying amount of the Group's interest in Volex-Jem Co. Ltd	–	103

17. Inventories

	Group		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Raw materials	**24,697**	18,118	**1**	–
Work-in-progress	**847**	–	**–**	–
Finished goods	**23,578**	22,568	**2,955**	2,003
	49,122	40,686	**2,956**	2,003

18. Trade and other receivables

	Group		Company	
Trade receivables	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000
Amounts receivable for the sale of goods	**71,961**	56,425	**12,647**	8,158
Allowance for doubtful debts	**(654)**	(226)	**–**	–
	71,307	56,199	**12,647**	8,158
Other receivables				
Amounts due from Group undertakings	**–**	–	**18,319**	4,725
Other debtors	**7,099**	6,866	**753**	299
Preference shares due from related parties	**1,825**	408	**–**	–
Prepayments	**2,228**	1,662	**299**	304
	11,152	8,936	**19,371**	5,328
Due for settlement within 12 months	**8,448**	7,376	**19,299**	5,266
Due for settlement after 12 months	**2,704**	1,560	**72**	62
	11,152	8,936	**19,371**	5,328

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 prior year the Group acquired $400,000 of 10% cumulative preference shares in Kepler SignalTek Limited, a related party to the Group. In line with the agreement during the current year, the Group acquired a further $1,300,000 of 10% preference shares. The $1,700,000 of preference shares are redeemable after 12 April 2020. As at the balance sheet date the Group has no further commitments (2018: $1,300,000 commitment).

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

One (2018: two) of the Group's customers individually accounts for more than 10% of total Group revenue. The largest customer operates in the Cable Assemblies division and accounts for 17% (2018: 18%) of total Group revenue. Other than this customer, the Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. At 31 March 2019, the largest customer represented 17% of the net trade receivables (2018: largest two accounted for 34%).

The average credit period taken on sales of goods is 70 days (2018: 64 days). An allowance has been made for estimated irrecoverable amounts from the sale of goods. This allowance has been determined by reference to the expected credit loss which includes consideration of past default experience, an analysis of the counterparty's current financial position and potential losses.

Included in trade receivables are receivables with a carrying value of $9,705,000 (2018: $9,151,000) and $1,111,000 (2018: $613,000) 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.

During the period the Group adopted IFRS 9 Financial Instruments. The adopted of IFRS 9 did not have a material impact on the Group's financial statements.

Notes to the Financial Statements continued

For the 52 weeks ended 31 March 2019 (52 weeks ended 1 April 2018)

18. Trade and other receivables continued

Ageing of past due but not impaired receivables	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
0-60 days	**4,856**	7,078	**624**	553
60-90 days	**1,776**	587	**–**	10
90-120 days	**1,399**	104	**141**	46
120+ days	**1,674**	1,382	**346**	4
	9,705	9,151	**1,111**	613

Movement in the allowance for doubtful debts	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Balance at the beginning of the period	**226**	608	**–**	–
Amounts acquired on business combination	**133**	–	**–**	–
Amounts written off during the period	**(13)**	(396)	**–**	–
Amounts recovered during the period	**–**	(5)	**–**	–
Increase/(decrease) in allowance recognised in profit or loss	**323**	27	**–**	–
Exchange differences	**(15)**	(8)	**–**	–
Balance at the end of the period	**654**	226	**–**	–

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 one customer noted above (2018: two customers), 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. The Group has not included the full disclosure requirements of IFRS 9 in respect of the impairment allowance since the balance is immaterial.

Ageing of impaired trade receivables	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
0-60 days	**105**	–	**–**	–
60-90 days	**30**	25	**–**	–
90-120 days	**39**	17	**–**	–
120+ days	**480**	184	**–**	–
	654	226	**–**	–

19. Borrowings

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Unsecured borrowings at amortised cost				
Bank overdrafts	320	1,849	–	1,789
Secured borrowings at amortised cost				
Bank loans	–	13,033	–	13,033
Total borrowings at amortised cost	320	14,882	–	14,822
Amount due for settlement within 12 months	320	1,849	–	1,789
Amount due for settlement after 12 months	–	13,033	–	13,033
	320	14,882	–	14,822

Debt issue costs of $97,000 are included in other debtors at 31 March 2019 because the bank loan balance is nil. At 1 April 2018, debt issue costs of $517,000 were included within the total bank loan balance shown above.

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

	2019 %	2018 %
Bank loans and overdrafts	3.0	2.9

During the 52 weeks ended 31 March 2019 the Group utilised a multi-currency combined revolving overdraft and guarantee facility. The syndicate at year end comprises Lloyds Banking Group plc and HSBC Bank plc. This facility is due to expire on 30 June 2019. At the date that the financial statements were approved, negotiations were ongoing to secure a replacement facility with a similar limit.

The amount available under the facility at 31 March 2019 was $30,000,000 (2018: $30,000,000). 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. The Group was compliant with these covenants during the period and remains compliant in the period subsequent to the period end.

In the prior 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.

At 31 March 2019, the facility incurred interest at a margin of 3% (2018: 3%) above LIBOR.

Also drawn under the facilities, and not included above, are bonds, guarantees and letters of credit amounting to $540,000 (2018: $362,000).

Notes to the Financial Statements continued

For the 52 weeks ended 31 March 2019 (52 weeks ended 1 April 2018)

19. Borrowings continued

Drawings under the facilities were made in various currencies. Total borrowings for the Group at 31 March 2019 can be analysed by currency as follows:

Group	2019 $'000	2018 $'000
USD	(8,902)	(9,534)
Euro	4,383	13,400
Pound Sterling	4,839	11,533
	320	15,399
Less: debt issue costs (note 25)	(97)	(517)
	223	14,882

Undrawn borrowing facilities

At 31 March 2019, the Group had undrawn committed borrowing facilities available of $29,140,000 (2018: $14,239,000).

20. Trade and other payables

	Group		Company	
Trade payables	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Trade payables	45,863	54,181	246	315
Other payables				
Amounts owed to Group undertakings	–	–	49,600	55,413
Other taxes and social security	3,797	4,090	602	308
Accruals and deferred income	27,403	22,566	3,983	2,870
	31,200	26,656	54,185	58,591
Due for settlement within 12 months	30,212	25,576	28,765	31,213
Due for settlement after 12 months	988	1,080	25,420	27,378
	31,200	26,656	54,185	58,591

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 74 days (2018: 84 days). Amounts owed to Group undertakings are unsecured and non-interest bearing.

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	Intangible assets $'000	Trading losses $'000	Accelerated tax depreciation $'000	Other short-term timing differences $'000	Total $'000
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
Acquisitions	**–**	**(1,231)**	**–**	**(224)**	**(81)**	**(1,536)**
(Charge)/credit to income	**(754)**	**195**	**1,482**	**418**	**(272)**	**1,069**
Exchange differences	**–**	**12**	**–**	**–**	**4**	**16**
At 31 March 2019	**(2,762)**	**(1,024)**	**3,403**	**194**	**13**	**(176)**

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:

	2019 $'000	2018 $'000
Deferred tax assets	**4,271**	2,283
Deferred tax liabilities	**(4,447)**	(2,008)
	(176)	275

At the balance sheet date, the Group had unused tax losses of $161,989,000 (2018: $156,441,000) available for offset against future profits.

Included in the unrecognised tax losses are losses of $42,942,000 (2018: $40,766,000) that cannot be carried forward indefinitely. Of this amount, $9,333,000 (2018: $2,937,000) 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.

Of the $4,271,000 (2018: $2,283,000) recognised deferred tax asset, the Group expects to utilise $1,292,000 (2018: $361,000) within the next 12 months.

At the reporting date a deferred tax liability of $2,762,000 (2018: $2,008,000) 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 31 March 2019 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 $80,113,000 (2018: $64,998,000) available for offset against future profits. Of this amount $19,796,000 (2018: $6,152,000) are 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 31 March 2019 (52 weeks ended 1 April 2018)

22. Provisions

Group	Property $'000	Corporate restructuring $'000	Other $'000	Total $'000
At 2 April 2017	52	64	326	442
(Credit)/charge 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
Acquired through business combination	**485**	**–**	**500**	**985**
Charge/(credit) in the period	**52**	**–**	**126**	**178**
Utilisation of provision	**(146)**	**–**	**(7)**	**(153)**
Unwinding of discount (note 6)	**76**	**–**	**–**	**76**
Exchange differences	**–**	**(2)**	**(22)**	**(24)**
At 31 March 2019	**487**	**63**	**889**	**1,439**
Less: included in current liabilities	**232**	**–**	**889**	**1,121**
Non-current liabilities	**255**	**63**	**–**	**318**

Company	Property $'000	Corporate restructuring $'000	Other $'000	Total $'000
At 2 April 2017	32	–	–	32
Credit in the period	(34)	–	–	(34)
Utilisation of provision	1	–	–	1
Unwinding of discount	–	–	–	–
Exchange differences	1	–	–	1
At 1 April 2018	–	–	–	–
Credit in the period	**–**	**–**	**–**	**–**
Utilisation of provision	**–**	**–**	**–**	**–**
Unwinding of discount	**–**	**–**	**–**	**–**
Exchange differences	**–**	**–**	**–**	**–**
At 31 March 2019	**–**	**–**	**–**	**–**
Less: included in current liabilities	**–**	**–**	**–**	**–**
Non-current liabilities	**–**	**–**	**–**	**–**

Property provisions

During the prior year, the Group incurred a small number of costs, received several refunds and released the remaining provision following the exit of Greenfold Way (the old UK headquarters and factory based in Leigh). The $20,000 remaining balance relates to the Group's Asian property portfolio.

During the current year the Group recognised an onerous lease provision of $485,000 relating to surplus property leased by MC Electronics LLC. This provision will be released evenly over the remaining term of the lease.

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.

Included within this provision is a $500,000 liability associated with a pending legal case which was recognised upon acquisition of MC Electronics LLC. This liability represents the Directors' best estimate to settle the claim which had been identified prior to acquisition. An indemnity in respect of this matter was obtained from the seller of MC Electronics LLC as part of the sale and purchase agreement.

23. Share capital

Group and Company	Number of Shares	Par Value $'000	Share Premium $'000	Total $'000
At 2 April 2017 and 1 April 2018	90,251,892	39,755	7,122	46,877
Acquisition of MC Electronics LLC	3,000,000	1,052	2,126	3,178
Placing	48,000,000	15,980	31,944	47,924
Acquisition of Silcotec Europe Limited	3,521,437	1,173	1,626	2,799
Issue of deferred bonus shares	470,588	151	–	151
Acquisition of GTK (Holdco) Limited	2,124,016	681	1,714	2,395
At 31 March 2019	147,367,933	58,792	44,532	103,324

On 30 April 2018, the Group issued 3,000,000 shares as part of the acquisition of MC Electronics LLC.

On 5 June 2018, the Group issued 48,000,000 ordinary shares at a price of 75 pence per share.

On 8 June 2018, the Group issued 3,521,437 shares as part of the acquisition of Silcotec Europe Limited.

On 7 September 2018, the Group issued 470,588 shares under the 2017 deferred share bonus plan.

On 10 December 2018, the Group issued 2,124,016 ordinary shares as part of the acquisition of GTK (Holdco) Limited.

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	2019	2018
Performance Share Plan				
18 June 2015	25	June 2018 – June 2025	–	362,889
31 March 2016	25	March 2019 – March 2026	2,232,779	2,345,260
1 December 2016	25	December 2019 – December 2026	2,604,623	2,973,271
23 February 2017	25	February 2020 – February 2027	495,256	990,512
1 December 2017	25	December 2020 – December 2027	2,525,000	3,000,000
11 December 2018	25	December 2021 – December 2028	2,225,000	–
Acquisition Retention Awards				
11 December 2018	–	June 2019 – June 2022	4,000,000	–
Deferred Bonus Plan				
5 June 2017	–	June 2018	–	470,588
5 June 2018	–	June 2019	266,794	–
			14,349,452	10,142,520

For further details of the Group's share option schemes see note 28.

Post year end 458,076 shares have been awarded to the executive management team in lieu of a cash bonus award. The shares vest in June 2020 providing continuous employment with the Group.

Notes to the Financial Statements continued

For the 52 weeks ended 31 March 2019 (52 weeks ended 1 April 2018)

24. Own shares and non-distributable reserves

Own shares	2019 $'000	2018 $'000
At the beginning of the period	867	867
Sale of shares	(75)	–
Purchase of shares	1,098	–
At end of the period	**1,890**	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 31 March 2019 was 2,159,277 (2018: 1,295,360). The market value of the shares as at 31 March 2019 was $2,614,000 (2018: $1,160,000).

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 136,083 (2018: nil) shares were utilised on the exercise of share awards. During the year the Company purchased 1,000,000 shares (2018: nil) at a cost of $1,098,000.

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 funds

Group	Cash and cash equivalents $'000	Bank loans $'000	Debt issue costs $'000	Total $'000
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
Cash flow	**(1,870)**	**12,826**	**–**	**10,956**
Exchange differences	**(518)**	**724**	**(33)**	**173**
Amortisation of debt issue costs	**–**	**–**	**(387)**	**(387)**
At 31 March 2019	**20,593**	**–**	**97**	**20,690**

Debt issue costs relate to bank facility arrangement fees.

During the prior 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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Profit/(loss) for the period	**9,206**	3,925	**5,895**	(18,922)
Adjustments for:				
Finance income	**(129)**	(20)	**(312)**	(31)
Finance costs	**1,276**	1,606	**870**	1,168
Dividend income	**–**	–	**(6,468)**	–
Income tax expense	**2,429**	3,070	**–**	70
Share of net loss from associates	**210**	192	**–**	–
Depreciation on property, plant and equipment	**3,318**	3,095	**1**	5
Amortisation of intangible assets	**2,451**	115	**43**	32
Impairment loss	**–**	74	**–**	–
Loss on disposal of property, plant and equipment	**324**	89	**1**	–
Impairment of investments	**–**	–	**–**	5,000
Share-based payment charge	**2,388**	1,132	**2,388**	1,132
(Decrease)/increase in provisions	**(390)**	(810)	**(418)**	(795)
Effects of foreign exchange rate changes	**67**	–	**(266)**	(662)
Operating cash flow before movement in working capital	**21,150**	12,468	**1,734**	(13,003)
Decrease/(increase) in inventories	**606**	(3,974)	**(1,023)**	(116)
(Increase)/decrease in receivables	**(10,196)**	(1,661)	**(5,497)**	(3,896)
(Decrease)/increase in payables	**(15,068)**	1,508	**1,147**	18,514
Movement in working capital	**(24,658)**	(4,127)	**(5,373)**	14,502
Cash generated from/(used in) operations	**(3,508)**	8,341	**(3,639)**	1,499
Cash generated from/(used in) operations before adjusting operating items	**(236)**	9,365	**(3,042)**	2,012
Cash utilised by adjusting operating items	**(3,272)**	(1,024)	**(597)**	(513)
Taxation paid	**(2,501)**	(2,469)	**(141)**	(29)
Interest paid	**(734)**	(979)	**(669)**	(276)
Net cash generated from/(used in) operating activities	**(6,743)**	4,893	**(4,449)**	1,194

Cash and cash equivalents

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Cash and bank balances	**20,913**	24,830	**3,448**	48
Bank overdrafts	**(320)**	(1,849)	**–**	(1,789)
	20,593	22,981	**3,448**	(1,741)

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 $163,000 (2018: $176,000) held in trust which can only be used for Volex employees.

Notes to the Financial Statements continued

For the 52 weeks ended 31 March 2019 (52 weeks ended 1 April 2018)

27. Operating lease arrangements

The following have been recognised during the period:

	Group		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Minimum lease payments made under operating leases				
Paid	**4,976**	4,417	**132**	120
Recognised in operating profit	**4,976**	4,417	**132**	120

Within operating profit sublease receipts of $494,000 (2018: $463,000) 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	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Within one year	**4,011**	4,452	**131**	157
In the second to fifth years inclusive	**4,492**	6,529	**38**	174
After five years	**1,724**	2,300	**–**	–
	10,227	13,281	**169**	331

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 (2018: four years).

At the reporting date, the Group had contracted with tenants under non-cancellable subleases for the following future minimum lease payments:

	Group		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Within one year	**498**	490	**–**	–
In the second to fifth years inclusive	**1,908**	1,960	**–**	–
After five years	**–**	408	**–**	–
	2,406	2,858	**–**	–

28. Share-based payments

The Group has three equity-settled share-based payment arrangements in operation.

Performance Share Plan ('PSP')

The PSP is a discretionary long-term incentive scheme for Executive Directors and senior managers. It provides for the award of nominal value options which vest after at least three years, subject to performance conditions. 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 shares. Full details of how the scheme operates are explained on page 44 of the Directors' Remuneration Report.

Deferred Bonus Plan ('DBP')

The DBP is for the executive management team. A percentage of any cash bonus is deferred to shares and held in trust for a period which is determined by the Remuneration Committee. The percentage of any cash bonus to be deferred is at the discretion of the Remuneration Committee. The only vesting condition is continuing employment.

Acquisition Retention Awards ("ARA")

The ARA are used to incentivise and retain key employees in acquired businesses who are deemed to deliver a significant contribution to the integration of the acquired business into the Group and have an important role in the continuing success of the acquired business. These awards have vesting periods that are determined by the specific circumstances of the acquisition and vest based on continued employment as well as performance measures that relate to the performance of the Group or the acquired business. Awards consist of shares or the right to acquire shares for a nominal value.

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

	2019		2018	
	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	10,142,520	24	7,652,255	25
Granted during the period	6,521,794	9	3,470,588	22
Exercised during the period	(606,671)	6	(32,358)	–
Expired during the period	(1,678,191)	(25)	(947,965)	(25)
Outstanding at the end of the period	14,379,452	18	10,142,520	24
Exercisable at the end of the period	2,499,573	22	–	–

Of the share awards that expired during the period, 1,451,385 (2018: 947,965) lapsed in respect of leavers and 226,806 (2018: nil) expired due to failure to meet performance conditions.

The awards outstanding at 31 March 2019 had a weighted average remaining contractual life of nine years (2018: eight years).

Of the 14,379,452 awards outstanding at 31 March 2019, 10,112,658 had an exercise price of £0.25 and 4,266,794 had an exercise price of £nil.

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.

The aggregate of the estimated fair values of the options granted during the period was $6,609,000 (2018: $2,352,000).

Of the awards granted during the period, 266,794 were deferred bonus plan awards with an exercise price of £nil, a service period of one year and no performance conditions. 4,000,000 awards were acquisition retention awards with an exercise price of £nil, a service period of either three years or four years and performance conditions based on the performance of the acquired business and the achievement of synergies. The remaining 2,255,000 awards were performance share plan awards with an exercise price of £0.25, a service period of three years and performance conditions based on the business performance and shareholder return.

Notes to the Financial Statements continued

For the 52 weeks ended 31 March 2019 (52 weeks ended 1 April 2018)

28. Share-based payments continued

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:

	2019	2018
Weighted average share price	£0.90	£0.85
Weighted average exercise price	£0.25	£0.25
Expected volatility	38%	41.0%
Expected life (years)	3.5	3.5
Risk-free rate	0.7%	0.4%
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 ARA and DBP awards were valued at their market price on the day of grant, being £0.89 on 11 December 2018 and £0.80 on 5 June 2018 respectively. Post year end 458,076 shares have been awarded to the executive management team in lieu of a cash bonus award. The shares vest in June 2020 providing continuous employment with the Group.

During the period, the total expense recognised for share-based payment arrangements was as follows:

	Group	
	2019 $'000	2018 $'000
Share-based payment charge	1,992	938
National Insurance charge in relation to share awards	396	194
	2,388	1,132

29. Retirement benefit obligation

Defined contribution schemes

The Group operates a number of defined contribution pension schemes. Contributions to the defined contribution schemes are charged to the income statement as they fall due. The Group has no further obligations once the contributions have been made.

The total cost charged to the Group's income statement in the period was $440,000 (2018: $300,000). The total cost charged to the Company's income statement in the period was $181,000 (2018: $230,000).

Defined benefit schemes

Volex plc (the Company) operates a defined benefit pension arrangement called the Volex Executive Pension Scheme (the Scheme). The Scheme provides benefits based on final salary and length of service up to 31 March 2003 or earlier date of leaving.

The Scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A 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 Trustees of the Scheme the contributions to be paid to meet the Statutory Funding Objective. The future contributions required to meet the Statutory Funding Objective do not currently affect the balance sheet of the Scheme in these accounts.

The Company agreed to pay contributions of £675,000 per annum (payable in quarterly instalments) with effect from 1 February 2018 until 30 April 2024, following the completion of the actuarial valuation as at 31 July 2016. Further contributions of £775,000 are payable with effect from 1 May 2019. The Company therefore expects to pay contributions of £750,000 in the 53 week to April 2020 under the current Schedule of Contributions. The weighted average duration of the defined benefit obligation is around 15 years.

The Scheme is managed by a Trustee Company, the board of which is appointed in part by the Company and in part from elections by members of the Scheme. The Trustee has responsibility for obtaining valuations of the fund, administering benefit payments and investing the Scheme's assets. The Trustee delegates some of these functions to their professional advisers where appropriate.

The Scheme exposes the Company to a number of risks:

- Investment risk. The Scheme holds investments in some asset classes which have volatile market values and while these assets are expected to provide the real returns over the long-term the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk. The Scheme's liabilities are assessed using market yields on high-quality corporate bonds to discount the liabilities. As the Scheme holds assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk. A significant proportion of the benefits under the Scheme are linked to inflation. Although the Scheme's assets are expected to provide a good hedge against inflation over the long-term, movements over the short-term could lead to deficits emerging.
- Mortality risk. In the event that members live longer than assumed a deficit will emerge in the Scheme. There were no plan amendments, curtailments or settlements during the period.

There were no scheme amendments, curtailments or settlements during the period.

The key assumptions utilised are:

	Valuation at	
	2019	2018
Discount rate	2.4%	2.6%
Future pension increases	2.5%	2.4%
Inflation assumption (RPI)	3.5%	3.4%
Inflation assumption (CPI)	2.5%	2.4%

Notes to the Financial Statements continued

For the 52 weeks ended 31 March 2019 (52 weeks ended 1 April 2018)

29. Retirement benefit schemes continued

The following mortality assumptions have been made:

	2019 Years	2018 Years
Future life expectancy for a pensioner currently aged 65		
– Male	22.0	22.6
– Female	23.0	23.6
Future life expectancy at age 65 for a non-pensioner currently aged 55		
– Male	22.5	23.2
– Female	23.7	24.3

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%	($1,328,000)/$1,476,000
Inflation	Increase/decrease by 0.5%	$1,112,000/($1,092,000)
Life expectancy	Increase/decrease by 1 year	$955,000/($942,000)

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.

Amounts recognised in income statement	2019 $'000	2018 $'000
Interest cost	(531)	(541)
Expected return on scheme assets	460	434
Finance costs (note 6)	(71)	(107)
Past service costs	(480)	–
Total charge to the Income statement	(551)	(107)

During the year the Group recognised a one-off pension past service cost of $480,000 as a result of Guaranteed Minimum Pension (GMP) equalisation. This is a past service cost that pension schemes that had “contracted out” of the State Earnings Related Pension Scheme must now recognise following the Lloyds Banking Group judgment in October 2018. This judgment requires the equalisation of male and female members’ benefits for the effect of unequal GMPs.

No other amounts have been recognised in the income statement in the current or prior year.

29. Retirement benefit schemes continued

An actuarial gain of $305,000 (2018: gain of $870,000) has been reported in the statement of comprehensive income.

Cumulative actuarial gains/(losses) recognised in equity	2019 $'000	2018 $'000
At the beginning of the period	**(2,838)**	(3,708)
Net actuarial gains recognised in the period	**305**	870
At the end of the period	**(2,533)**	(2,838)

Amounts recognised in the statement of financial position	2019 $'000	2018 $'000
Fair value of scheme assets	**17,978**	18,835
Present value of defined benefit obligations	**(20,413)**	(22,152)
Deficit in scheme recognised in the statement of financial position	**(2,435)**	(3,317)
Current liabilities	**(975)**	(947)
Non-current liabilities	**(1,460)**	(2,370)
	(2,435)	(3,317)

The Company has contributed $898,000 to its defined benefit pension plans in the period ended 1 April 2018 (2018: $749,000).

Movements in the present value of defined benefit obligations	2019 $'000	2018 $'000
At the beginning of the period	**(22,152)**	(21,370)
Interest cost	**(531)**	(541)
Past service costs	**(480)**	–
Gains from changes to demographic assumptions	**594**	213
Remeasurement (loss)/gain	**(772)**	298
Benefits paid	**1,312**	1,746
Foreign exchange	**1,616**	(2,498)
At the end of the period	**(20,413)**	(22,152)

Movements in the fair value of scheme assets	2019 $'000	2018 $'000
At the beginning of the period	**18,835**	16,969
Interest on assets	**460**	434
Actuarial gains	**483**	359
Contributions from the sponsoring company	**898**	749
Benefits paid	**(1,312)**	(1,746)
Foreign exchange	**(1,386)**	2,070
At the end of the period	**17,978**	18,835

Assets

Asset category	2019 $'000	2018 $'000
Equity instruments	**10,486**	11,350
Debt instruments	**7,167**	7,436
Cash	**325**	49
Total	**17,978**	18,835

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 (2018: $nil).

The actual return on scheme assets for the period was a gain of $926,000 (2018: a gain of $793,000).

The estimated amount of contributions expected to be paid to the Scheme during the 53 weeks to 5 April 2020 is $975,000 (2018: $947,000).

Notes to the Financial Statements continued

For the 52 weeks ended 31 March 2019 (52 weeks ended 1 April 2018)

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 31 March 2019 (2018: $30,000,000). At this date, no term loans were drawn down under this facility (2018: €11,000,000). Under the RCF, a cash pool facility exists denominated in a variety of currencies. At 31 March 2019, the cash pool was in a net cash overdraft position of $320,000 (2018: net cash position of $1,849,000). The average combined utilisation during the period was $7,682,000 (2018: $20,476,000). 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. The Group was compliant with these covenants during the year and has continued to operate within these covenants in the period from 31 March 2019 to the date of issue of these financial statements.

The Group has raised £36.0 million in equity proceeds during the year. After deducting issue costs, the net funds raised totalled $46.9 million. An element of this funding has been used to deleverage the balance sheet and fund the acquisitions that took place during the year. The remaining funds 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 the cash on hand at the end of the year provides adequate liquidity headroom for the successful execution of the Group's operations.

The Group is not subject to externally imposed capital requirements.

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.

30. Financial instruments continued

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 2019 $'000	Book value 2018 $'000	Fair value 2019 $'000	Fair value 2018 $'000
Financial assets – loans and receivables				
Cash	**20,913**	24,830	**20,913**	24,830
Trade and other receivables	**73,643**	59,200	**73,643**	59,200
Financial liabilities – amortised cost				
Interest-bearing loans and borrowings	**(320)**	(14,882)	**(320)**	(15,399)
Trade and other payables	**(68,277)**	(70,432)	**(68,277)**	(70,432)
Financial derivatives for which hedge accounting has been applied				
Derivative financial instruments	**374**	192	**374**	192
Financial derivatives for which hedge accounting has not been applied				
Derivative financial instruments	**–**	–	**–**	–

The fair values of the financial derivatives above are categorised within Level 2 of the fair value hierarchy on the basis that their fair value has been calculated by management using inputs that are observable in active markets which are related to the individual asset or liability.

Financial risk management

Activities related to financing, monitoring and managing the financial risks relating to the operations of the Group are co-ordinated centrally. 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.

Notes to the Financial Statements continued

For the 52 weeks ended 31 March 2019 (52 weeks ended 1 April 2018)

30. Financial instruments continued

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 and prior year, the Group invested in 10% cumulative preference shares with its associate, Kepler SignalTek Limited. The following table sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk:

2019	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	–	1,825	–	–	–	–	1,825
Floating rate							
Cash assets	20,913	–	–	–	–	–	20,913
Bank loans and borrowings	(320)	–	–	–	–	–	(320)

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)

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 31 March 2019, the Group is exposed to floating rate interest on borrowings at a margin of 3% (1 April 2018: 3%) 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 $36,000 lower/$18,000 higher (2018: $102,000 lower/$51,000 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.

30. Financial instruments continued

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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
USD	29,709	36,739	70,143	69,864
Euro	7,544	16,041	13,123	3,286
Chinese renminbi	14,313	11,846	3,933	4,763
Pound sterling*	12,787	14,745	4,363	572
Indian rupee	947	675	996	2,261
Other	3,297	5,268	2,372	3,476

* Under the RCF, a cash pool facility exists over two entities, denominated in a variety of currencies. At 31 March 2019, the overall cash pool was in a net cash overdraft position of $320,000 (2018: net cash position of $1,849,000).

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.

	GBP impact		EURO impact		CNY impact	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
10% depreciation of USD against foreign currency						
(i) Profit before tax	(666)	(8)	(55)	(241)	(988)	(787)
(ii) Equity*	(9,393)	(10,878)	2,187	(1,358)	–	–
10% appreciation of USD against foreign currency						
(i) Profit before tax	546	6	45	197	808	643
(ii) Equity*	7,685	8,900	(1,789)	1,111	–	–

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.

Notes to the Financial Statements continued

For the 52 weeks ended 31 March 2019 (52 weeks ended 1 April 2018)

30. Financial instruments continued

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	2019		2018	
Contracted copper price	Contracted volume (MT)	Fair value $'000	Contracted volume (MT)	Fair value $'000
$5,500 – $6,000	150	77	–	–
$6,000 – $6,500	150	38	300	257
$6,500 – $7,000	50	(2)	450	(8)
$7,000 – $7,500	–	–	150	(57)
	350	113	900	192

All contracts expire within 12 months of 31 March 2019.

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.

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 31 March 2019, the Group had utilised $0.4 million (2018: $1.2 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).

2019	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	**(68,277)**	**(68,277)**	**(68,486)**	**(26)**	**–**	**(765)**
Bank overdrafts and loans	**(320)**	**(320)**	**(320)**	**–**	**–**	**–**
Derivative financial liabilities						
Copper commodity contracts	**–**	**–**	**–**	**–**	**–**	**–**

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	–	–	–	–	–	–

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 advisers, 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.

Notes to the Financial Statements continued

For the 52 weeks ended 31 March 2019 (52 weeks ended 1 April 2018)

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	2019 $'000	2018 $'000
Short-term employee benefits	**1,407**	1,325
Post-employment benefits	**83**	81
Share-based payment charge	**882**	628
	2,372	2,034

Details of Directors' remuneration for the period are provided in the Directors' Remuneration Report on page 50. Family members of one of the Directors received $6,000 (2018: $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 a further $1,300,000 in redeemable preference shares (2018: $400,000 preference shares and $300,000 equity investment). During the period the Group accrued financial income of $117,000 on the preference shares (2018: $8,000). The balance due from the associate as at the period end date was $1,825,000 (2018: $408,000).

The Group also has a 43% interest in Volex-Jem Co. Ltd. During the period the Group purchased $4,067,000 (2018: $1,403,000) 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 $1,141,000 (2018: $1,403,000).

Company

During the period, the Company levied/(received) the following charges on its subsidiary undertakings:

	2019 $'000	2018 $'000
Management income/(charges)	**239**	(4,265)
Royalty income	**2,491**	1,331
Interest income	**312**	365
	3,042	(2,569)

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

Remuneration of Directors of the Company is discussed above.

33. Events after the balance sheet date

There are no disclosable events after the balance sheet date.

34. Business combinations

The fair value adjustments associated with the acquisitions are provisional and will be finalised within 12 months of the acquisition date. Any resulting changes in the fair values will have an impact on the acquisition accounting and will result in a reallocation between the assets and goodwill and a possible adjustment to the amortisation charge shown in the income statement. None of the goodwill recognised is expected to be deductible for income tax purposes.

MC Electronics LLC

On 30 April 2018 the Group acquired 100% of the units 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 acquisition expands the Group's presence in the cable assembly market and brings new customer relationships to Volex as well as providing an opportunity to integrate the Group's North American operations to improve profitability and competitiveness.

The purchase has been accounted for as a business combination. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Fair value of consideration transferred	$'000
Cash paid	435
Ordinary shares issued	3,178
Contingent consideration	416
Total purchase consideration	**4,029**

The fair value of the 3,000,000 shares issued as part of the consideration was based on the published closing share price on the last trading date preceding the share issue of £0.753.

The contingent consideration is dependent upon certain revenue targets being met post-acquisition, the outcome of a specific legal case and the recovery of certain historical tax overpayments. Depending upon variables mentioned up to 500,000 shares in Volex plc may be issued in addition.

The fair value amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below:

	Fair Value $'000
Identifiable intangible assets	500
Property, plant and equipment	448
Deferred taxes	385
Inventories	3,154
Trade receivables	1,959
Trade payables	(2,372)
Other debtors and creditors	119
Cash and overdrafts	(134)
Provisions	(983)
Total identifiable assets	**3,076**
Goodwill	953
Net assets acquired	**4,029**

Notes to the Financial Statements continued

For the 52 weeks ended 31 March 2019 (52 weeks ended 1 April 2018)

34. Business Combinations continued

An exercise has been conducted to assess the fair value of assets and liabilities assumed. This exercise identified a $1,388,000 write down on inventory for non-moving stock and a $485,000 onerous lease provision adjustment to the initial book value. The intangible assets acquired as part of the acquisition relate to customer relationships and order backlogs. The fair value of trade receivables above is net of a $39,000 provision.

The goodwill balance recognised above represents certain intangible assets that cannot be separately identified and measured due to their nature. This includes control over the acquired business, the skills and experience of the assembled workforce and the anticipated synergies arising on integration. None of the goodwill recognised is expected to be deductible for income tax purposes.

In FY2019, MC Electronics contributed $17,381,000 to Group revenue and $1,343,000 to adjusted operating profit. Associated acquisition costs of $460,000 and intangible asset amortisation of $251,000 have both been expensed as adjusting items in the period. If MC Electronics had been acquired at the beginning of the year, it would have contributed estimated revenue of $19,200,000 and estimated operating profit of $1,530,000 to the results of the Group.

Silcotec Europe Limited

On 8 June 2018 the Group completed the acquisition of the trade and assets of Silcotec Europe Limited ('Silcotec Europe'), a manufacturer and seller of cable harnesses and electronic sub-assemblies for the medical, telecommunications and computer industries. Silcotec Europe comprises a sales office in Ireland and a factory in Slovakia. The acquisition expands further the Group's cable assembly activities in Europe and is consistent with the strategy of consolidating the highly fragmented cable assembly industry to generate synergies in Group-wide procurement, sales and operations. The acquisition brings new medical and scientific customers to Volex.

The purchase has been accounted for as a business combination. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Fair value of consideration transferred	$'000
Cash paid	8,990
Ordinary shares issued	4,038
Contingent consideration	1,165
Total purchase consideration	**14,193**

The fair value of the 3,521,437 shares issued as part of the consideration was based on the published closing share price on the last trading date preceding the share issue of £0.861.

The contingent consideration was dependent upon certain revenue targets being met post-acquisition and was paid subsequent to the year end.

34. Business Combinations continued

The fair value amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below:

	Fair value $'000
Identifiable intangible assets	7,132
Property, plant and equipment	3,585
Inventories	4,701
Trade payables	(1,599)
Other debtors and creditors	(758)
Cash	161
Deferred taxes	(993)
Loans	(2,332)
Total identifiable assets	**9,897**
Goodwill	4,296
Net assets acquired	**14,193**

An exercise has been conducted to assess the fair value of assets and liabilities assumed. This exercise identified a $700,000 increase to the book value of the Slovakian factory (land and freehold held by Silcotec Europe) with the valuation provided by an independent surveyor. The intangible assets acquired as part of the acquisition relate to customer relationships. The Silcotec Europe business was acquired without any trade receivables. The cash collection of invoices raised prior to the acquisition date was left with the seller, with Volex responsible only for cash collection on sales post-acquisition.

The goodwill balance above represents certain intangible assets that cannot be separately identifiable and measured due to their nature. This includes control over the acquired business, the skills and experience of the assembled workforce and the anticipated synergies arising on integration. None of the goodwill recognised is expected to be deductible for income tax purposes.

Immediately after the acquisition, the Group funded Silcotec Europe with $2,332,000 in order that it could pay off its external loan. This funding has been recorded as an intercompany balance between Volex Plc and Silcotec Europe and therefore has been excluded from the consideration paid.

In FY2019, Silcotec Europe contributed $20,401,000 to Group revenue and $3,493,000 to adjusted operating profit. Associated acquisition costs of $1,171,000 and intangible asset amortisation of $980,000 have both been expensed as adjusting items in the period. If Silcotec Europe had been acquired at the beginning of the year, it would have contributed estimated revenue of $24,870,000 and estimated operating profit of $4,426,000 to the results of the Group.

Notes to the Financial Statements continued

For the 52 weeks ended 31 March 2019 (52 weeks ended 1 April 2018)

34. Business Combinations continued

GTK (Holdco) Limited

On 10 December 2018 Volex Plc completed the acquisition of 100% of the share capital of GTK (Holdco) Limited ('GTK'), a global provider of electronics solutions including cable assemblies, connectors, displays and manufacturing solutions. GTK is headquartered in Basingstoke and has operations in the UK, Romania and Taiwan The acquisition expands the Group presence in the Cable Assembly market and brings more than 300 active customers across northern European markets.

The purchase has been accounted for as a business combination. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Fair value of consideration transferred	$'000
Cash paid	16,101
Ordinary shares issued	2,395
Total purchase consideration	**18,496**

The fair value of the 2,124,016 shares issued as part of the consideration was based on the published closing share price on the last trading date preceding the share issue of £0.88.

The provisional fair value amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below:

	Provisional Fair value $'000
Identifiable intangible assets	5,446
Property, plant and equipment	315
Inventories	2,469
Trade receivables	3,948
Trade payables	(3,695)
Other debtors and creditors	(552)
Cash	1,656
Deferred taxes	(941)
Total identifiable assets	**8,646**
Goodwill	9,850
Net assets acquired	**18,496**

An exercise has been conducted to assess the provisional fair value of assets and liabilities assumed. The intangible assets acquired as part of the acquisition relate to customer relationships. The fair value of trade receivables above is net of a $94,000 provision.

In FY2019, GTK contributed $6,998,000 to Group revenue and $1,066,000 to adjusted operating profit. Associated acquisition costs of $190,000 and intangible asset amortisation of $752,000 have both been expensed as adjusting items in the period. If GTK had been acquired at the beginning of the year, it would have contributed estimated revenue of $23,042,000 and estimated operating profit of $2,722,000 to the results of the Group.

Net cash outflow on acquisitions	$'000
Cash consideration	
– MC Electronics	435
– Silcotec Europe	8,990
– GTK	16,101
Total cash consideration	**25,526**
Less: cash and cash equivalent balances acquired	
– MC Electronics	(134)
– Silcotec Europe	161
– GTK	1,656
Net outflow of cash – investing activities	**23,843**

35. Related Undertakings of the Group

The consolidated financial statements include those of the Company, Volex plc, and of all its subsidiaries. Volex Powercords Europe, Volex Cable Assemblies Europe and Volex PLC Sweden Filial are all trading divisions of Volex plc. In accordance with Section 409 of the Companies Act 2006, the subsidiaries owned at 31 March 2019 are disclosed below. The following subsidiary entities are either wholly or partly owned directly by the plc and/or through other Group companies. For the two joint ventures, ownership is shared between a local Volex subsidiary and the relevant JV partner.

Name of entity	Footnote	Country of incorporation	Address	Percentage owned by plc
Directly Held				
Volex Pte Ltd	1	Singapore	35 Tampines Street 92, #04-01, Singapore 528880	100%
Volex Holdings Inc	2	USA	84 State Street, Boston MA 02109	100%
MC Electronics LLC	3	USA	1891 Airway Drive, Hollister, California, 95023	100%
Volex Canada Inc	1	Canada	1565 Carling Avenue, Fourth floor, Ottawa On K1Z 8R1	100%
Volex Group Holdings Ltd	2	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey, England TW10 6UA	100%
GTK (Holdco) Limited	2	UK	Unit C2 Antura, Bond Close, Basingstoke, Hampshire, England RG24 8PZ	100%
Volex Poland SP z.o.o.	1	Poland	Podłuzna 11-13, 85-790, Bydgoszcz, Kuyavian-Pomeranian Voivodeship, Poland	99%
Volex France Sarl	1	France	Citco France Sarl, 8 avenue Hoche, 75008 Paris, France	100%
Volex Germany GmbH	1	Germany	Zu den Mühlen 19, 35390 Gießen, Deutschland	100%
Volex Sweden AB	1	Sweden	SE-831 48 Östersund, Jämtland County	100%
Volex International Korea LLC	3	South Korea		100%
Volex do Brasil Ltda	1	Brazil	Rod. Geraldo Scavone 2.080, Unidade 13 A 16, Jacarei, 12305-490, Brazil	99%
Volex (No.4) Ltd	3	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey, England TW10 6UA	99%
Volex (No.3) Ltd	3	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey, England TW10 6UA	50%
Volex (No.2) Ltd	3	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey, England TW10 6UA	50%
Volex (No.1) Ltd	3	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey, England TW10 6UA	99%
Cable Products Ltd	3	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey, England TW10 6UA	50%
Pencon Ltd	3	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey, England TW10 6UA	50%
Volex Executive Pension Scheme Trustee Ltd	3	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey, England TW10 6UA	67%
Volex Electrical Products Ltd	3	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey, England TW10 6UA	90%
Volex Group Pension Scheme Trustee Ltd	3	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey, England TW10 6UA	99%
Ward and Goldstone Ltd	3	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey, England TW10 6UA	99%
Volex Interconnect Products Ltd	3	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey, England TW10 6UA	99%
Volex Electronics Ltd	3	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey, England TW10 6UA	99%

Notes to the Financial Statements continued

For the 52 weeks ended 31 March 2019 (52 weeks ended 1 April 2018)

35. Related Undertakings of the Group continued

Name of entity	Footnote	Country of incorporation	Address	Percentage owned by plc
Ionix Development Company Ltd	3	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey, England TW10 6UA	99%
Pendle Connectors Ltd	3	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey, England TW10 6UA	99%
Mayor (UK) Ltd	3	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey, England TW10 6UA	99%
Volex Interconnect Systems Ltd	3	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey, England TW10 6UA	99%
Indirectly Held				
G.T.K. (U.K.) Ltd	1	UK	Unit C2 Antura, Bond Close, Basingstoke, Hampshire, England RG24 8PZ	
GTK Limited	3	UK	Unit C2 Antura, Bond Close, Basingstoke, Hampshire, England RG24 8PZ	
GTK Electronics GmbH	1	Germany	Romberg 25b, 51381 Leverkusen	
GTK RO S.r.l	1	Romania	Str. Fantana Popova, Nr. 36, Et.1, Cod Postal, 200319, Craiova, Dolj, Romania	
Silcotec Europe (SK) s.r.o	3	Slovakia	Družstevná 14, Komárno, 945 05, Slovakia	
Silcotec Europe (UK) Ltd	3	UK	38 C/O Mastersfuller, Salisbury Road, Worthing, England, BN11 1RD	
Silcotec Europe Limited	1	Ireland	Carraroe Industrial Estate, Carraroe, Co Galway, H91WR82	
Volex Europe (No.1) Ltd	3	Ireland	Carraroe Industrial Estate, Carraroe, Co Galway, H91WR82	
Volex (No.5) Ltd	3	UK	Holbrook House, 34-38 Hill Rise, Richmond, Surrey, England TW10 6UA	
Volex (Asia) Pte Ltd	1	Singapore	35 Tampines Street 92, #04-01, Singapore 528880	
PT Volex Indonesia	1	Indonesia	JL. Ir. Sutami Kawasan Industri Sekupang, Batam, Indonesia 29422, Indonesia	
PT Volex Cable Assembly	3	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	4F, No 1406-1, Zhongzheng Road, Taoyuan District, Taoyuan City 33071, Taiwan	
Volex (Thailand) Co. Ltd	1	Thailand	No. 99/349, Chaengwattana Road, Thungsong-Hong, Laksi, Bangkok 10210, Thailand	
Volex Cable Assembly (Vietnam) Co Ltd	1	Vietnam	Plot D-5B, Thanglong Industrial Park, Vomg La Commune, Dong Anh District, Hanoi, Vietnam	
Volex Cable Assemblies Sdn Bhd	1	Malaysia	B-03-13A, Empire Soho, Empire Subang, Jalan SS16/1, SS16, 47500, Subang Jaya, Selangor, Malaysia	
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	Level 9, Olympia Teknos Park, No. 28 Sidco Industrial Estate, Guindy, Chennai, Tamil Nadu, IN 600 032	

35. Related Undertakings of the Group continued

Name of entity	Footnote	Country of incorporation	Address	Percentage owned by plc
Volex Interconnect Systems (Suzhou) Co. Ltd	1	China	Part A C3-C6, Weiting Industrial Zone, No.9, 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	
Interests in Associates/Joint Ventures				
Kepler SignalTek Limited	1	Hong Kong	21st Floor, Office Tower, Langham Place, 8 Argyle Street, Mongkok, Kowloon, Hong Kong	
Volex-Jem Co Ltd	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. Holding company
3. Dormant company

Five Year Summary

Results	**Unaudited IFRS 2019 $'000**	Unaudited IFRS 2018 $'000	Unaudited IFRS 2017 $'000	Unaudited IFRS 2016 $'000	Unaudited IFRS 2015 $'000
Revenue – total Group	**372,104**	322,377	319,584	367,534	423,409
Gross profit – total Group	**73,518**	55,843	42,347	58,519	70,627
Operating expenses – total Group	**(60,526)**	(47,070)	(48,968)	(55,080)	(75,180)
Normalised operating profit[i] – total Group	**21,606**	11,457	9,079	7,172	8,832
Adjusting operating items	**(6,226)**	(1,552)	(15,232)	(4,742)	(12,528)
Share-based payment (charge)/credit	**(2,388)**	(1,132)	(468)	1,009	(857)
Profit/(loss) on ordinary activities before taxation	**11,635**	6,995	(8,500)	1,542	(7,179)
Depreciation and amortisation – continuing operations	**3,786**	3,210	5,368	7,180	7,212
	Cents	Cents	Cents	Cents	Cents
Basic underlying earnings per share – total Group[ii]	**13.1**	9.2	9.5	1.5	2.8
Basic earnings/(loss) per share – total Group	**6.9**	4.4	(7.9)	(2.6)	(12.8)
Statement of financial position	**$'000**	$'000	$'000	$'000	$'000
Non-current assets	**56,041**	24,606	24,905	39,427	41,384
Net cash/(debt)	**20,593**	9,948	11,335	(3,249)	1,880
Other assets and liabilities	**39,014**	13,590	10,067	15,174	11,244
Net assets	**115,648**	48,144	46,307	51,352	54,508
Gearing	**–**	–	–	6%	–

i Defined as operating profit before adjusting items and share-based payments.

ii Defined as earnings/(loss) per share before share-based payments and adjusting items.

Shareholder Information

Provisional Financial Calendar

FY2020

Interim Results Announced w/c 4 November 2019

Year End 5 April 2020

Final Results Announced w/c 8 June 2020

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Independent Auditors

PricewaterhouseCoopers LLP

Bankers

Lloyds Bank plc
HSBC Bank plc

Nominated Adviser & Joint Broker

Nplus1 Singer Advisory LLP

Joint Broker

Whitman Howard

Solicitors

Travers Smith LLP

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