Volex

Annual Report and Accounts 2016

The Global **Cable Assembly Specialists**

Volex plc
7-8 St Martin's Place
London WC2N 4HA
United Kingdom

Dear shareholder,

I was given the opportunity to lead Volex as Executive Chairman in November 2015 after it became apparent that the latest "transformation plan" was failing to deliver meaningful top-line growth and sustainable profit improvements.

Over the past six months, I have visited our customers and our manufacturing sites, in order to understand what we do well, where we have failed, and how we can become more competitive. From my conversations with multiple stakeholders, it is clear to me that our customers value our technical expertise and our reputation for quality and customer service. But with multiple changes in management and strategy, we have as an organisation become unfocused, and slow to respond to competitive pressures (e.g. we have customer response times that lag way behind the industry average).

Yet Volex continues to be seen as an excellent company, with a great brand, and high quality people and engineering services. Getting us back to providing industry standard response times, and providing even better engineering solutions so we can make high quality power products and complex mission critical cables at the most competitive price is our achievable goal for the coming year. From a shareholder perspective, the primary reason to invest in Volex is still our manufacturing expertise, built up over many decades; I am happy to say this 'DNA' still exists.

Recent performance

Volex's performance in the past financial year has been extremely disappointing with revenue down 13%, underlying operating profit* down 19% and the share price at a five year low. This is particularly disappointing since I and my fellow shareholders supported the Company with a significant investment into the business as recently as June 2014.

In my time as a Volex shareholder dating back to 2008, I have witnessed three Executive management teams with a 'supporting cast' of Non-Executive Directors attempt to turn Volex's fortunes around. Although each team had its successes, it is difficult to generate positive momentum without consistency in management and the kind of commitment that comes with a clear sense of ownership. In an effort to address counterproductive churn, the Volex Board took the unusual step of combining the roles of Chairman and CEO and offered me the opportunity to lead the Group. I gratefully accepted this opportunity on a full-time basis. From now on, the Volex team will act as owners, in every decision that we make. Through my significant shareholding in Volex, every other shareholder can be assured that my financial interests are fully aligned with theirs.

The opportunity ahead

Since my appointment, I have listened closely to the views of our employees and our customers in an attempt to understand the 'right way' forward for the Group.

Realigning the central overhead of the business was a critical first step and as a result we have simplified the management structure in order to eliminate the duplication of roles and improve communication and speed of execution. We have reduced this central overhead by almost 40% in the year, a figure almost unprecedented for a UK plc of our size.

We then went directly to the production floor to understand the production issues, first-hand. Our Mexico facility has subsequently been set up as our pilot project where all aspects of the production process are being reviewed and improved. When operating in an industry with low margins, small incremental improvements to the production process can prove the difference between a reasonable return and lost business. In six months, Volex de Mexico is starting to establish itself as a centre of learning to which other Volex manufacturing locations can send their employees. We have now extended this process to our facilities in Poland, Shenzhen and Suzhou.

In terms of sales performance, our sales teams have struggled to be competitive over the past three years. The work we are doing in Tijuana is expected to have a positive effect on our customer response times, new customer on-boarding processes, and most of all the underlying cost competitiveness of our Mexico manufacturing facility. This is translating into better sales trends in North America and again we are using the progress made in North America to proliferate thinking in other parts of the organisation.

I have met with the senior buyers at many of our key customers and whilst there are different challenges across the customer-base, the clear message is that our customers want us to continue to supply to them and want us as a stable and profitable partner. This is very encouraging and testament to our people, our footprint, and our Volex 'DNA'.

The refinancing that we announce today gives us extended credit terms to June 2018 giving us not only the financial flexibility to pursue a new turnaround strategy but also demonstrating the ongoing support we have from our banks.

There is much work ahead to transform Volex; however, I believe the basics are in place. It should not be forgotten that Volex remains one of the world's largest power cord and harness assemblers with a customer list that includes many blue-chip, household names and a reputation for quality and safety.

Outlook

We have already started to make real progress in our operational efficiency and our sales effectiveness. We therefore anticipate that our revenues have stabilised at the levels seen in the second half of FY2016 and that improved operating margins will reflect the restructuring actions taken.

Yours sincerely,

Nathaniel Rothschild
Executive Chairman

* Operating profit before non-recurring items and share-based payments expense

About Volex plc

Page 02

Our Business Model

Page 04

Our Strategy

Page 06

Our Board of Directors

Page 20

Contents

View more online on our corporate website:
www.volex.com

About Volex plc

Who we are

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

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

What we do

Contract Manufacturing

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

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

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.

How we do it

Volex is well positioned to serve and engage with customers on a global basis with local engineering, design, manufacturing, delivery and account management capabilities. We maintain production and distribution facilities on four continents in order to be a local partner to customers, better supporting their global operational requirements.

Read more about our
Global Locations on page 05

Our key differentiators

Volex differentiates itself from the competition in three key aspects:

Scale – Volex is one of the 2 largest power cord manufacturers in the world allowing it to benefit from economies of scale.

Quality – Volex has an unrivalled reputation in the industry for quality. Whilst our competition can be cheaper, none have the consistent safety record of Volex.

Geography – We view our well invested and unrivalled global manufacturing base, spanning four continents, as a key competitive advantage.

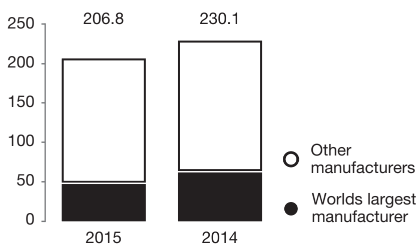
Read more about our
Business Model on page 04

Our Marketplace

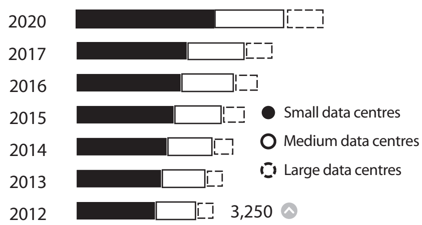
Major trends impacting our market

Global PC Sales (millions of units)

Global tablet sales by manufacturer (millions of units)



Global data centre markets ($m)



What this means to Volex

The contraction of Volex Power Cords' key markets has led to a significant increase in competition resulting in pricing pressure simply to maintain our existing market share. As the graphs above demonstrate, the Global PC market continued to fall (2015 saw a 10.5% decline on the prior year) and for the first time tablet sales also fell year on year (2015 saw a 10.1% decline in global volumes with the market leader experiencing a 21.8% fall in volumes). This contraction was in part due to the ongoing rise of the smartphone but also due to a loss of consumer confidence, especially in the Asian territories.

Global TV volumes have remained largely flat on the prior year with the large growth forecast from new 4K sets deferred to 2017 and beyond. The flat volumes, however, mask the growth of the largest Korean TV manufacturer at the expense of nearly all other suppliers. As a result, Volex has seen volume pressure on its TV power cords since our historic relationships have been with the Japanese manufacturers.

Within the Cable Assemblies division, one of the key driving forces is the growth in Data Centres with consumers storing more and more digital data. Rapid data transmission between server racks is required in these centres and our range of high speed data cables is proving to be a market leading proposition. Demographic trends of an ageing population, a focus on early diagnosis using advanced imaging technology and the growth of robotic low invasive surgery in the healthcare field are also growing areas for Volex, providing cabling solutions to a number of healthcare imaging and robotics manufacturers.

A disruptive factor across both divisions is the rise of wireless technology. Wireless charging stations and wireless data transmission will reduce the need for cables in the future. However, the charging station itself will still require a power cord and in many applications cables will still be preferred for high speed data transmission.

How we are responding

Within the Power Cords division, we have had to resize our capabilities and align our cost base with what appears to be a permanent contraction in our core markets. With increased pricing pressure, every $ saved in the manufacturing process is vital and we have therefore begun a detailed review from the shop floor up of all of our production processes and procurement strategies. We have also begun to look for sales outside of our traditional markets with the white goods market, domestic appliances and specialist power tools and industrial equipment being targeted.

Within the Cable Assemblies division, we are increasing our engagement with the engineering teams in new areas of demand: electric vehicles, robotics, internet-connected domestic appliances, and offering our services as a one-stop cabling solutions provider.

Read more about our **Divisions** on pages 10 and 11

Our Business Model

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

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

Processess

Contract manufacturing service

Reputation for quality with services provided from unrivalled geographic network

Product design and development service

Customer intimacy

Whether we are following a design blueprint or providing a full engineering service, we seek to remove the cabling concerns from our customers. This involves engagement with their engineering teams to ensure the cable meets the functional requirements at the desired price, engagement with their procurement and logistics teams to ensure the correct number of cables is in the correct global location at the correct time and engagement with their quality inspectors to ensure all local regulatory requirements are met.

Design and development

We use our global technical and commercial expertise to design solutions that i) meet the power and connectivity needs of our customers today and ii) address the challenges our customers are facing with their next-generation products.

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

We develop a manufacturing approach, using our process and tooling expertise to mass produce the cables from the design blueprints.

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 and testing

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 and delivery

We maintain facilities in four 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.

Output

Customer

Customers receive a cost effective cabling solution with no disruption to their supply chain and minimal stock holding

Shareholder

Volex's cost structure has not matched the competition resulting in restructuring costs and a fall in share price. The new management team are seeking to turn the fortunes around

Volex

Develops a long term partnership with the customer. When priced correctly and with an appropriate cost base, our services should generate a reasonable return for shareholders and employees

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 on four continents in order to be a “local partner” to customers, better supporting their global operational requirements.

Americas

Sales offices in USA, Canada, and Brazil. Distribution centres throughout North America.

Manufacturing in Mexico and Brazil. The Mexico facility has become the pilot site in which all operational procedures are being reviewed in order to optimise manufacturing efficiency.

Europe

Head office in London.

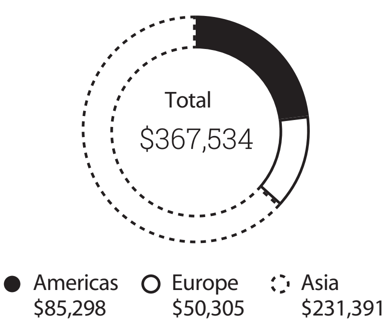
Sales offices in Ireland, France, Germany, Sweden & Netherlands. Manufacturing facility in Poland.

Asia

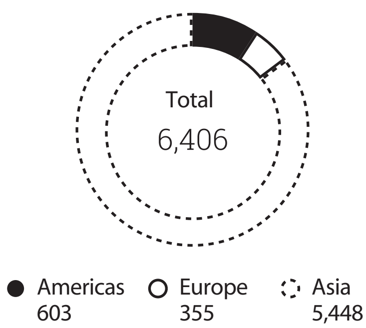
Regional head office in Singapore.

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

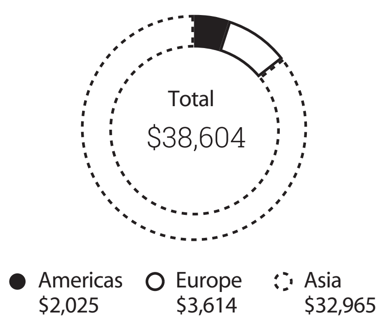
Revenue by location ($’000)



Employees by location



Non-current assets by location ($’000)
(excluding deferred tax asset)



Our Strategy

Change in strategic direction

The strategy developed under the previous CEO between 2013 and 2015 was supported by $8.0m of investment in the business under the 'Volex Transformation Plan'. The main theme of this strategy was to divisionalise the Group, run the divisions as separate businesses, each with their own management teams and support functions, and focus heavily on sales growth in an attempt to increase factory utilisation and cover the incremental costs created in establishing the divisions.

It became clear during 2015 that the planned sales growth was not coming through as we experienced softness in the key markets that we serve (particularly our PC, laptop and tablet consumer electronic markets and the telecoms markets of China, Russia and the Middle East). Without the planned revenue growth, the enlarged cost base of the Group became unsustainable and therefore it became necessary to change strategic direction.

Key actions taken by the Executive Chairman and his new management team

One of the first actions taken by the Executive Chairman was to remove the dual management structure established to support the Power and Data divisions. The removal of the divisional CEO's, CFO's and further support staff plus the announced closure of the Data headquarters in Austin and the downsizing of the London and Singapore offices will provide annualised cost savings of over $9.0m.

The Group, whilst still operating with two product divisions (now named Power Cords and Cable Assemblies), has a smaller management team with direct oversight of all operational matters.

The previous strategy had attempted to change the Volex manufacturing and engineering mind-set with a new 'design-to-cost' approach. However, with the focus on sales growth, little senior management time was actually spent on the factory floor understanding what 'design-to-cost' really required, and therefore Group-wide implementation of the new methodology was haphazard at best.

The new management team swiftly identified the fact that in an increasingly competitive trading environment with low margins, small improvements in operational efficiency could lead to significantly improved margins and support more aggressive pricing to maintain market share. Volex de Mexico was established as our pilot site in which all production processes were to be reviewed and assessed in order to identify improvements. See the case study on the opposite page for the key findings. After three months, Volex de Mexico is establishing itself as a centre of learning to which other Volex manufacturing locations can send their employees to see our best in class manufacturing processes.

Recovery strategy key action points

In order to turn around the Volex performance the following are seen as the key short term strategic actions:

- To align the cost base of the Group with the revised revenue forecasts. Whilst a number of heads and operational costs have been taken out of the business over the past 6 months, further cost savings are being investigated across all functions.
- To improve operational efficiency throughout the Group in order to improve margins and allow for more competitive pricing.
- To remove loss-making activities – by part number, by customer and by factory.
- To improve working capital management, in particular the levels of stock held, in order to free up cash and provide the Group with greater financial flexibility.
- To improve the analysis of customer profitability so that indirect costs are better allocated to specific customers and products. This will allow the Group to more accurately determine those customers and products which should be cherished and those where the relationship needs to be reassessed due to low returns.
- To engage with our customers at a more senior level so that they better understand the challenges faced by Volex, and the true value of engineering and quality in our product offerings.

Long term strategic goals

If the short term strategic actions are successful above, Volex's financial performance and financial flexibility will improve so that it can pursue its longer term strategic goals. As mentioned previously, competition in the Power Cord market is likely to intensify over the coming years as volumes decline and in an industry already defined by low margins, the likely outcome is consolidation of supply in the industry. As one of the two largest global Power Cord manufacturers, Volex is well placed to lead this consolidation.

Profitable growth is easier to come by in the Cable Assemblies division and here Volex must seek organic growth by championing itself as the 'one stop cable shop' of choice for healthcare, telecommunications and industrial companies. The expected growth of automation and connectivity in the coming years represents a huge potential market for Volex.

Through a focus on costs and operational efficiency plus targeted sales activity, we are confident that we can return Volex to profitable, sustainable growth which would allow a return to our shareholders.

Evidencing core capabilities

Case study: Mexico

Our facility in Tijuana, Mexico was chosen as our pilot plant to undergo a detailed review of its production lines and operational procedures. Senior management, facility staff and external consultants all came together for a series of workshops in Mexico in which the manufacturing process from receipt of customer order and purchasing of raw materials through to delivery of the finished good to the customer site was analysed.

A number of opportunities for Volex to achieve significant efficiency savings were identified, providing exciting opportunities for the wider group. These include:

- Reviewing customer ordering habits and modifying production in order that a steady monthly output is achieved rather than peaks and troughs to meet demand as it falls due. This reduces the need for overtime in periods of intense pressure and surplus staffing in the quieter time. Immediate impact seen was an increase in productivity and reduction of scrap.
- Redesigning the production line floor plan and work-flow. By identifying the bottlenecks in the production process, production lines were redesigned in order to minimise idle time. Immediate impact seen was a further increase to productivity and a significant reduction in floor space used by each production line.
- Enhanced collaboration with customers and suppliers. Many raw material purchases come with a minimum order quantity, however, this was not communicated to our end customer. By better dialogue with our customers, we are able to plan our volume commitments and by ensuring the customer underpins our material exposure, we can change our patterns throughout the year to secure better pricing for the customer.
- Inventory reduction plan. Many of our customers require us to hold finished goods at their hubs. The minimum stock holding levels had not been challenged in the past but through negotiation with our customers, a number of opportunities were identified to reduce the stock holding in light of their new demand schedules. Similarly rather than put our suppliers on a similar hub basis, Volex de Mexico historically has purchased the inventory and held it on its books. By switching to a hub model, we will now only buy that stock we require for short term production needs.

Implementing the above changes has led to improved productivity, lower scrap costs and the freeing up of working capital – all of significant benefit to the Group.

Key performance indicators

Following the appointment of Nathaniel Rothschild as Executive Chairman, the Group is currently reassessing its KPIs. Below we highlight the KPIs as presented last year plus the additional KPI of inventory holding days which forms an integral part of the new management team's monthly review.

Annual revenue change (%)

Progress in the year
The drop in revenue is extremely disappointing in light of the restructuring of the sales team over the previous 2 years with declines in nearly all key accounts.

Factory utilisation (%)

Progress in the year
Factory utilisation is down year on year due to the reduced sales volumes. Efforts have been made to mitigate this loss through the downsizing of certain facilities.

Free cash flow ($m)

Progress in the year
Lower sales and inventory build resulted in an underlying cash outflow in the year.

Inventory holding days

Progress in the year
Whilst the stock balance year on year has decreased, the stock holding days (relative to adjusted cost of sales) has actually increased.

Operational Review

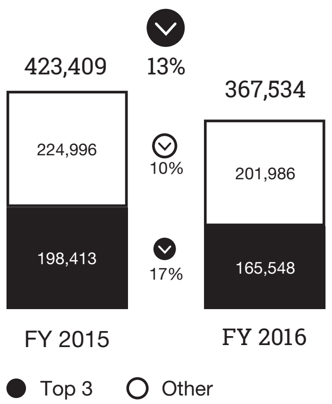
Volex faced a very challenging market and suffered a significant drop in revenue. A cost reduction programme has helped mitigate the reduction in operating profit.

Revenue fell by 13.2% with nearly all customer accounts impacted. As a result significant costs needed to be removed from the business with year on year operating underlying expenditure down by 14.3%.

$'000	52 weeks ending 30 March 2014	53 weeks ending 5 April 2015	**52 weeks ending 3 April 2016**
Revenue			
Power Cords	252,208	273,655	**230,205**
Cable Assemblies	147,969	149,754	**137,329**
	400,177	423,409	**367,534**
Underlying* gross profit			
Power Cords	33,240	36,741	**29,750**
Cable Assemblies	33,239	34,197	**30,617**
	66,479	70,938	**60,367**
Underlying* gross margin	16.6%	16.8%	**16.4%**
Statutory gross profit	66,022	70,627	**58,519**
Underlying* operating profit			
Power Cords	1,077	5,390	**2,293**
Cable Assemblies	9,868	11,197	**9,842**
Central costs	(6,413)	(7,755)	**(4,963)**
	4,532	8,832	**7,172**
Underlying* operating margin	1.1%	2.1%	**2.0%**
Non-recurring items and share-based payments	(9,354)	(13,385)	**(3,733)**
Statutory operating profit /(loss)	(4,822)	(4,553)	**3,439**

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

Group revenue FY2015 to FY2016



Progress in year:
Declines in nearly all customer accounts observed in the year across both divisions and across all product lines.

Volex has its global headquarters in the UK, operates from nine manufacturing locations and employs approximately 6,400 people (FY2015: 7,500) across 20 countries. Volex sells its products through its own global sales force and distributors to Original Equipment Manufacturers (OEMs) and Electronic Manufacturing Services companies.

Group revenue fell in FY2016 by 13.2% from $423.4m to $367.5m. After adjusting for the extra week in FY2015 and the impact of foreign exchange (principally in relation to sales made in Euros and Brazilian Real), this decrease was reduced to 9.4%. Softness in the key markets we serve (particularly our PC, laptop and tablet consumer electronic markets) was a key factor coupled with increased competition in the rest of the business. Further new products launched by our key customers were poorly received with end user demand falling far short of expectation.

Given the heavy investment in the sales function in the prior year, for revenue simply to perform in line with the market was extremely disappointing. Further, management's strategy had been to upskill and expand the Volex workforce with the view that the planned growth in sales would support this incremental cost. With sales actually in decline, the cost base of the Group became unsustainable.

As a consequence, the second half of FY2016 saw a significant scaling back of headcount and costs. All functions were required to find savings in order to align the cost base with the revised long term view of revenue. These savings included:

- The departure of Karen Slatford (Chairman) and Christoph Eisenhardt (CEO) to be replaced by Nathaniel Rothschild as Executive Chairman.
- Further downsizing of the Volex Board with Geraint Anderson (Non-Executive Director) standing down.
- Removal of the separate divisional management teams and the decision to close the Data headquarters in Austin, Texas.
- Consolidation of Executive management roles with the new Executive team assuming multiple roles in a much flatter management structure.
- Downsizing of our Brazilian entity as it struggled under the collapsing Brazilian economy. This is expected to save in excess of $1m a year.
- A 15% reduction in direct labour and further reductions in the factory indirect labour.

As a result of the swift actions taken following the departure of the former Chief Executive Officer, the impact of the revenue fall was to a great extent mitigated.

The underlying gross margin fell from 16.8% to 16.4% reflecting not only the pricing pressure experienced by Volex as it fought to maintain its market share but also the deleveraging effect of spreading the fixed costs in the business over the lower sales volumes. However, the fall in gross margin would have been worse had it not been for the cost saving measures taken and also the circa $2m benefit on labour costs from a strengthening US Dollar (labour costs incurred in Chinese Renminbi, Polish Zloty and Mexican Pesos became cheaper when converted into USD).

Statutory gross profit includes the impact of severance fees paid to manufacturing staff and the impairment of certain plant and machinery.

Underlying operating expenditure fell by 14.3% from $62.1m in FY2015 to $53.2m in FY2016 with the impact of the managerial changes having a significant effect. As a result underlying operating profit was $7.2m in FY2016 versus $8.8m in FY2015.

Statutory operating profit includes the impact of severance fees paid to outgoing executive management, the impairment of certain assets and an onerous lease charge.

Looking forward, the key markets remain extremely challenging. PC, laptop, tablet and TV volumes are expected to reduce further, our largest telecoms hardware manufacturer is expected to continue its struggle against Asian competition and the growth of wireless technology is likely. Competition will intensify for the cable business that remains.

Improving operational efficiency is key and hence the vital importance of rolling out the findings from Volex de Mexico across the Group. Also diversification of the sales pipeline is required and the aggressive targeting of new revenue opportunities. With the sales team now reporting into the Executive Chairman it is hoped that the renewed focus will help identify and convert these opportunities.

But even if successful with both these strategies, the cost base of the Group will have to be carefully monitored going forward. Further cost savings have already been identified and will be acted upon in early FY2017 and this will remain a feature of the business for the foreseeable future.

V lock

Introduced in 2006, the V-Lock cable range remains a successful product within our Power Cords portfolio. The V-Lock cable is an easy to manage locking solution that secures power connectivity. With a connection that can withstand a 25kg-force, the cable offers protection against accidental pull-outs during maintenance and upgrading.

Winner of multiple innovation awards, the V-Lock cable highlights the strength of our engineering function in solving not only complex connectivity issues but day-to-day practical issues.

See our products online at:
www.volex.com

Divisional Review

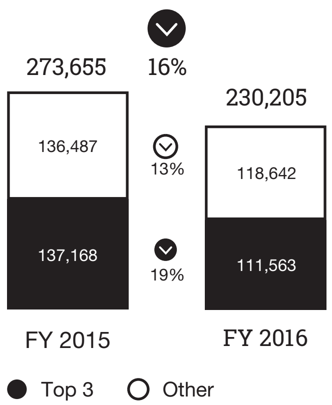
Power Cords

$'000	52 weeks ending 30 March 2014	53 weeks ending 5 April 2015	52 weeks ending 3 April 2016
Revenue	252,208	273,655	**230,205**
Underlying* gross profit	33,240	36,741	**29,750**
Underlying* gross margin	13.2%	13.4%	**12.9%**
Operating costs	(32,163)	(31,351)	**(27,457)**
Underlying* operating profit	1,077	5,390	**2,293**
Underlying* operating margin	0.4%	2.0%	**1.0%**

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

PVC	**Halogen-free**	**Duck heads**	**Other**
Revenue	Revenue	Revenue	Revenue
$145.8m	$65.7m	$16.0m	$2.7m
Volume	Volume	Volume	
144.1m units	16.3m units	18.1m units	

Revenue FY2015 to FY2016



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 and vacuum cleaners. Volex is one of the world's top two global power cable suppliers with an estimated 8% market share in a fragmented market.

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

The Power Cords division's key manufacturing facilities are located in South-East China, Indonesia, Mexico, India and Brazil. However, all the Group's facilities throughout the world can be utilised to manufacture power cable products.

Revenue for FY2016 was $230.2m, down 15.9% on the prior year (adjusting for the extra week in FY2015 this decline is reduced to 14.3%). This downturn was experienced across the entire customer base and reflected the underlying softening seen in the consumer electronics industry. The global PC market contracted by 10.5% in 2015 whilst our largest customer has seen its tablet sales volume reduce by 21.8% year on year.

Planned new product launches were poorly received by the end user and hence failed to replace the lost volumes. With reduced demand, competition has been intense and Volex's pricing has had to move to reflect this. Further pricing pressure has arisen due to the lower copper commodity price experienced in FY2016 (average copper LME price in FY2016 of $5,217 vs FY2015 of $6,567) with the majority of customers insisting that this saving be passed on.

Underlying gross profit has reduced to $29.8m from $36.7m, representing a gross margin of 12.9% (FY2015: 13.4%). Wage inflation in our key Power Cords manufacturing sites in excess of 10% (Guangdong region of China had 19% annual wage inflation effective May 2015) has been partially offset by operational efficiency improvements and a weakening Chinese Renminbi. Further, the operational deleveraging effect of fixed overhead costs being absorbed over lower sales has further contributed to the margin reduction.

Operating costs have reduced by $3.9m to $27.5m. Once it became apparent that the Power Cord revenues were at risk, a review of the Power Cord cost base was performed and cost savings were achieved through the removal of the Power Cord management team. Close review and management of costs have also resulted in a significant reduction in travel and professional expenses whilst the lower sales have resulted in reduced local Chinese taxes (e.g. education tax and urban construction and maintenance tax).

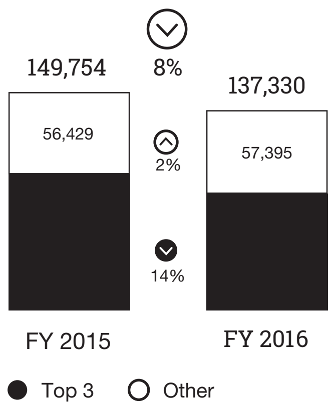
Cable Assemblies

$'000	52 weeks ending 30 March 2014	53 weeks ending 5 April 2015	52 weeks ending 3 April 2016
Revenue	147,969	149,754	**137,329**
Underlying* gross profit	33,239	34,197	**30,617**
Underlying* gross margin	22.5%	22.8%	**22.3%**
Operating costs	(23,371)	(23,000)	**(20,775)**
Underlying* operating profit	9,868	11,197	**9,842**
Underlying* operating margin	6.7%	7.5%	**7.2%**

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

Multi conductor I/O	High speed solutions	Wiring harness	Internal assemblies
Revenue	Revenue	Revenue	Revenue
$55.9m	$19.5m	$48.7m	$13.2m
Volume	Volume	Volume	Volume
6.2m units	1.1m units	30.3m units	7.2m units

Revenue FY2015 to FY2016



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

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

- High Speed – primarily copper, but also optical, passive and active cabling solutions that transmit data at rapid rates. High speed products are used extensively in telecom and data centre environments.
- Interconnect – bespoke cabling solutions designed to transmit data 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 FY2016 was $137.3m, down 8.3% on the prior period (adjusting for the extra week in FY2015 this decline is reduced to 6.5%). Our 3 largest customers in this division experienced a combined 14.4% revenue fall, an amount of which can be attributed to foreign exchange with sales denominated in the Euro particularly impacted by the stronger US Dollar. The balance was due to pricing pressures and general market weakness, particularly in the telecoms sector where investment in the weakening economies of China, Russia and the Middle East has been significantly curtailed. Outside of the top three accounts, a number of our smaller customers demonstrated modest growth, particularly those in the high speed data centre market.

Underlying gross profit has reduced to $30.6m from $34.2m, representing a gross margin of 22.3% (FY2015: 22.8%). This fall in margin reflects the competitive pricing pressure observed in the 3 largest customers.

Operating costs have reduced by $2.2m to $20.8m. As with the Power Cords division, the removal of the Cable Assembly divisional management generated significant savings as did the reduction in operational headcount with activities taken in the current year to right-size the Brazil operation.

As a result of the above, underlying divisional operating profit for the period fell from $11.2m in FY2015 to $9.8m in FY2016.

Financial Review

Volex records its first profit before tax in 3 years following a significant reduction in non-recurring fees.

	53 weeks to 5 April 2015 Revenue $'000	53 weeks to 5 April 2015 Profit/(loss) $'000	**52 weeks to 3 April 2016 Revenue $'000**	**52 weeks to 3 April 2016 Profit/(loss) $'000**
Power Cords division	273,655	5,390	**230,205**	**2,293**
Cable Assembly division	149,754	11,197	**137,329**	**9,842**
Unallocated central costs		(7,755)		**(4,963)**
Divisional underlying results	423,409	8,832	**367,534**	**7,172**
Non-recurring operating items		(12,528)		**(4,742)**
Share-based payments		(857)		**1,009**
Statutory operating profit/(loss)		(4,553)		**3,439**
Net finance costs		(2,626)		**(1,897)**
Profit/(loss) before tax		(7,179)		**1,542**
Taxation		(3,529)		**(3,854)**
Profit/(loss) after tax		(10,708)		**(2,312)**
Basic earnings/(loss) per share:				
Statutory		(12.8) cents		**(2.6) cents**
Underlying		2.8 cents		**1.5 cents**

Measuring financial performance

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

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

Impact of 53rd week in period to 5 April 2015

The current financial period under review is a 52 week period to 3 April 2016. The prior period was for 53 weeks to 5 April 2015. Pro-rating the prior period for 52 weeks the growth/(decline) rates are:

	As reported 52 weeks vs 53 weeks	Pro-rated 52 weeks vs 52 weeks
Revenue growth		
Power cords	(15.9%)	(14.3%)
Cable assemblies	(8.3%)	(6.5%)
Total	**(13.2%)**	**(11.5%)**
Underlying gross profit growth		
Power cords	(19.0%)	(17.5%)
Cable assemblies	(10.5%)	(8.7%)
Total	**(14.9%)**	**(13.3%)**
Underlying operating profit growth		
Power cords	(57.5%)	(56.6%)
Cable assemblies	(12.1%)	(10.4%)
Central costs	36.0%	34.8%
Total	**(18.8%)**	**(17.2%)**

Trading performance

Group revenue for the year fell by 13.2%, from $423.4 million in FY2015 to $367.5 million in FY2016, with both divisions contracting. Power Cords revenue decreased by 15.9%, from $273.7 million in FY2015 to $230.2 million whilst Cable Assemblies revenue fell by 8.3%, from $149.8 million to $137.3 million. The revenue fall was primarily due to contraction of our key markets (PC, laptops and tablets fared poorly as did the telecoms market in China, Russia and the Middle East) and poor take up by the end user of customer new product releases.

The Group's underlying gross profit for FY2016 was $60.4 million, yielding an underlying gross margin of 16.4%. This compared to a FY2015 underlying gross profit of $70.9 million and an underlying gross margin of 16.8%. The 40 bps decrease was due to the intense pricing pressure in the industry as competition intensified over the smaller volumes, the deleveraging effect of spreading the fixed production costs over a reduced volume and the increase in direct labour rates at several of our facilities all off-set by improved efficiency and significant cost saving actions taken (including headcount removal).

The Group's underlying operating profit for FY2016 was $7.2 million, down 18.8% on the prior year. This was driven by the reduced sales with the impact mitigated by cost saving measures taken that saw operating costs reduce by $8.9 million.

Non-recurring operating items and share-based payments

The Group has incurred non-recurring operating costs of $4.7 million in FY2016 (FY2015: $12.5 million).

Of this $2.7 million (FY2015: $5.2 million) relates to restructuring costs. The restructuring programme can be split into several distinct elements:

- an executive and senior management change element of $1.3 million (FY2015: $0.7 million). In the current year $0.3 million was incurred through the departure of the Group Chief Executive Officer, $0.8 million through the removal of the divisional management structure and $0.2 million through the departure of the Chief Information and Operations Officer. The prior year charge related to the departure of the former Chief Financial Officer and changes to the divisional management teams.
- an operational element of $1.4 million (FY2015: $3.6 million) following reductions in our direct and indirect manufacturing headcount (primarily in China), the removal of certain middle management roles throughout the organisation and costs associated with right-sizing certain operations (primarily our Brazil facility).
- In the prior year, a business process review element of $1.0 million. Given the reduced Group profitability, plans to replace the Group ERP system were suspended.

The Group has increased its onerous lease provision held against one legacy property in the UK (following revisions to the assumptions made in the calculation) resulting in an exceptional charge of $1.2 million (FY2015: $1.1 million).

In FY2013, the Group booked a $1.1 million provision against a recoverable sales tax asset held in its Indian subsidiary since sufficient doubt existed over the long term recovery of this asset. The performance of Volex India subsequent to FY2013, and in particular in FY2015, exceeded the then forecast and as a result the majority of the sales tax asset has been recovered. $0.6 million of the provision has been released in the current year leaving sufficient coverage against any current exposure. The prior year charge related to claims for historic years in the Philippines.

Following the downturn in performance (particularly in the Power Cords division), the subsequent deterioration in the share price and specific actions taken by management to realign the cost base, a Group wide impairment review was performed on the Group's fixed asset base. As a result of this, $1.5 million of property, plant and equipment has been impaired in the year. $0.9 million of this is in relation to plant and machinery in the Power Cords division with a further $0.6 million impairment booked in the Cable Assemblies division following the decision to right-size the Brazil operation and the announced plan to close the Austin headquarters.

Financial Review continued

In the prior year, a $5.8 million non-cash impairment of product development costs (and provision for associated costs) was charged in relation to the write down of Active Optical Cable ('AOC') patents and capitalised development costs.

The cash impact of the above non-recurring operating items is a cash outflow of $4.5 million (FY2015: $5.4 million).

The share-based payments credit in the year of $1.0 million principally arose through the reversal of charge on lapsed options.

Net finance costs

Total net finance costs in FY2016 were $1.9 million (FY2015: $2.6 million). The reason for the lower interest charge was the lower average net debt level held by the Group following the refinancing in July 2014. In addition, the current year benefited from a one-off credit of $0.2 million following an interest settlement with our debt providers.

Refinancing

Post year end, the Group has successfully completed an 'amend and extend' renegotiation with the banking syndicate which extends the existing $45.0 million facility to June 2018 (previously due to expire in June 2017).

In the prior year, the Group issued 24,067,171 new shares at £0.75 per share. After issue costs, $27.9 million of net cash proceeds were raised.
$25.1 million of this cash was used to refinance the Group's senior credit facility.

Tax

The Group incurred a tax charge of $3.9 million (FY2015: $3.5 million) representing an effective tax rate ('ETR') of 250% (FY2015: -49%). The underlying tax charge of $3.9 million (FY2015: $3.8 million) represents an ETR of 75% (FY2015: 62%).

The principal reason for the high ETR is the high proportion of profit before tax forced to be recognised in high tax jurisdictions (e.g. China).

The underlying results have a lower ETR due to many of the non-recurring items being non-tax deductible.

As at the reporting date the Group has recognised a deferred tax asset in relation to tax losses of $0.8 million (FY2015: $0.8 million).

Earnings per share

Basic loss per share for FY2016 was 2.6 cents compared to a loss per share of 12.8 cents in FY2015. The underlying fully diluted earnings per share was 1.5 cents compared to an earnings per share of 2.8 cents in FY2015.

Cash flow and net debt

Operating cash flow before movements in working capital in FY2016 was an inflow of $10.1 million (FY2015: $7.9 million) with the $2.2 million increase primarily due to the reduced cash expenditure on non-recurring items.

The impact of working capital movements on the cash flow on FY2016 was an outflow of $1.9 million (FY2015: inflow of $4.9 million) with all aspects of working capital falling as the business contracted.

After aggregate outflows for tax and interest of $6.3 million (FY2015: $5.0 million), the net cash inflow from operating activities was $1.8 million (FY2015: $7.8 million). Of this, $4.5 million (FY2015: $5.4 million) had been spent on operating non-recurring items.

Capital expenditure in FY2016 was $6.0 million (FY2015: $3.9 million). The increase in capital expenditure in FY2016 despite the weaker trading performance was due to cash payments for capital items accrued at the prior year plus assets acquired for customer new product releases that failed to meet the forecast level of demand.

Expenditure in relation to intangible assets of $0.6 million has been incurred in FY2016 (FY2015: $1.3 million). Of this, $0.4 million is in relation to the development of new power cords for a major release from one of our largest customers. The remaining $0.2 million was in relation to computer software purchases.

In the prior year, transactions in treasury shares generated $0.5 million after 3,378,582 treasury shares were sold following the lapse of a large number of share options.

Also in the prior year, 24,067,171 new shares were issued at £0.75 per share. After issue costs, $27.9 million of net cash proceeds were raised. $25.1 million of the raise was used to refinance the Group's senior credit facility. Associated with this were refinancing costs of $0.9 million.

Under the senior credit facility, the Group has drawn $6.9 million (FY2015: $8.0 million) after repaying $3.5 million.

As a result of the above cash flows, the Group generated a $1.4 million net cash outflow (FY2015: $13.1 million net cash inflow) for the year. As at 3 April 2016, the Group held net debt of $3.2 million compared with net funds of $1.9 million at 5 April 2015.

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

Annual free cash flow	FY2015 $'m	**FY2016 $'m**
Net cash generated from operating activities	7.8	**1.8**
Cash flow from investing activities	(4.6)	**(6.5)**
	3.2	**(4.7)**
Add back:		
Utilisation of own shares	(0.5)	**–**
	2.7	**(4.7)**

Banking facilities, covenants and going concern

The Group utilises a $45.0 million multi-currency combined revolving credit, overdraft and guarantee facility ('RCF'). This facility was provided by a syndicate of three banks (Lloyds Banking Group plc, HSBC Bank plc and Clydesdale plc).

The key terms of the facility were as follows:

- Available until June 2017;
- No scheduled facility amortisation; and
- Interest cover and net debt:EBITDA leverage covenants.

As at 3 April 2016, amounts drawn under the loan facility totalled $29.3 million (FY2015: $25.2 million) with a further $5.2 million drawn under the cash pool facility (FY2015: $7.4 million). After accounting for bonds, guarantees and letters of credit, the remaining headroom as at 3 April 2016 was $8.7 million (FY2015: $10.2 million).

Under the terms of the facility, the two covenant tests above must be performed at each quarter end date. At year end both covenants are met. Breach of these covenants would have resulted in cancellation of the facility.

Subsequent to year end, the Group has negotiated an 'amendment and extension' of its credit facility. The facility is now available for an additional year to June 2018 with the covenant levels being reset. Management believes that the extension to June 2018 gives the Group adequate time to progress with the turnaround strategy and provides it with the financial flexibility required in order that the Group be better placed to carry out a later full refinancing.

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 (the period considered for the Viability Statement) and should comply with covenants over this period. The Group also has access to and uses additional uncommitted facilities. Further, the Group has a number of mitigating actions available to it, should actual performance fall below the current financial forecasts. The Directors have the financial controls and monitoring available to them to put in place those mitigating actions in a timely fashion if they see the need to do so. The Directors therefore believe that the Group has effective plans in place to manage its business within its covenants.

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 18 where rising commodity prices has been identified as a key risk).

These contracts act as an economic hedge against the impact of copper price movements. They meet the technical requirements of IAS 39 and therefore are accounted for as cash flow hedges of forecast future purchases of copper. As at 3 April 2016, a financial liability of $0.1 million (FY2015: $1.3 million) has been recognised in respect of the fair value of open copper contracts with a corresponding $0.1 million debit recognised in reserves. This debit 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 charge of $2.1 million has been recognised in cost of sales in FY2016 (FY2015: $0.7 million) in respect of closed out contracts. This charge has arisen since the average LME copper price in the period has been below the contracted price.

In addition, the Group enters into certain foreign exchange forward contracts to mitigate the Group's currency exposure to the Chinese Reminbi and Polish Zloty monthly payroll payments. As at 3 April 2016, a financial asset of $0.1 million (FY2015: $0.1 million) has been recognised in respect of the fair value of open foreign exchange contracts.

Defined benefit pension schemes

The Group's net pension deficit under IAS 19R as at 3 April 2016 was $3.3 million (FY2015: $3.6 million). The decrease is primarily due to contributions paid by the Company of $0.7 million off-set by a $0.4 million actuarial increase in the liability arising from reduced corporate bond yields used to discount the forecast pension cash outflows.

Share transactions and related party transactions

In July 2014, the Group issued 24,067,171 new shares at £0.75 per share under a 4 for 11 placing and open offer. After issue costs, $27.9 million of net cash proceeds were raised. Within the issue, an aggregate of 10,909 new ordinary shares were placed with both Karen Slatford and Daren Morris and 9,090 with Christoph Eisenhardt, all of whom at the time were Directors of the Company. A further 6,137,538 shares were placed with NR Holdings, maintaining their shareholding in Volex plc at 25.5%.

During FY2015, Karen Slatford exercised 80,000 options held under the Non-Executive Director Long Term Incentive Scheme ('NED LTIS'). These options had a $nil exercise price. The exercise was met through the issue of 41,289 shares from the Volex Group Guernsey Purpose Trust. Further, Andrew Cherry, a former Director of Volex plc, exercised 305,623 share options held under the Volex Performance Share Plan ('PSP'). These options had a £0.25 exercise price. The exercise was met through the sale of 305,623 shares from the Volex Group plc Employee Share Trust.

Daren Morris
Chief Financial Officer and Company Secretary

Group Risk Management

Risk governance

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

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

Risk management process

The Group takes a two-fold approach to risk management where risk identification, assessment and mitigation are performed both 'bottom-up' with detailed assessment at operational or functional level, as well as through 'top-down' assessment of strategic risks at the Executive management and Board level. Major risks are categorised on a matrix reflecting impact and likelihood on the business from a strategic, operational, compliance and financial perspective.

The assessment of impact is measured before allowing for mitigation, such as insurance recoveries, whilst likelihood is considered after allowing for the effect of mitigation.

The impact scale is determined in relation to the Group as a whole based on financial, operational, reputational and behavioural measures.

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

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

Developments

The Group regularly assesses its risk appetite to ensure alignment with business strategy. In general, there is no change in the Group's risk appetite from last year but the Board established different levels of appetite to risk for each main area, namely strategic (open to moderate risk), operational (cautious), financial and compliance (minimal risk appetite). The risks considered during the risk management process cover all aspects of the Group's activities and include a wider range of areas such as human resource, information technology, supply chain or financial risks but not all of these areas are identified as principal risks.

During the year, the customer alignment risk has been broadened as the sales channel effectiveness risk. Whilst the Group continues to partner its key customers in product design and development, the sales channel effectiveness risk has been identified as a business opportunity to drive business growth. From an operational aspect, there is an increased focus on operational performance and compliance, particularly in quality resulting from the production optimisation and process improvement reviews. The overall impact of these reviews was a renewed focus on quality and inventory control and a better understanding of our customers' needs.

The Group Internal Audit function continues to advise management on improvements to the Group's risk management framework, facilitating the risk review process and providing independent experience and input to the process.

Principal risks

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

Our principal risks are further classified as follows:

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

Read more about **Internal controls and risk management** on page 26

Risk and Possible Impact	Risk Mitigation Activities
Strategic – Competitor Risk	
With the presence of competitors that are vertically integrated, financially stronger and with ability to invest in newer technology and capabilities, the Group is highly susceptible to increased competition and price pressures. The Group's business and future results may be adversely impacted if it is unable to compete adequately and secure new business in the markets in which it operates.	The Group seeks to remain competitive by focusing on being responsive to our customers and improving the quality, delivery and reliability of our products. Additionally, the Group monitors competitor activities and trends in the markets on an ongoing basis. During the year, a pilot project on production optimisation and process improvement was initiated with the aim of driving cost reduction and cash generation. The review has proven itself with a renewed focus on quality and inventory control as well as a better understanding of our customers and redefining our supply chain. Along with other streamlining initiatives, the Group is set to be leaner and more efficient.
Strategic – Sales Channel Effectiveness Risk	
The Group relies on its direct sales force to drive revenue. Indirect sales channels such as distributors accounted for 1% of total revenue, mainly in the North America region. The potential of effective sales channels may not be fully realised and optimised as the cost of our direct sales force may be prohibitive for smaller customers, in comparison to the cost of a distributor.	The Group recognises that successful sales channels are critical to drive business growth and boost revenue. Whilst the Group continues to focus on key account management, strengthening strategic partnerships with key customers, it looks to introduce indirect sales channels in the Asia and Greater China regions. This will allow our direct sales force to refocus and reprioritise their time and efforts on key accounts and understanding our customers as the smaller customers are being funnelled through the indirect channels. A new Sales Incentive Plan has been developed to reinvigorate our sales force and support the new sales strategy.
Strategic – Customer Concentration Risk	
With the Group's top ten customers accounting for 68% (no change from previous year) of total revenue, the Group is exposed to customer concentration risk where its performance, financial condition and future prospects may be significantly impacted if there is a shift in allocation on a key customer account. The Group's largest customer accounted for 26% of total revenue, representing a 1% decrease from the previous year.	In reality, the Group's key customers operate in different sectors and regions or countries where the risk is diversified across geographical regions mitigating the concentration exposure. The risk of fluctuations in revenues from these customers is further mitigated by strategic relationships through dedicated global key account engagement. Initiatives are in place to align our capabilities and resources with customers' needs and to improve quality systems.
Operational – Supplier Dependency Risk	
The Group's delivery of the strategy is dependent on the availability and timely receipt of raw materials. As it continues to be heavily reliant on single-source suppliers for key materials or critical components, any disruptions may impact production and the Group's ability to meet customer commitments, win future business or achieve operational results. Disruption to key supplies may be a result of insolvency of the supplier, scarcity of materials or the suppliers' inability to meet our standards such as quality, reliability and cost reductions. In turn, the Group's inability to drive cost reductions may also result in a lack of competitiveness.	Single-source supplier risks are identified during the year and where operationally feasible, dual sources and local multi-sourcing for key materials and critical components are being developed. Strategic relationships with key suppliers are established to enable flexible sourcing arrangements that are balanced with appropriate levels of inventory. The Group continues to monitor financial and operational viability of key suppliers periodically.

Group Risk Management continued

Risk and Possible Impact	Risk Mitigation Activities
Operational – Quality Risk	
Our customers specify quality, performance and reliability standards. If failure by design or manufacture of our products were to occur, the risk of customers receiving unsafe, faulty or non-performing products is increased. Consequently, the Group may experience delays in shipment and product rework or replacement costs. Subsequent customer complaints, warranty claims and product recall or replacement may result in reputational damage and reduced allocation.	The Group recognises that the quality of our products is critical. Quality assurance processes are embedded in the entire supply chain and every stage of the manufacturing process across all sites, supporting compliance with safety and customer quality standards. New moulds, tooling and technology are acquired as part of our quality continuous improvement programme to sustain high quality output.
Operational – Key People	
After several years of poor performance and a major restructuring the Group is more reliant than ever on the small number of key executives who are leading the turnaround. Until we can establish a more sustainable business model and organisation this risk will remain and therefore the turnaround itself is at risk.	The fact that our Executive Chairman is the largest shareholder provides considerable assurance to other stakeholders and his behaviours set a strong example to others. Other key managers have been given PSP awards, allowing them to participate directly in the impact of the turnaround.
Financial – Going Concern	
The Group has a $45 million multi-currency revolving credit facility extended to June 2018. The facility is subject to a quarterly assessment of two financial covenants, namely the leverage covenant and interest covenant. Whilst the Group's forecasts have indicated that both covenants will be met, any unforeseen downturn may result in failure to meet the covenant test. Consequently, this may result in an 'event of default' where immediate repayment is requested.	The Group reviews its performance against budget to ensure that funding is balanced against economic results. The Group continues to maintain an open and transparent dialogue with the facility providers to ensure that they are well aware of the developments in the business. The Group's forecasts indicate that it will meet the covenant tests under the facility. If performance is not in line with the forecast, the Group has a number of mitigating actions that can be implemented.
Financial – Copper Price Volatility Risk	
Many of the Group's products, in particular power cords, are manufactured from wire components that contain significant amounts of copper. Wire components accounted for 46% 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 copper prices may result in erosion of profit margins and loss of competitive advantage. Whilst copper price movements are passed on to customers, delays in passing through the costs may create short term volatility in the Group's gross margins.	Copper price movements are continuously monitored and where appropriate, are reflected in the pricing of our products. Whilst copper prices are fixed quarterly with major suppliers based on average LME rate over the prior quarter, 40% of our revenues are covered by copper clauses which provide for quarterly adjustments to our selling prices based on our material costs. The Group maintains forward copper purchase contracts extending out twelve months and are refreshed on a rolling monthly basis.
Compliance – Legal and Regulatory Compliance Risk	
The Group is subject to diverse laws and regulations in the global markets in which it operates, particularly in certain territories where the risk is elevated due to jurisdictions with immature business practices and/or systems. The areas include but are not limited to those related to product safety, environmental, health and safety, export controls or customs, tax laws and anti-bribery and corruption. Non-compliance with legislation or other regulatory requirements may compromise the Group's ability to conduct business in certain jurisdictions. They may expose the Group to potential reputational damage, financial penalties and/or suspension of business activities, any of which could have a material adverse effect.	The Group takes an uncompromising approach towards non-compliance. The Group's Code of Conduct provides a framework to general compliance and governance policies that have been established to ensure compliance with laws, regulations and standards. The Group continually monitors developments in applicable laws and regulations in the jurisdictions in which it operates and external advice is sought where necessary. Regular monitoring programmes are in place at all sites to enable continuous improvement.

Corporate and **Social** Responsibility

The Corporate and Social Responsibility Committee (the 'Committee') strives to continue to improve our positive impact on the environment and society.

The Committee is an integral part of the Company's governance structure and is, pursuant to its terms of reference, required to meet at least twice a year to consider its overall strategy on matters including health and safety, diversity and compliance with ethical trading practices.

Our people

The commitment, enthusiasm and skill of our people are critical if we are to successfully transform Volex. The voices of these people have not always been listened to in the past as new management teams embark upon their turnaround strategies for Volex. However, the Executive Chairman and his team are passionate that this turnaround should start from the factory floor with all of Volex's people owning the plan. Communication is key and in this respect the Executive Chairman is setting up a Twitter feed along with the more traditional modes of communication to ensure all staff are aware of the developments in the business.

Diversity

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

Approximately 3,331 (or 52%) of our employees are female and 3,075 (or 48%) are male. Our senior management team comprises 7 (or 18%) females and 33 (or 82%) males. Following the departure of Karen Slatford we have no female representation on the Board. Prior to her departure Karen was Chairman of the Group.

Health and safety

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

Human rights

Volex supports the United Nations Universal Declaration of Human Rights. The Company is in the process of developing a policy reflecting our commitment to uphold the declaration.

Relationship with the community

We encourage our employees to be active participants in their local communities. Such participation includes volunteering to repair and upgrade local village schools, rubbish and litter removal programmes, working with disabled children and donating blood.

Relationship with the stakeholders

We believe our business is built on the confidence and commitment of our stakeholders.

Customers and Suppliers

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

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

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

Our impact on the environment

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

Carbon reporting

Our emissions have been calculated using the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), together with the latest emission factors from recognised public sources including, but not limited to, DEFRA, the International Energy Agency, the United States Energy Information Administration, the United States Environmental Protection Agency and the Intergovernmental Panel on Climate Change. Emissions reported correspond to our financial year. Actual data has been supplied for 96% of the reported emissions and the remainder estimated using floor area data.

FY2016 Global GHG emissions data

Emissions from:	Tonnes of CO_2e
Combustion of fuel and operation of facilities (GHG Protocol Scope 1)	744
Electricity, heat, steam and cooling purchased for own use (GHG Protocol Scope 2)	17,264
Total	**18,008**
Intensity metric (tonnes CO_2e / Full Time Equivalent employee)	2.65

Year on Year Comparison

Emissions from:	Tonnes of CO_2e 2014–2015	Tonnes of CO_2e 2015–2016	Percentage change
Scope 1	745	744	0%
Scope 2	17,884	17,264	–3%
Total	**18,629**	**18,008**	**–3%**
Intensity metric (tonnes CO_2e / Full Time Equivalent employee)	2.55	2.65	+4%

Board of Directors

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. Nathaniel currently sits on the Board of Genel Energy plc as a Non-Executive Director. He was previously Non-Executive Director of Barrick Gold Corporation, the world's largest gold company, 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.

Martin Geh, Non-Executive Director

Martin Geh was appointed to the Board of Directors on 24 October 2013. Martin is the Chairman of the Remuneration Committee and Corporate and Social Responsibility Committee and a member of the Audit Committee and Nominations Committee.

Martin is currently Managing Director, Asia Pacific Android and Chrome Partnerships at Google. Prior to this he was Managing Director of Logitech's Asia Pacific and Japan Region Business Unit. Prior to Logitech, Martin was President of Lucent Technologies Asia Pacific, Managing Director at Apple Computer responsible for the Asia Pacific region, and held several executive roles at Intel Corporation in the United States and Asia.

Key areas of expertise
Technology and telecoms markets, product management, marketing, Asia Pacific regional expertise.

Bob Beveridge, Non-Executive Director

Bob Beveridge was appointed as a Non-Executive Director in April 2015. He is Chairman of the Audit Committee, a member of the Remuneration Committee and Nominations Committee and has since November 2015 been acting Senior Independent Director.

Bob has wide ranging Non-Executive Director and public company experience, and currently sits on the Boards and is Chairman of the Audit Committee of Brady plc, InternetQ plc and Inspiration Healthcare plc. He is a chartered accountant with extensive and relevant financial experience, having previously been Group Finance Director of McBride plc, Marlborough Stirling plc and Cable and Wireless Communications Plc.

Key areas of expertise
Governance, risk management, mergers & acquisitions, managerial finance, strategy.

21
Governance

Chairman's Introduction

As a Board and as a Group, we believe that corporate governance is more than just a set of guidelines; rather it is a framework which underpins the core values for running the business in which we all believe.

It enables us to test whether we do the right things in the right way, with the right safeguards, checks and balances, and whether the right considerations underpin every decision we take. The purpose of this report is to provide a clear and accessible explanation of what governance means to Volex plc in terms of its impact on decision making in the operation of our business and to ensure as far as possible that the values you would expect from the Group are in place and adhered to.

As announced on 27 November and 21 December 2015 it was decided to streamline significantly the higher tiers of management in order to maximise our potential to deliver an improved customer proposition and improved shareholder value. The two-divisional structure was disbanded and the Board has agreed the 'right way forward' based upon long established Volex values of open communication and teamwork in order to create a culture where people come forward with ideas for improvement.

The Board acknowledges that my appointment as non-independent Executive Chairman does not comply with the requirements of the Combined Code. Prior to offering me the position, the Board consulted at length both internally and with our major shareholders as to the best way forward for the Group. Key considerations included a desire to minimise the risk of further counter-productive executive churn, to be able to move forward decisively and quickly in the actions required to achieve a turnaround and to set an example to all employees of the need to act like owners. Given my previous Board experience in other companies, combined with my long-standing knowledge of and commitment to the Volex business and my urgent ambitions for Volex plc, the Board concluded, with support from our major shareholders, that my appointment as Executive Chairman would be in the best interests of the Group. The Nominations Committee will keep the Board structure under constant review.

The Nomination Committee appointed our Audit Committee Chairman, Bob Beveridge, to be acting Senior Independent Director ('SID') in November 2015. Bob has served on public company boards as either CFO or NED since 2000. To enhance the quality of our decision making process and bring the required level of objectivity and independence to the Board, we are recruiting a third independent Non-Executive Director. Bob is leading this process on behalf of the Nomination Committee and we expect to announce the result by the time of the AGM.

For a brief period of time between Geraint Anderson, the former SID of Volex, assuming executive responsibility in September 2015 and Bob Beveridge being appointed SID in November 2015, the Company did not comply with the Code's recommendation to appoint one of the Non-Executive Directors to be the SID.

With the exception of this and the combined roles of Chairman and Chief Executive Officer, the Group was in full compliance with the UK Corporate Governance Code.

Our Corporate Governance Report is set out on pages 23 to 28. This report explains how we manage the Group and comply with the provisions of the UK Corporate Governance Code (the 'Code'). It also sets out further details about the activity of the Board and its various Committees during the year. Key areas of focus for the Board this year have involved the reassessment of our strategic position and the decision to adopt a leaner, more responsive corporate structure with fewer highly paid, senior executives and the commencement of a programme to upgrade the efficiency of our factories. As we start the new financial year, we can announce the successful extension of our senior credit facility which gives us the springboard to establish the new Volex way forward for the forthcoming year and beyond.

We trust that you will find this Annual Report to be fair, balanced and understandable. We believe our practical approach will support our performance for the long term and should thus protect the integrity of our values and the Volex brand. On your behalf, as our shareholders, we will continue to work hard to improve further our governance and Board performance. As a Board of Directors we are committed to maintaining high standards of corporate governance and effective leadership of the business, which form the foundations for restoring the long-term success of the Company. We have an engaged and committed Board; however, there is much to do and we are determined to make things better.

Nathaniel Rothschild
Executive Chairman

Corporate Governance Report

During the year, Volex combined the roles of Chairman and Chief Executive Officer through the appointment of Nathaniel Rothschild as Executive Chairman. This followed consultation with our major shareholders.

Statement of compliance

This report, together with the Directors' Remuneration Report on pages 32 to 46, describes how the main principles of good corporate governance have been applied throughout our business. The Company has complied with all relevant provisions of the Code for the year ended 3 April 2016 and from that date up to the date of publication of this Annual Report and Accounts other than as highlighted in the Introduction to Governance on page 22.

Leadership

The Role of the Board
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 20.

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

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

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

The role of the SID was fulfilled by Geraint Anderson until he became acting CEO in September and by Bob Beveridge from November 2015. For a brief time the Company did not comply with the Code's recommendation to appoint one of the Non-Executive Directors to be the SID. Our SID acts as a sounding board to the Executive Chairman when necessary and may also chair the Board in the absence of the Executive Chairman. He is available to shareholders to address concerns regarding governance and, if necessary, other issues where resolution through the normal channels is inappropriate.

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

The Company Secretary reports to the Executive Chairman and Senior Independent Director on governance matters and is responsible for keeping the Board up to date on all legislative, regulatory and governance matters. With an assistant 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.

Operation of the Board
The Board is responsible for the Company achieving its business objectives, oversight of risk, strategic development, and effective corporate governance. The Board discharges these responsibilities through scheduled meetings, which include regular reviews of financial and operational performance. During the financial year, the Board considered a wide variety of matters including the Company's strategy for the coming year, the Company's budget for the coming year, the Company's day-to-day financial and operational performance, risk management and shareholder feedback.

Corporate Governance Report continued

Matters reserved for the Board and activity during the year

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

- approval of the Company's objectives and setting its long term strategy;
- approval of material capital expenditure projects;
- approval of half-yearly reports, trading updates and preliminary announcement of year end results;
- internal control and risk management; and
- material contracts, expenditure and Group borrowings.

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

Attendance at meetings/Board process

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

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

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

Number of scheduled meetings	Board (13 meetings)	Nominations Committee (5 meetings)	Audit Committee (4 meetings)	Remuneration Committee (4 meetings)	Corporate and Social Responsibility Committee (2 meetings)
Chairman					
Karen Slatford[2]	8/9	4/4	N/a	3/3	N/a
Executive Directors					
Nathaniel Rothschild[3]	7/7	N/a	N/a	N/a	N/a
Christoph Eisenhardt[4]	4/4	N/a	N/a	N/a	N/a
Daren Morris	13/13	N/a	N/a	N/a	
Non-Executive Directors					
Bob Beveridge[5]	12/12	4/4	4/4	3/3	N/a
Martin Geh	10/13	5/5	4/4	4/4	2/2
Geraint Anderson[6]	9/9	2/2	1/1	2/2	N/a

[1] This table records Directors' attendance for the financial year or from their date of appointment/until their date of resignation.
[2] Resigned as Chairman on 26 November 2015
[3] Appointed as Non-Executive Director on 15 October 2015 and then as Executive Chairman on 1 December 2015
[4] Resigned as Chief Executive Officer on 29 September 2015
[5] Appointed as Non-Executive Director on 15 April 2015
[6] Appointed as interim Chief Executive Officer on 30 September 2015. Resigned from Volex on 27 November 2015.

Board focus
The most important focus for the Board was to reconsider strategic options following a much weaker than expected trading performance in the first half year. In November, the Board held an urgent, second strategy meeting in which it reviewed plans in the light of recent trading and decided that more radical actions were required; the Board sanctioned such activities which led to the appointment of Nathaniel Rothschild as Executive Chairman on 25 November 2015. A plan for refinancing was agreed in the meeting on 8 December 2015 and the new organisation structure developed later in the month prior to the announcement of major delayering and restructuring on 21 December 2015.

Other matters the Board considered during the financial year included:

- divisional three year strategic plans including IT, HR and Finance (in May and November 2015);
- budget for 2016/17 Financial Year (in December 2015 and February 2016);
- detailed review of short term trading and forecasts;
- monitoring banking covenants;
- Board resignations, appointments and Executive responsibilities;
- risk management processes;
- cost reduction initiatives;
- results of internal Board effectiveness review;
- shareholder communication;
- Information and support.

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

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

Committees of the Board

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

- the Nominations Committee;
- the Audit Committee;
- the Remuneration Committee; and
- the Corporate and Social Responsibility Committee.

Each of the above committees operates pursuant to individual, defined terms of reference and the Chair of each committee reports to the Board at each Board meeting. The terms of reference for each committee are reviewed on an annual basis and updated to include changes to the Code. Copies of the main committee terms of reference are available on the Company's website. Each of the Committees is comprised of independent Non-Executive Directors of the Company who are appointed by the Board on the recommendation of the Nominations Committee. The assistant Company Secretary serves as secretary to each of the Board Committees.

Nominations Committee
The members of the Nominations Committee are Bob Beveridge (acting SID and Chairman) and Martin Geh.

The Committee met on five occasions 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. The Committee has applied the Code provisions in developing the Company's policies on succession planning and appointment.

In appointing a new Board member, the Committee evaluates the balance of skills, knowledge and experience of the Board and prepares a clear description of the role and the capabilities and strengths required to fulfil a particular appointment. Usually, external search consultants are engaged to identify appropriate candidates.

As part of its review, the Committee considers the time each Non-Executive Director would have to commit to in order to fulfil his/her responsibilities and any other significant commitments of the Chairman. Positions held by Non-Executive Directors are set out on page 20 and the 2016 review indicated that each of the Non-Executive Directors is able to devote sufficient time to the Company's business. Non-Executive Directors are advised on appointment, of the time required to perform the role and are also asked to confirm that they are able to carry out the required commitment.

The main activities of the Nominations Committee during this financial year included considering alternatives following the resignation of the former Chief Executive. During this period of consideration the former Chairman, Karen Slatford, decided to step down after nine years on the Board. The Committee considered various alternatives and decided to streamline the Group structure consistent with maximising efficiency and following consultation with major shareholders appointed Nathanial Rothschild as Executive Chairman.

The Committee prepared and approved a brief for recruitment of a new Senior Independent Director, defining the required key experience and skills as well as the key behaviours required. The brief was discussed with major shareholders and Tyzack was engaged to work on this assignment, which is expected to complete by the time of the AGM.

Audit Committee
The members of the Audit Committee are Bob Beveridge (Chairman) and Martin Geh. Geraint Anderson was a member of the Audit Committee until 29 September 2015.

The Committee met on four occasions during the year.

Details of the Committee's activities and composition are contained in the Audit Committee Report set out on pages 29 to 31.

Corporate Governance Report continued

Remuneration Committee
The members of the Remuneration Committee are Martin Geh (Chairman) and Bob Beveridge.

The Committee met on four occasions during the year.

Details of the Committee's activities are contained in the Directors' Remuneration Report set out on pages 32 to 46.

Corporate and Social Responsibility Committee
The members of the Corporate and Social Responsibility Committee include Martin Geh (Chairman), and other key Executive management personnel.

The Committee met on two occasions during the year.

Further details and information on the Company's corporate and social responsibility initiatives can be found on page 19.

Board effectiveness

Composition, independence and diversity on the Board
For the first half of the year, the Board comprised a Non-Executive Chairman, three other Non-Executive Directors and two Executive Directors. Following the resignation of Christoph Eisenhardt and the subsequent changes announced on 27 November the Board comprised two Non-Executive Directors and two Executive Directors. In line with the Code requirement for smaller companies, the Board contained at least two independent Non-Executive Directors during the year. Bob Beveridge and Martin Geh are considered by the Board to be independent of management and free from any business or other relationship that could materially interfere with the exercise of their judgement.

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

Female representation on the Board is now zero. The Board recognises the importance of gender diversity in the Company and is committed to promoting gender diversity throughout the organisation. Further information on the total female representation in our workforce is provided in our Corporate and Social Responsibility Report on page 19.

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

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
The Board recognises that a performance evaluation is important to maximise Board effectiveness. A formal evaluation of the Board and Committees of the Board is carried out on an annual basis. The 2015 Board evaluation was conducted internally and led by Karen Slatford. The Chairman of each Board Committee conducted an internal performance review of the Committee they are responsible for chairing. Each review considered a range of factors including the balance of skills and experience, independence of the Board and strategy of the Company.

During the year, pursuant to the Code, the Chairman and Executive Chairman met with the other Non-Executive Directors without the CFO present, and the acting Senior Independent Director met with the other Non-Executive Director without the Chairman or Executives present.

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

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

Accountability

Financial reporting
The Board is responsible for presenting a fair, balanced and understandable assessment of the Company. The Company has a comprehensive annual budgeting process and the annual budget is approved by the Board. Reforecasts are presented to the Board during the year. The statement that gives the reasons why the Directors continue to adopt the going concern basis for preparing the financial statements is given in the Directors' Report on page 50.

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

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

Read more about **risk and uncertainties** on pages 16 to 18

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

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

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

Viability statement

1) Assessment of prospects
The context for assessment
During the year, it became clear that a change of strategy was required. With planned sales growth failing to materialise, the cost base of the Group had become unsustainable and significant costs were removed. The Board appointed the major shareholder, Nathaniel Rothschild, as Executive Chairman in order to prevent the risk of further counter-productive executive churn, to be able to move forward decisively and quickly in the actions required and to set an example to all employees of the need to act like owners. The short term focus has been on overhauling factory efficiency and responsiveness and on improving salesforce effectiveness, outlined more fully in our Strategic Report.

The outlook for some of our key markets remains tough with falling demand in the PC and laptop markets leading to intensified competition. We are determined to continue our strong financial management and thereby operate at the lowest possible cost for the foreseeable future. During the year, as we stabilise operations and sales processes, we will gain greater insight into our competitive position and develop a refocused, sustainable business model for the longer term strategy.

The assessment process and key assumptions
The Group's prospects are assessed primarily through its annual budgeting process through to March 2017, supplemented by a higher level forecast for the following year. Due to the current focus of the Group on its short term key objectives, longer term forecasting is not deemed appropriate at this current time. In accordance with the UK Corporate Governance Code, the Directors have assessed the viability of the Group over this 2 year period.

The annual budget for FY 2017 was prepared through a group wide bottom up process: the sales account managers prepared detailed sales forecasts by customer and factory managers prepared operational costings, with the full support and engagement of the procurement and finance functions. These forecasts were then reviewed and challenged by the Executive Directors and the Board. The CFO led budgeting workshops with each function to ensure all opportunities and risks were addressed. The FY 2017 budgeting cycle concluded in February 2016. The budget assumptions have been assessed against the financial covenants and the Board is confident that we will be able to operate within them.

The recent extension of the senior credit facility to June 2018 allows the Group the time to deliver on its short term key objectives and its improved financial performance before proceeding with a full refinancing. Management believes that the Group will be in a significantly stronger position to negotiate and achieve a refinancing at this time. As a result, a further one year forecast for the year to March 2018 has been prepared and reviewed by the Board.

The key assumptions in this forecast are:

- Power Cord volume growth to offset any price attrition
- Cable Assemblies Business to grow by 4%
- Operational efficiencies to drive a gross margin improvement of 2.2%

The Board carried out a robust assessment of the principal risks facing the Group as outlined on pages 16 and 18, including those that would threaten the future performance, solvency or liquidity of the Group. Part of the Board's role was to consider whether both the Budget and the Forecast took appropriate account of the external environment and mitigations for those principal risks identified. These risks could prevent the Group from delivering on its forecast performance, however, management believes it has a number of mitigating actions available to it such that the impact of a reasonable downside could be controlled.

2) Assessment of viability
Although the budget and forecast represent the directors' best estimate of the future prospects of the business, they have also tested the potential impact on the Group of a number of downside scenarios. These scenarios, which take into account the principal risks faced by the Group, represent 'severe but possible' circumstances that the Group could experience.

The scenarios tested include:

- A revenue fall by 10%
- Only half of the forecast procurement benefits are achieved
- Defective product claims of $2.0m received from customers in relation to historic cables supplied

The results of this stress testing showed that, given the available headroom on the existing financing and further cost reduction plans available to management, the Group would be able to withstand the impact of these scenarios occurring over the period to June 2018.

3) Viability statement
Based on their assessment of prospects and viability above, the directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the two year period to June 2018.

Corporate Governance Report continued

Relations with shareholders

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

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

Annual General Meeting ('AGM')

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

The Chairmen of the Committees will attend the forthcoming Annual General Meeting and are, with the other Directors, available to answer questions.

The Board welcomes questions from shareholders who are given the opportunity to raise issues in the AGM itself or informally before or after the meeting.

For each resolution, the proxy appointment form provides 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 or against the resolution.

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

On behalf of the Board

Daren Morris
Chief Financial Officer and
Company Secretary
9 June 2016

Audit Committee Report

The Audit Committee has reviewed the critical judgements and estimates made by management, including the Going Concern assessment, and find them to be reasonable.

Key objective

To support the Board's duty of stewardship, the Committee aims to ensure appropriate corporate governance is applied to the Group's systems of internal control, risk management and other compliance matters. The Committee also monitors the integrity of financial information published externally for use by shareholders. We ensure that the integrity of the financial statements is supported by an effective external audit.

Governance

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

The Audit Committee is responsible for:

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

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 are:

Name	Date of appointment
Robert Beveridge (Chairman)	15 April 2015
Martin Geh	26 March 2015
Geraint Anderson	18 September 2014 resigned 29 September 2015

The Committee members have the appropriate range of financial, commercial and risk management experience to fulfil its 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 independent Non-Executives and requires a minimum of two independent Non-Executive members at any time.

The Audit Committee Chairman has recent and relevant financial experience, in line with the Code and Committee terms of reference. Biographical details are set out on page 20.

Audit Committee Report continued

Meetings

The Audit Committee is required to meet a minimum of three times per year and has an agenda linked to events in the Group's financial calendar. The agenda is predominantly cyclical and is therefore approved by the Audit Committee Chairman on behalf of his fellow members. Each Audit Committee member has the right to request reports on matters of interest in addition to the cyclical items. During FY2016, the Audit Committee met on four occasions.

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

Main activities of the Committee during the year

Financial reporting

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

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

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

The Committee has reviewed papers on the critical judgements and estimates outlined in Note 2 of the accounts on pages 68 and 69. The primary areas of judgement considered and discussed by the Committee in relation to the FY2016 financial statements and how these have been addressed are listed below.

- Going concern – during the year the Committee reviewed the Group's compliance with its Bank Facility covenants. The Committee has further reviewed the Group's forecasts and projections as well as the calculated covenants under the revised conditions following the 'amendment and extension' to the senior credit facility. Where covenant compliance headroom is restricted, the Committee has also reviewed the mitigations available to the Group, and the effect of those mitigations on covenant performance, in the event of a shortfall in financial performance against its forecasts and projections. The Committee concluded that the Accounts should be prepared on a going concern basis;
- Non-recurring expenditure – management has presented a breakdown of the non-recurring expenditure and explanations as to why the expense should be analysed as such. The Audit Committee has reviewed and discussed this analysis with management. Details are shown in Note 4 on page 71. Non-recurring expenditure during the year was $4.7 million. The Committee, after considering the 2013 FRC Guidance in respect of exceptional items, agreed that these costs were suitably disclosed as non-recurring;
- Goodwill, Intangible Asset and PPE Valuations – the downturn in trading performance, particularly in the Power Cords division, and the subsequent fall in Volex plc share price provided indications of potential impairment. The Audit Committee has reviewed the impairment analysis prepared by management, which includes both an assessment of specific assets for which impairment was proposed and the segregation of remaining long lived assets into cash generating units ('CGU') and the forecast performance expected from those CGU's. Based upon the analysis, the Committee agreed that an impairment charge of $1.5 million was reasonable.
- Onerous Lease Provisions – the Committee reviewed the Group's calculation of the onerous lease provision held against the old UK manufacturing facility. This calculation includes a number of assumptions, most importantly the successful sub-let of the site. After discussing with management and understanding possible alternate strategies to exit the property, the Committee believes the $3.1 million provided is reasonable.
- 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 $4.3 million provided is reasonable.

Internal control, risk and compliance

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

- The updated risk register prepared by Board members and senior management;
- Investigations performed on all whistle-blowing, control breakdowns and fraudulent issues;
- The reports issued during the year by internal audit following their risk based review of sites and processes; and
- The Management Letter presented by PwC outlining control weaknesses identified through their annual audit and management's response to these.

Details of our internal controls and risk management systems including controls over the financial reporting process can be found on page 26 in the Corporate Governance Report with our risk factors in full in the Strategic Report on pages 16 to 18.

Internal audit

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

- establishes the function's terms of reference, reporting lines and access to the Audit Committee;
- approves the appointment and removal of the Group Head of Internal Audit;
- reviews and assesses the annual internal audit plan in the context of the Group's overall risk management system;
- reviews promptly the internal audit reports produced from the site / process reviews and monitors management's responsiveness to the findings and recommendations included therein; and
- performs an annual internal audit effectiveness review soliciting feedback from members of the Audit Committee, Executive management, management of sites that have been reviewed in the year and the Group Head of Internal Audit.

The Group's Whistle blowing Policy contains arrangements for both the Group Head of Internal Audit and Human Resources to receive, in confidence, all complaints.

External audit

The Audit Committee is responsible for the monitoring of the independence, objectivity and compliance with ethical and regulatory requirements of the external auditors. Details of the total remuneration for the auditors for the year can be found in note 8 on page 73 of the consolidated financial statements.

Auditor independence and objectivity is safeguarded by limiting the value and nature of external services provided by the auditor. The Group also has a policy of not recruiting employees of the external auditor 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 auditor

The Audit Committee maintains a non-audit services policy which sets out the categories of non-audit services that the external auditor 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. The policy was reviewed in the year and amended to exclude permission to use the external auditor for tax advisory and compliance services.

Non-audit fees for the year were $nil (FY2015: $586,000). The prior year fee was primarily in relation to other assurance activity associated with the share placing and open offer.

Audit tender

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

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

- Reviewed the external auditor's plan for the current year (noting the role of the senior statutory audit partner and any changes in key audit staff) and agreed the scope of the audit work to be performed;
- Agreed the fees to be paid to PwC for their audit of the 3 April 2016 financial statements and other non-audit fees;
- Reviewed a report from PwC describing their arrangements to identify, report and manage any conflicts of interest and confirming the basis of their independence;
- Reviewed the output from an Audit Effectiveness Questionnaire completed by Audit Committee members and senior members of the finance team who regularly interact with the external auditors;
- Assessed PwC's fulfilment of the agreed audit plan and any variations from that plan; and
- Assessed the robustness and perceptiveness of PwC in their handling of the key accounting and audit judgements.

The Audit Committee, having considered the length of PwC's audit tenure and the results of the above, continue to consider PwC to be independent and therefore have provided the Board with its recommendation that PwC be reappointed as external auditor for the 52 weeks ending 2 April 2017. This will continue to be assessed on an annual basis considering the provisions outlined in the revised UK Corporate Governance Code in respect of external audit tendering and the likely changes resulting from the European Commission's Competition Review.

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 auditor.

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

Bob Beveridge
Chairman of the Audit Committee
9 June 2016

Directors' Remuneration Report

Due to disappointing trading performance, total Director remuneration (excluding severance) has reduced by 43% on the prior year.

Martin Geh
Chairman of the
Remuneration Committee

Annual Statement

Overview from Chairman of the Remuneration Committee
I am pleased to introduce the Directors' Remuneration Report for the year ended 3 April 2016, which includes my statement, the Directors' Remuneration Policy and the Annual Report on Remuneration for the year.

FY2016 was a difficult year for Volex with a trading performance below expectations and the departure of Christoph Eisenhardt, the former CEO, and the majority of the Non-Executive management team. As a result, the targets set for the Executive Directors were not met, and no bonuses were payable under the annual bonus plan.

On 8 June 2015 Daren Morris' role as Chief Financial Officer was made permanent. Having reviewed the remuneration package for the CFO position and benchmarked against a suitable candidate pool, we increased the base salary for the role and exercised our discretion in the first year of appointment to increase the maximum PSP grant to 200% of salary for FY2016 in line with our stated Policy relating to remuneration on recruitment. PSP awards to the CFO will revert to 100% of salary for FY2017 onwards.

As a result, Daren Morris was issued with an award under the PSP in June 2015 and a further award under the PSP was made in March 2016, which was made in line with the approved policy as outlined in this report.

On 1 December 2015 Nathaniel Rothschild was appointed as Executive Chairman. The base salary for this role was set at the same level as that of the outgoing Chairman, resulting in a significant saving for the Company through the combination of two roles into one. Mr Rothschild was issued with an award under the PSP in March 2016, which was made in line with the approved policy as outlined in this report.

During the financial year, we undertook a review of the annual bonus structure and concluded that we would introduce Remuneration Committee discretion to require 50% of annual bonus to be converted into shares, to create further alignment with the Company's longer term strategy and the interests of our shareholders. In FY2017 Executive Directors will continue to have the opportunity to earn up to 100% of annual salary under the plan, and the payment level will be determined with reference to Company performance against two key financial targets: Group Operating Profit and Group Return on Capital Employed. It is envisaged that an award of shares under the PSP will be made during the year, such award being in line with the policy.

Base salaries of the Executive Directors were reviewed and it was decided to keep the salaries at the current levels, with no increase.

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.

Whilst no substantial changes were made to Executive remuneration in FY2016 or are expected to be made in FY2017, we continue to welcome feedback from shareholders.

I hope we can continue to receive your support on the remuneration-related votes at our FY2016 AGM.

On behalf of the Remuneration Committee

Martin Geh
Chairman of the Remuneration Committee
9 June 2016

Compliance statement

This report has been prepared in accordance with the requirements of the Large and Medium Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the UK Listing Authority Listing Rules and applies the principles set out in the UK Code on Corporate Governance (the "Code").

The following parts of the Annual Report on Remuneration are audited: the single total figure of remuneration for Directors, including annual bonus and PSP outcomes for the financial year ended 3 April 2016; scheme interests awarded during the year; payments to past directors and payments for loss of office; and Directors' shareholdings and share interests.

Policy report

Volex's future remuneration policy for Executive Directors
The Policy Table below sets out the remuneration policy that was approved by shareholders at the 2014 AGM. This policy is unchanged except for the introduction of Remuneration Committee discretion to require deferral of a portion of the annual bonus into Volex shares, vesting after at least one year, as approved at the 2015 AGM. The Committee believes that the proposed change supports retention and achieves greater alignment with shareholders. Full details of the approved policy can be found in the FY2014 Annual Report.

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.
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 circumstance 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.

Directors' Remuneration Report continued

Purpose and link to strategy	Operation	Opportunity	Performance metrics
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 has discretion to require a proportion of any annual bonus award to be deferred into shares for at least one year, subject to continued employment. 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, 50% of the bonus is payable. For performance between threshold and maximum, the bonus payout will increase straight-line.	KPIs selected and their respective weightings may vary from year to year depending on strategic priorities. Measures may include financial and non-financial metrics. Corporate measures will be weighted each year according to business priorities. Measures will include a measure of operating profit. The range of performance required under each measure is calibrated with reference to Volex's internal budgets. Financial measures will make up at least 80% of the total opportunity. The Committee has discretion to adjust the formulaic bonus outcome both upwards and downwards to ensure alignment of pay with the underlying performance of the business over the financial year, and to take into account personal performance over the course of the year. Further details of performance conditions are provided in the Annual Report on Remuneration on page 44.
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 200% of salary for the CEO and 100% of salary for other Executive Directors. This limit may be exceeded in circumstances in which the Committee, at its absolute discretion, deems appropriate. Under each measure, threshold performance will result in 30% of maximum vesting for that element, rising on a straight-line to full vesting.	Awards vest subject to continued employment and Company performance. The performance measures are currently relative Total Shareholder Return ('TSR') and cumulative operating profit but the Committee may also include additional measures. The weighting on TSR for any PSP award will be at least 50%. The Committee reviews the comparator group(s) against which TSR performance is measured from time to time to ensure it remains aligned with shareholder interests. As under the annual bonus, the Committee has discretion to adjust the formulaic PSP outcomes to ensure alignment of pay with performance, i.e. to ensure the outcome is a true reflection of the performance of the Company. Further details of performance conditions are provided in the Annual Report on Remuneration on page 45.

Notes to the Policy Table

Performance measurement selection

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

Long term share-based incentives ('LTI') are designed to align the interests of key Executives with the longer term interests of the Company's shareholders by rewarding them for delivering sustained, increased shareholder value. Accordingly, the vesting of LTI share awards is linked to performance conditions, in particular to the Company's relative total shareholder return and operating profit. Relative TSR has been selected as it is directly aligned with shareholder interests. Operating profit has been selected as it is a key measure of long term performance for Volex and is closely aligned with the Company's strategic plans. The Committee believes that the minimum three-year performance period is in line with 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 level of experience, responsibility, individual performance and salary levels in comparable companies. The majority of employees are eligible to participate in an annual bonus scheme. Opportunities and specific performance conditions vary by organisational level with business area-specific metrics incorporated where appropriate. Executive Committee members are eligible to participate in the LTI. Performance conditions are consistent for all participants, while award sizes vary by organisational level. Specific cash incentives are also in place to motivate, reward and retain staff below Board level.

Shareholding guidelines

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

Volex's future remuneration policy for the Chairman and 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 Chairman of the Board. 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.	Chairman and Non-Executive Directors receive a basic fee for their respective roles. Additional fees are paid to Non-Executive Directors for additional services, e.g. such as chairing a Board Committee, supporting the Board on matters that require significant time commitment over and above that expected to fulfil the 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.

Directors' Remuneration Report continued

Pay scenario charts

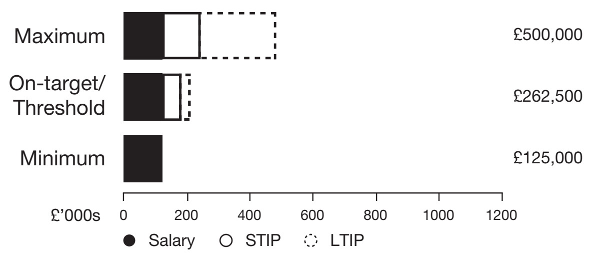
The charts below provide estimates of the potential future reward opportunity for the current Executive Directors, and the potential split between the different elements of remuneration under three different performance scenarios: 'Minimum', 'On-target/Threshold' and 'Maximum'.

Potential reward opportunities illustrated below are based on the remuneration policy, applied to the base salary as at 1 July 2016. For the annual bonus, the amounts illustrated are those potentially receivable in respect of performance for FY2017. For the PSP, the award opportunities are based on those PSP awards which are expected to be granted in FY2017. 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.

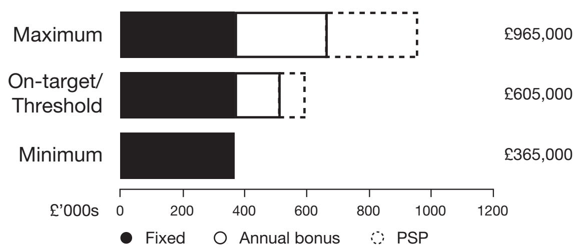
In illustrating potential reward opportunities the following assumptions have been made:

	Component	'Minimum'	'On-target'	'Maximum'
Fixed	Base salary	Last 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 (50% of max)	Maximum bonus
PSP		No LTIP vesting	Threshold vesting (30% of max)	Maximum vesting

Executive Chairman – Nathaniel Rothschild



CFO – 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 pro-rated to reflect the proportion of employment over the year. Targets for the individual element will be tailored to the Executive.	Up to 100% of salary p.a.
PSP	New appointees will be eligible for awards under the PSP which will normally be on the same terms as other Executive Directors, as described in the Policy Table.	Up to 200% of salary p.a.

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

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

Non-Executive Directors
In the case of hiring or appointing a new Non-Executive Director, the Committee will follow the Policy as set out in the table on page 35. A base fee in line with the prevailing fee schedule would be payable for Board membership, with additional fees payable for additional services, such as chairing a Board Committee or acting as a Senior Independent Director.

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

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

Executive Director	Position	Effective date of contract	Notice period	
			From Company	From Director
Nathaniel Rothschild[1]	Executive Chairman	1 December 2015	1 month	1 month
Daren Morris[2]	Chief Financial Officer	8 June 2015	6 months	6 months

[1] Nathaniel Rothschild was appointed to the Board as a Non-Executive Director on 15 October 2015 before becoming Executive Chairman.
[2] Until 8 June Daren Morris was performing the role of Interim Chief Financial Officer under a consulting agreement effective 11 December 2014 with a termination date of 30 June 2015 unless terminated by either party in advance.

Letters of appointment are provided to the Chairman and Non-Executive Directors. Non-Executive Directors have letters of appointment effective for a period of three years and are subject to annual re-election at the AGM. 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 3 April 2016	Date of appointment/Last reappointment at AGM	Notice period
Robert Beveridge	15 April 2015	24 months	15 April 2015	3 months
Martin Geh	23 October 2013	7 months	23 October 2013	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.

Directors' Remuneration Report continued

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

Event	Timing of vesting/award	Calculation of vesting/payment
Annual bonus		
'Good leaver'	Paid at the same time as continuing employees.	Eligible for an award to the extent that performance targets are satisfied and the award is pro-rated 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 pro-rated 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 pro-rated 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 pro-rated 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.

During FY2016, Nathaniel Rothschild was a Non-Executive Director of Genel Energy plc. His director fees from Genel Energy plc, following his appointment as Executive Chairman to Volex, which he retained were £27,178.

Annual report on remuneration

The following section provides details of how the remuneration policy was implemented during the year.

Remuneration Committee membership in FY2016

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

Committee member	Member throughout 2015/16	Number of meetings attended
Robert Beveridge[1]	No	●●●○
Martin Geh	Yes	●●●●
Karen Slatford[2]	No	●●●○
Geraint Anderson[2]	No	●●○○

[1] Appointed on 15 April 2015.

[2] Resigned on 26 November 2015.

During the year, the Committee sought internal support from the Chief Executive Officer, Chief Financial Officer and Chief HR 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 FY2016

The agenda during FY2016 included:

- Approval of the FY2015 Directors' Remuneration Report;
- Evaluation of PSP proposals;
- Review of Executive Directors' shareholdings;
- Consideration of advisory bodies' and institutional investors' current guidelines on executive compensation;
- Annual review and ratification of remuneration packages for Directors, incorporating institutional investor feedback;
- Evaluation of proposal for FY2017 annual bonus plan;
- Review and approval of compromise agreements in relation to Directors; and
- Review and approval of remuneration packages and structure for key new hires, appointed as part of the restructuring of the executive team.

Advisors

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 Associates as the principal external advisors to the Committee.
The Committee evaluates the support provided by its advisors annually and is comfortable that the Kepler Associates team provides independent remuneration advice to the Committee and does not have any connections that may impair independence. During the year, Kepler Associates provided independent advice on a range of remuneration matters including current market practice, incentive design and also provided input on the Directors' Remuneration Policy and Report.

The Committee continually assesses ongoing advice provided by its advisors on remuneration matters.

The fees paid to advisors in respect of work carried out for the year under review are shown in the table below:

Company	Service	Fee
Kepler Associates[1]	Remuneration Committee support	£13,470

[1] Fees received are on the basis of time and materials.

Directors' Remuneration Report continued

Summary of shareholder voting at the FY2015 AGM

The table below shows the results of the vote on the FY2015 Remuneration Report at the AGM on 24 July 2015. It is the Remuneration Committee's policy to consult with major shareholders prior to any major changes to its Executive Directors' remuneration structure.

	Total number of votes	% of votes cast
For (including discretionary)	35,272,977	98.20%
Against	634,868	1.77%
Total votes cast (excluding withheld[1] votes)	35,907,845	99.97%
Votes withheld	12,942	0.03%
Total votes cast (including withheld votes)	35,920,787	100.00%

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

Single figure of Executive Director remuneration (Audited)

The table below sets out a single figure for the total remuneration received by each Executive Director for the year ended 3 April 2016 and the prior year:

Executive Director	Year	Salary (£)	Benefits[2] (£)	Relocation[3] (£)	Pension[4] (£)	Annual bonus[5] (£)	PSP[6] (£)	Other (severance)[7] (£)	Other (restricted shares) (£)	Total (£)
Nathaniel Rothschild[8]	**2016**	47,105	–	–	–	–	–	–	–	47,105
	2015	–	–	–	–	–	–	–	–	–
Daren Morris[1]	**2016**	333,212	3,917	–	48,922	–	–	–	–	386,051
	2015	86,600	189	–	–	–	–	–	–	86,789
Christoph Eisenhardt	**2016**	211,575	35,298	–	42,315	–	–	180,683	–	469,871
	2015	420,000	35,282	48,233	84,000	318,421	–	–	–	905,936
Nick Parker	**2016**	–	–	–	–	–	–	–	–	–
	2015	179,165	12,472	–	34,491	109,931	–	228,350	–	564,409

[1] Daren Morris replaced Nick Parker as CFO on 11 December 2014. Amounts shown in the table relate to the period undertaken in the role.
[2] Taxable value of benefits received in the year by Executives includes car allowance, healthcare and life assurance. For Christoph Eisenhardt this includes £5,500 for car allowance and £5,894 for health cover.
[3] Relocation: During the prior year, the Executive Directors were provided with relocation assistance including but not limited to relocation agency support, temporary accommodation, removals and disbursement costs.
[4] Pension: During the year, the Executive Directors each participated in a money purchase scheme into which the Company contributed 20% of salary.
[5] Annual bonus: The FY2014 bonus was entirely contingent upon delivery of the budget revenue targets in the first quarter of FY2015. These targets were met and the FY2014 bonus was paid. No bonuses were payable in respect of the FY2015 nor FY2016 annual bonus plans. Details can be found on page 41 of this report.
[6] None of the Executive Directors incumbent in the relevant years were party to PSPs that vested in the year.
[7] During the year Christoph Eisenhardt was provided with a severance payment, details of which can be found on page 42 of this report.
[8] Included within Nathaniel Rothschild's salary figure is £5,438 for the month of November 2015 in which he acted as Non-Executive Director before being appointed Executive Chairman.

Single figure of Non-Executive Director remuneration and Non-Executive Director fees (Audited)

The table below sets out a single figure for the total remuneration received by each Non-Executive Director for the year ended 3 April 2016 and the prior year:

Non-Executive Director	Year	Base fee (£)	Committee fee (£)	Additional fee (£)	Benefits in kind (£)	Total
Robert Beveridge	**2016**	40,787	7,769	–	–	48,556
	2015	–	–	–	–	–
Martin Geh	**2016**	42,000	8,000	–	432	50,432
	2015	42,000	8,000	–	264	50,264
Karen Slatford	**2016**	83,333	–	–	1,135	84,468
	2015	125,000	–	–	1,272	126,272
Geraint Anderson	**2016**	20,000	5,000	29,850	4,143	58,993
	2015	42,000	8,000	–	378	50,378
John Allkins	**2016**	–	–	–	–	–
	2015	31,500	6,000	–	–	37,500
Daren Morris[1]	**2016**	–	–	–	–	–
	2015	31,500	–	62,342	–	93,842

[1] Daren Morris resigned as a Non-Executive Director on 11 December 2014 prior to taking on the role of interim CFO. Fees shown in the table relate to the period as Non-Executive Director.
[2] Following the resignation of Christoph Eisenhardt as Group Chief Executive Officer, Geraint Anderson became interim CEO. The additional fee shown in the table above relates to the period as interim CEO.

The Non-Executive Directors are not eligible for bonuses or retirement benefits and cannot participate in any share scheme operated by the Company. The base fees during the year and for FY2017 are:

	Fee	
	FY2017	FY2016
Chairman fee	n/a	£125,000
Non-Executive Director base fee	£42,000	£42,000
Committee Chairman additional fee[1]	£8,000	£8,000

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

Incentive outcomes for the year ended 3 April 2016

Annual bonus in respect of FY2016 performance

For FY2016, the maximum bonus potential for the Executive Directors was set at 100% of basic annual salary and was 50% based on achieving an operating profit target and 50% on achieving a cash flow from operations target. The bonus was intended to be paid in half if budgeted performance was achieved and in full if stretch targets were achieved.

The performance against the criteria as defined determined that no bonuses would be paid.

Annual bonus in respect of FY2014 and FY2015 performance

The targets included in the FY2015 bonus plan were not met and as a result no bonus payments were paid.

In FY2014 the Committee decided to defer bonus payments in respect of FY2014 performance and required payment to be entirely contingent on delivery of agreed revenue targets in the first quarter of FY2015. This reflected the importance of revenue as an indicator that the implementation of the VTP was on track.

The performance against the revenue targets in the first quarter of FY2015 as defined determined that the bonuses deferred from FY2014 would be paid.

				Performance achieved (% of bonus earned)	
FY2014 Measure	Weighting	Measure	Actual	Christoph Eisenhardt[2]	Nick Parker[1]
Financial	50%	Cumulative operating profit	52%	26%	16%
Non-financial	50%	Chairman assessment	100%	17%	9%
			100%	16%	10%
			100%	17%	9%
Annual bonus (% of salary)				76%	44%

[1] As the CFO joined during FY2014, the bonus amount has been pro-rated to time in role.

[2] No pro-rating has been applied to the CEO's bonus payment as noted in the service agreement.

Corporate targets set by the Committee require Executive Directors to deliver significant stretch performance. Given the close link between performance measures and Volex's longer term strategy, these targets remain 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, i.e. not later than the 2018 Directors' Remuneration Report, is appropriate.

PSP Schemes

The PSP awards granted in FY2014 and FY2015 fully lapsed during the year, following the departure of all recipients.

Directors' Remuneration Report continued

Scheme interests awarded in FY2016 (Audited)
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
CFO	18 June 2015[1]	362,889	83.0p	£301,198
CEO	31 March 2016[2]	656,168	38.1p	£250,000
CFO	31 March 2016[2]	656,168	38.1p	£250,000

[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 6 April 2015 and will end on 1 April 2018. The three-year performance period over which TSR performance will be measured began on 6 April 2015 and will end on 1 April 2018.

[2] 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 6 April 2015 and will end on 1 April 2018. The three-year performance period over which TSR performance will be measured began on 31 March 2016 and will end on 29 March 2019.

In accordance with the Group policy the award to the CEO is equivalent to 184% of his base salary.

The FY2016 award to the CFO amounts to 183% of his base salary. The Committee exercised its discretion in the first year of appointment to award up to 200% of base salary. PSP awards to the CFO will revert to 100% of salary in FY2017.

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 2019 Directors' Remuneration Report).

Payments for loss of office (Audited)
The CEO received the payments for loss of office as outlined below:

	Severance	Pension	Total
Christoph Eisenhardt	180,683	–	180,683

The payment for loss of office for Christoph Eisenhardt consisted of a settlement payment equalling four months' salary plus payment in lieu of medical insurance plus pension payment.

All shares awarded under the FY2014 RSA and the FY2014 and FY2015 PSP lapsed in full on termination.

Payments to past directors (Audited)
During FY2016 benefits in kind were paid to Christoph Eisenhardt totalling £18,655 for tax due on relocation expenses. Christoph left the Group in September 2015 and benefits were paid in accordance with his settlement agreement.

Percentage change in CEO remuneration

The table below shows the percentage change in CEO/Executive Chairman remuneration from prior year compared to the average percentage change in remuneration for all employees.

The CEO's remuneration includes base salary, taxable benefit and annual bonus. For FY2016, the CEO/Executive Chairman remuneration includes the sum of the payments to Christoph Eisenhardt, Geraint Anderson and Nathaniel Rothschild.

The pay for all other employees is calculated using the increase in the earnings of all full-time employees for FY2015 and FY2016. The analysis excludes part-time employees and is based on a consistent set of employees.

CEO	**FY2016[1]**	FY2015	Decrease
Salary	**£289k**	£420k	(31.3%)
Taxable benefits	**£35k**	£35k	–
Relocation	**–**	£48k	(100%)
Annual variable	**–**	£318k	(100%)
Total	**£324k**	£821k	(60.6%)
Average increase across all employees			0%

[1] The salary of the CEO in FY2016 is the combination of the salary to Christoph Eisenhardt (CEO to September 2015), the additional fee paid to Geraint Anderson whilst interim CEO between September and December 2015 and the Executive Chairman fee paid to Nathaniel Rothschild post December 2015.

Relative importance of spend on pay

The chart below shows the Company's actual expenditure on shareholder distributions and total employee pay expenditure for the financial years ended 3 April 2016 and 5 April 2015. For the purpose of this Remuneration Report, these figures are translated into GBP at the average rate for the year.

	2016 £'000	2015 £'000
Total employee pay	**53,852**	56,181
Dividend	**0**	0

Seven-year TSR performance review and CEO single figure

The following graph charts the TSR of the Company and the FTSE All Share and FTSE All Share Electronic and Electrical Equipment indices over the six-year period from April 2009 to March 2016. 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 overleaf details the CEO's single figure remuneration over the same period.

Source: Bloomberg

Note: TSR is calculated on a common currency.

Directors' Remuneration Report continued

	2010	2011	2012	2013	2014[1]	2015	2016[3]
CEO single figure of remuneration (£'000)	788	472	481	1,667	1,654	906	**547**
Annual bonus payout (% of maximum)	100%	0%	0%	0%	0%[2]	76%[2]	**0%**
PSP vesting (% of maximum)	0%	0%	0%	100%	0%	0%	**0%**

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

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

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

Implementation of Executive Director remuneration policy for FY2017

Base salary

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

The Committee reviewed salaries during the year and agreed that there would be no increase.

Executive Director	Base salary effective from 1 July 2015 or appointment date	Base salary effective from 1 July 2016	Percentage increase
Nathaniel Rothschild	£125k	£125k	0%
Daren Morris	£300k	£300k	0%

A salary increase averaging 0.0% across the UK employee population group was awarded at the annual pay review, effective 1 July 2016.

Pension

The Chief Financial Officer will continue to receive a pension contribution of 20% of salary.

Annual bonus

The annual bonus for FY2017 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. At the discretion of the Committee up to 100% of any annual bonus award will be deferred into Volex shares, with 50% vesting after one year and 50% after two years.

For FY2017, the annual bonus will be based 50% on underlying operating profit and 50% on return on capital employed. Proposed target levels have been set to be challenging relative to the 2017 business plan, although specific targets 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 2019 Directors' Remuneration Report).

PSP

For FY2017, the PSP will revert to its normal policy approved levels. The CEO will receive an award of up to 200% of salary whilst the CFO will receive an award of up to 100% of salary. Final vesting of any grant will depend on the achievement of three-year relative TSR outperformance vs. the FTSE ASX Index and cumulative operating profit, as follows:

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

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

Specific targets for the operating profit are deemed to be commercially sensitive and will not be published until such time that the Committee is confident there will be no adverse impact on the Company of such disclosure. At this time the Committee believes that disclosure of targets within three years of the determination of bonuses, i.e. not later than the 2019 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 2017 Annual Report on Remuneration.

Chairman and Non-Executive Director fees

In line with the salary freeze across all other UK staff, the Board determined that Non-Executive remuneration should not be increased for FY2017. Fee levels will continue to be reviewed on an annual basis.

	2015 fees	**2016 fees**
Base fees		
Chairman	£125k	**n/a**
Non-Executive Director	£42k	**£42k**
Additional fees		
Audit Committee Chair	£8k	**£8k**
Remuneration Committee Chair	£8k	**£8k**
CSR Committee Chair	£8k	**£8k**

Directors' interests (Audited)

The table below shows the Directors' interests in shares and the extent to which Volex's shareholding guidelines are achieved. There have been no changes in the Directors' interests as set out in the table since 3 April 2016.

	Number of shares held as at 3 April 2016 (or date of resignation)	Current shareholding (% salary/fees)	Shareholding[1] guideline (as % of salary)	Guideline met
Nathaniel Rothschild[2]	23,015,771	7,089%	100%	Yes
Daren Morris	230,000	30%	100%	No
Christoph Eisenhardt	143,166	n/a	n/a	n/a
Karen Slatford	107,198	n/a	n/a	n/a
Geraint Anderson	30,000	n/a	n/a	n/a
Bob Beveridge	30,000	0%	n/a	n/a
Martin Geh	–	0%	n/a	n/a

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

[2] Nathaniel Rothschild's shareholding is held through NR Holdings Limited.

Directors' Remuneration Report continued

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.

	Shares owned outright	Vested but unexercised	Not subject to performance	Subject to performance[1]	Total
Nathaniel Rothschild	23,015,771	–	–	656,168	23,671,939
Daren Morris	230,000	–	–	1,019,057	1,249,057
Bob Beveridge	30,000	–	–	–	30,000

[1] The interest in shares consists of the total PSP awards made in FY2016, details of which can be found on page 42 of this report.

Directors' interests in shares and options under Volex PSP and RSP
Details of the Directors' interest in long term incentive schemes are set out below. Details, including explanation of movements during FY2016, are set out on pages 41 to 42 of this Remuneration Report.

Volex Group plc Performance Share Plan (PSP)

	Number of shares subject to PSP options held at 5 April 2015	Number of shares subject to PSP options granted during FY2016	Number of shares subject to PSP options exercised during FY2016	Number of shares subject to PSP options lapsed during FY2016	**Number of shares subject to PSP options held at 3 April 2016**	Exercise price of shares subject to PSP options (£)
Nathaniel Rothschild	–	656,168	–	–	**656,168**	0.25
Daren Morris	–	1,019,057	–	–	**1,019,057**	0.25
Christoph Eisenhardt	1,375,673	–	–	(1,375,673)	**–**	0.25

Volex Group plc Restricted Share Plan (RSP)

	Number of shares subject to RSP options held at 5 April 2015	Number of shares subject to RSP options granted during FY2016	Number of shares subject to RSP options exercised during FY2016	Number of shares subject to RSP options lapsed during FY2016	**Number of shares subject to RSP options held at 3 April 2016**	Exercise price of shares subject to RSP options (£)
Christoph Eisenhardt	630,000	–	–	(630,000)	**–**	0.00

The directors' remuneration report was approved by the board of directors on 9 June 2016 and signed on it's behalf by:

Martin Geh
Chairman of the Remuneration Committee

Directors' Report

Statement of the Directors' responsibilities

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

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

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

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

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

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

Each of the Directors, whose names and functions are listed on page 20 confirm that, to the best of their knowledge:

- The Group and Company financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group;
- The Strategic Report on pages 3 to 19 includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces; and
- The Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

On behalf of the Board

Nathaniel Rothschild
Executive Chairman

Daren Morris
Chief Financial Officer & Company Secretary

Directors' Report continued

The Directors of the Company present their Annual Report for the year ended 3 April 2016. 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 and notes to those financial statements and accordingly these are incorporated into this report by reference.

Results and dividend

Results for the year ended 3 April 2016 are set out in the consolidated income statement on page 56.

The Board is not recommending payment of a final dividend for the 52 weeks ended 3 April 2016.

Events after the balance sheet date

Subsequent to year end, the Group has successfully completed a renegotiation of its senior credit facility. The facility has been extended to June 2018 and covenant levels amended. Management believes the extended facility gives the Group the financial flexibility to complete its turnaround.

Directors

The Directors who served throughout the year are as follows:

Executive Directors	Non-Executive Directors
Nathaniel Rothschild[1]	Martin Geh
Daren Morris[2]	Robert Beveridge[4]
Christoph Eisenhardt[3]	Karen Slatford[5]
	Geraint Anderson[6]

[1] Appointed Executive Chairman on 1 December 2015 following appointment as Non-Executive Director on 15 October 2015
[2] Appointed Chief Financial Officer on 8 June 2015
[3] Resigned as Chief Executive Officer on 29 September 2015
[4] Appointed Non-Executive Director on 15 April 2015
[5] Resigned as Chairman of the Board on 26 November 2015
[6] Resigned as Interim Chief Executive Officer on 27 November 2015 following previous appointment as Non-Executive Director

Biographical details of the Directors currently serving on the Board and their dates of appointment are set out on page 20.

Having been appointed a Director following the 2015 Annual General Meeting, the Company's Articles of Association require Nathaniel Rothschild to seek election at the 2016 Annual General Meeting.

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 moneys borrowed by the Group and owing to persons outside the Group, shall not, without the sanction of an ordinary resolution of the Company, exceed an amount equal to three times the aggregate of the Group's capital and reserves calculated in the manner prescribed by the Company's Articles of Association.

Appointment and replacement of Directors

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

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

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

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

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

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

Directors' indemnities and insurance

In accordance with the Companies Act 2006 and the Company's Articles of Association, the Company has purchased Directors and Officers Liability Insurance which remains in place 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 3 April 2016 (or date of resignation) is set out in the Directors' Remuneration Report on page 45.

Articles of Association

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

Share capital

Details of the Company's share capital are set out in note 22 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 3 April 2016, there were 90,251,892 Ordinary shares of 25p each in issue.

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

Voting rights

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

Restrictions on transfer of shares

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

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

Significant shareholders

The Company had been advised of the following notifiable direct and indirect interest in 3% or more of its issued share capital as at 1 June 2016:

Notification received from:	Number of Ordinary shares of 25p each	% of total voting rights
NR Holdings Limited	23,015,771	25.50
Ruffer LLP	14,502,643	16.07
Miton Asset Management	7,584,490	8.40
GoldenPeaks Capital	3,947,762	4.37
Artemis Investment Management	3,572,640	3.96
UBS Wealth Management	2,978,058	3.30
Herald Investment Management	2,730,666	3.03

Directors' Report continued

Authority to purchase own shares

The Company was authorised by shareholder resolution at the 2015 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 37.

Future developments

The development of the business is detailed in the Strategic Report on pages 3 to 19.

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 continue to recruit design and development expertise.

Employees

The Company's disclosures on employee policies and involvement can be found in the Corporate and Social Responsibility Report on page 19.

Political donations

The Company made no political donations during the year.

Greenhouse gas emissions

The Directors are required to provide details on greenhouse gas emissions in their report; such disclosures are made within the Corporate and Social Responsibility Report on page 19.

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 29 to the accounts and in the Group Risk Management section on pages 16 to 18.

Going Concern statement

The considerations made by the Directors with regards to Going Concern are set out in the Financial Review on page 15.

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.

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/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

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

Annual General Meeting

The Company's Annual General Meeting will be held on 26 July 2016. 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 behalf by:

Daren Morris
Company Secretary
9 June 2016

Independent Auditors' Report

Our 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 3 April 2016 and of the Group's loss and the Group's and the Company's cash flows for the 52 week period (the "period") then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

- The Consolidated income statement and Consolidated statement of comprehensive income for the 52 weeks ended 3 April 2016;
- The Consolidated and Company statements of financial position as the period then ended;
- The Consolidated and Company statement of cash flows for the 52 week period then ended;
- The Consolidated and Company statement changes in equity for the 52 week period then ended; and
- The notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Our audit approach

Overview

- Overall group materiality: $409,000 which represents 5% of current year profit before tax, interest and non-recurring items (as defined in note 4 to the financial statements).
- Materiality for specific account balances:
  - Non-recurring items – 5% of total non-recurring items: $162,000
  - Interest payable – 5% of interest payable: $100,000
- The group operates two main divisions, 'Power Cords' and 'Cable Assemblies'. Our approach gives us sufficient coverage of both divisions.
- We conducted a full scope audit of 5 components and specified procedures on 2 components, which provided us with the following coverage: 71% of revenue, 68% of profit before tax, interest and non-recurring items, 100% of non-recurring items, 81% of interest payable and over 72% of net assets. Furthermore, desktop reviews were performed on a further 13 components.
- We made visits to the Shenzhen manufacturing facility in China and the Volex sales office in Singapore. We also visited component audit teams in Singapore and China, and held conference calls with component teams in Europe and Mexico during the field work stage of the audit. Additionally, we attended planning and clearance calls with all component teams.
- Going concern.
- Classification of non-recurring items.
- Adequacy of the inventory provision.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing 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.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Independent Auditors' Report continued

Area of focus	How our audit addressed the area of focus
Going concern	
Going concern remained a key focus area during the FY16 audit of Volex plc. As discussed on page 13 of the Strategic Report, the Group faces challenges as a result of operating in a highly competitive market, with increased competition and pricing pressures from customers having had a direct effect on revenue, profit margins, cash flow and bank covenant compliance in the year. In June 2016, management renegotiated their banking facility (set to expire June 2017), extending it to June 2018 and obtaining new covenants. The covenants under the new facility are less stringent, but the challenges discussed above remain, potentially impacting future growth and cash flows. Details of considerations made by management and the Audit Committee of the longer term viability of Volex plc are given on page 26 of the Annual Report.	Our assessment of the Group's ability to continue as a going concern focused on the assessment of management's budgeted cash flows and the implications of not being able to meet covenants. Management's budgeted cash flows and our assessment were based on the new banking facility described on page 14. We obtained the budget with forecast cash flows for the next 15 months and: • Re-calculated the calculations of forecast compliance with financial covenants and cash flow headroom, and assessed the sensitivity of cash flows to changes in key inputs, in particular sales projections and working capital management; • Challenged the assumptions used in building the revenue and costs forecast by considering historical accuracy of forecasts, latest information available in FY2017 and latest market trends. As part of this we discussed at length the budgets with the Group finance team and Chief Financial Officer. This also included the assessment of working capital assumptions in light of the FY2016 actuals and periods 1 and 2 of FY2017 performance. The results of these discussions were used to sensitise the cash flows as discussed above; and • Considered the feasibility of the Directors' plans to manage profits and working capital requirements, including potential mitigating actions in the event of under-performance against the forecast. These included the ability of management to stretch the working capital cycle and manage headcount and other associated costs. The Directors have identified sufficient potential mitigating actions based upon their forecast. Our opinion on going concern is presented further below.
Classification as non-recurring items	
The Directors have classified $4.7m of net expenses as non-recurring in the Consolidated income statement, the disclosure of which they believe more accurately reflects the underlying position of the business. The Directors have assessed the costs included in note 4 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 management restructuring across the Group, asset impairment, provisions for onerous leases and tax. We focused on this area because of the magnitude of these items, and the impact that they have on the presentation of the underlying profit in comparison to the statutory measure of profit before tax. Non-recurring items are discussed by the Audit Committee on page 30 and in the Strategic Report on page 13.	We obtained management's detailed listing of non-recurring items and our procedures included the following: • Testing that they met the Group's accounting policy for non-recurring items, as given in note 2, and applying professional scepticism as to the appropriateness of the classification of these items as non-recurring. Items classified as non-recurring are materially in line with the Group's accounting policy; • For onerous leases, we tested the assumptions underlying the non-recurring charge and confirmed this is consistent with management's historical treatment of onerous lease costs. We have held discussions with estate agents acting on behalf of management to get their independent views of the property market and assumptions used by management. We have also obtained correspondence with a landlord with respect to a potential early exit agreement; • For restructuring costs, we agreed a sample of costs to severance agreements or external invoices, focusing on the nature and origination of these costs. Management were consistent in their classification of non-recurring restructuring costs, only including costs for positions that were eliminated with the exception of costs relating to the departure of the Group Chief Executive Officer; • For impairments, we assessed management's calculations and assessed the reasonableness of the underlying assumptions. These included corroborating asset values to external sources. Where relevant, we assessed the cash flow forecasts and assessed the reasonableness of cash flows and discount rates; • For historic tax claims, we discussed the circumstances which led to the release of a provision with management and the original charge to non-recurring items. We also tested the recovery of the assets these provisions were held against to cash receipts; • For non-recurring items that were previously provided for, we traced all movements relating to these provisions, checking that they were either utilised or released against non-recurring items in the Consolidated income statement. Items tested were appropriately accounted for; • We tested that the reconciliation to statutory measures is accurate. We are satisfied with the Directors' treatment and disclosure of non-recurring items.

Area of focus	How our audit addressed the area of focus
Adequacy of the inventory provision	
Volex plc has a material inventory balance ($41.5m) on the balance sheet which is primarily made up of raw materials and finished goods. $5.0m (11%) of inventory is provided for. Volex maintains its inventory levels based on forecast demand volumes of customers. This poses an element of risk as products are customer specific and, for key customers, there is no legal obligation to purchase the inventory. At year end, a material amount of slow moving inventory was on hand. Management have not provided for this inventory as the customer has confirmed that they intend to utilise the inventory in the foreseeable future. However, as discussed above, there is no legal obligation to purchase the inventory. The Group's accounting policy, as described in note 2 is to provide for obsolete, slow moving or defective items where appropriate. Accordingly, there is a level of judgement in assessing the inventory provision. Details of considerations made by management and the Audit Committee of are given on page 30.	We assessed the adequacy of the inventory provision at material inventory locations and also assessed the provision at the consolidated Group level. We attended inventory counts, remaining aware of any potentially slow moving or obsolete inventory. We also obtained and assessed management's inventory provision schedule, comparing it to the Group's accounting policy and assessing management's judgements. The details of our work performed are as follows: • We updated our understanding of the group's inventory provisioning policy, assessing whether it remained appropriate for the group's circumstances. We assessed the provisioning process and levels of provisions held against inventory, concluding that the current methodology remains compliant with accounting standards. • We tested the inventory ageing reports on sample basis to in order to place reliance on the group's ageing report as a basis for provisions made. • We attended physical inventory counts at all locations within scope. Inventory counts were performed in the UK (1 site), Poland (1 site), Mexico (1 site), USA (2 sites), Singapore (1 site) and China (4 sites). Volex also uses third party warehouses to hold its inventory and external confirmations were obtained where such inventory existed. We have considered the following in assessing management's judgement to not provide for specifically identified slow moving inventory: • We have understood the customers commitment to purchase this inventory in the foreseeable future; and • The customer is a key, long standing customer and we have understood the nature of their relationship with the Group. Based on our assessment, management's judgement to not provide for this inventory is considered reasonable

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 geographic structure of the group, the accounting processes and controls, and the industry in which the Group operates. We obtained the following coverage over the Group: 71% of revenue, 68% of profit before tax, interest and non-recurring items, 100% of non-recurring items, 81% of interest payable and over 72% of net assets.

The Group is multinational with production facilities and sales offices around the world. The Group consists of two main divisions, 'Power Cords' and 'Cable Assemblies', and within each division there are a number of reporting units that are consolidated to produce the Group financial statements. Our approach provides us with sufficient coverage over the Group.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the reporting units by us, as the group engagement team, and component auditors from other PwC network firms operating under our instruction. As part of this process, we identified 5 full scope components and 2 components requiring specified procedures. Furthermore, we performed desktop reviews over 13 additional components. Component auditors performed the work for 4 out of the 5 full scope components and 1 of the 2 specified procedure components.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units 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. This included visits to the key facilities in Singapore and China where we attended key local meetings and performed a review of the component audit teams' working papers. We also held calls with significant components not visited to discuss in detail their audit approach. We also held audit close meetings to discuss the work performed by the component auditors and conclude on any follow up points we previously raised.

Independent Auditors' Report continued

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:

Overall group materiality	$409,000 (2015: $460,000).
How we determined it	5% of profit before tax, interest expense and non-recurring items.
Rationale for benchmark applied	In the prior years, our materiality was based on 5% of a three year average of profit before tax, interest and non-recurring items. We have changed this in the current year to the fiscal year profit before tax, interest expense and non-recurring items, as volatility in the results of the business has reduced, with adjusted profits having increased steadily over the past three years.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $20,000 (2015: $50,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons. Specific materialities used were 5% of non-recurring items ($162,000) and 5% of interest payable ($100,000). A separate materiality has been calculated for non-recurring items because these items are separately reported as management believe these items should be reported separately as they are considered one off and significant. The classification of non-recurring items is important because it directly impacts the underlying profitability measure. A separate materiality has also been calculated for interest payable as the group is subject to interest cover covenants which is an area of audit focus under going concern.

Going concern

Under the Listing Rules we are required to review the Statement of the Directors' responsibilities, set out on page 47, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Statement of the Directors' responsibilities about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Statement of the Directors' responsibilities, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and Company have adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Company's ability to continue as a going concern.

Darryl Phillips
(Senior Statutory Auditor)
for and behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
9 June 2016

55

Financials

Consolidated income statement

For the 52 weeks ended 3 April 2016 (53 weeks ended 5 April 2015)

		Group					
		2016			2015		
	Notes	Before non-recurring items and share-based payments $'000	Non-recurring items and share-based payments $'000	Total $'000	Before non-recurring items and share-based payments $'000	Non-recurring items and share-based payments $'000	Total $'000
Revenue	3	**367,534**	**–**	**367,534**	423,409	–	423,409
Cost of sales		**(307,167)**	**(1,848)**	**(309,015)**	(352,471)	(311)	(352,782)
Gross profit		**60,367**	**(1,848)**	**58,519**	70,938	(311)	70,627
Operating expenses		**(53,195)**	**(1,885)**	**(55,080)**	(62,106)	(13,074)	(75,180)
Operating profit/(loss)		**7,172**	**(3,733)**	**3,439**	8,832	(13,385)	(4,553)
Finance income	5	**18**	**–**	**18**	40	–	40
Finance costs	6	**(1,915)**	**–**	**(1,915)**	(2,666)	–	(2,666)
Profit/(loss) on ordinary activities before taxation		**5,275**	**(3,733)**	**1,542**	6,206	(13,385)	(7,179)
Taxation	10	**(3,942)**	**88**	**(3,854)**	(3,837)	308	(3,529)
Profit/(loss) for the period attributable to the owners of the parent	7	**1,333**	**(3,645)**	**(2,312)**	2,369	(13,077)	(10,708)
Earnings/(loss) per share (cents)							
Basic	11	**1.5**		**(2.6)**	2.8		(12.8)
Diluted	11	**1.5**		**(2.6)**	2.8		(12.8)

Consolidated statement of comprehensive income

For the 52 weeks ended 3 April 2016 (53 weeks ended 5 April 2015)

		Group	
	Notes	2016 $'000	2015 $'000
Profit/(loss) for the period		**(2,312)**	(10,708)
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain/(loss) on defined benefit pension schemes	28	**(405)**	(1,293)
Tax relating to items that will not be reclassified		**–**	–
		(405)	(1,293)
Items that may be reclassified subsequently to profit or loss			
Gain/(loss) on hedge of net investment taken to equity		**(135)**	(377)
Gain/(loss) arising on cash flow hedges during the period		**1,097**	(323)
Exchange gain/(loss) on translation of foreign operations		**(360)**	1,864
Tax relating to items that may be reclassified		**–**	–
		602	1,164
Other comprehensive income/(loss) for the period		**197**	(129)
Total comprehensive income/(loss) for the period attributable to the owners of the parent		**(2,115)**	(10,837)

Consolidated and Company statement of financial position

As at 3 April 2016 (5 April 2015)

		Group		Company	
	Notes	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Non-current assets					
Goodwill	12	**2,741**	2,880	**–**	–
Other intangible assets	13	**986**	1,387	**199**	741
Property, plant and equipment	14	**33,338**	35,232	**12**	39
Investments	15	**–**	–	**123,427**	134,599
Other receivables	17	**1,539**	1,037	**29**	50
Deferred tax asset	20	**823**	848	**–**	–
		39,427	41,384	**123,667**	135,429
Current assets					
Inventories	16	**41,505**	43,437	**2,032**	2,262
Trade receivables	17	**55,210**	65,800	**1,990**	2,623
Other receivables	17	**8,378**	9,128	**19,329**	24,312
Current tax assets		**367**	222	**30**	–
Derivative financial instruments	29	**144**	66	**–**	44
Cash and bank balances	25	**30,738**	33,736	**4**	3,013
		136,342	152,389	**23,385**	32,254
Total assets		**175,769**	193,773	**147,052**	167,683
Current liabilities					
Borrowings	18	**5,164**	7,533	**11,934**	12,819
Trade payables	19	**53,814**	62,241	**722**	1,059
Other payables	19	**20,784**	26,185	**15,771**	18,196
Current tax liabilities		**6,183**	6,713	**–**	–
Retirement benefit obligation	28	**763**	709	**763**	709
Provisions	21	**1,771**	3,206	**1,152**	2,237
Derivative financial instruments	29	**76**	1,262	**76**	1,262
		88,555	107,849	**30,418**	36,282
Net current assets/(liabilities)		**47,787**	44,540	**(7,033)**	(4,028)
Non-current liabilities					
Borrowings	18	**28,823**	24,323	**6,058**	8,164
Other payables	19	**393**	536	**48,461**	56,476
Deferred tax liabilities	20	**2,133**	2,185	**–**	–
Retirement benefit obligation	28	**2,567**	2,909	**2,567**	2,909
Provisions	21	**1,946**	1,463	**1,946**	1,271
		35,862	31,416	**59,032**	68,820
Total liabilities		**124,417**	139,265	**89,450**	105,102
Net assets		**51,352**	54,508	**57,602**	62,581
Equity attributable to owners of the parent					
Share capital	22	**39,755**	39,755	**39,755**	39,755
Share premium account		**7,122**	7,122	**7,122**	7,122
Non-distributable reserve	23	**2,455**	2,455	**1,186**	–
Hedging and translation reserve		**(7,964)**	(8,566)	**(17,335)**	(14,256)
Own shares	23	**(867)**	(867)	**–**	–
Merger reserve		**–**	–	**15,540**	15,540
Retained earnings		**10,851**	14,609	**11,334**	14,420
Total equity		**51,352**	54,508	**57,602**	62,581

The financial statements on pages 56 to 95 were approved by the Board of Directors and authorised for issue on 9 June 2016.

They were signed on its behalf by:

Nathaniel Rothschild
Executive Chairman
Volex plc Company Number: 158956

Daren Morris
Chief Financial Officer

Consolidated and Company statements of changes in equity

For the 52 weeks ended 3 April 2016 (53 weeks ended 5 April 2015)

Group	Share capital $'000	Share premium account $'000	Non-distributable reserves $'000	Hedging and translation reserve $'000	Own shares $'000	Retained earnings/ (losses) $'000	Total equity $'000
Balance at 30 March 2014	29,662	7,122	2,455	(9,730)	(1,103)	8,319	36,725
Profit/(loss) for the period attributable to the owners of the parent	–	–	–	–	–	(10,708)	(10,708)
Other comprehensive income/ (loss) for the period	–	–	–	1,164	–	(1,293)	(129)
Total comprehensive income/(loss) for the period	–	–	–	1,164	–	(12,001)	(10,837)
Issue of share capital	10,093	–	–	–	–	17,813	27,906
Own shares sold/(utilised) in the period	–	–	–	–	218	(350)	(132)
Exercise of Non-Executive Long Term Incentive Scheme	–	–	–	–	18	(69)	(51)
Reserve entry for share option charge/(credit)	–	–	–	–	–	897	897
Balance at 5 April 2015	**39,755**	**7,122**	**2,455**	**(8,566)**	**(867)**	**14,609**	**54,508**
Profit/(loss) for the period attributable to the owners of the parent	**–**	**–**	**–**	**–**	**–**	**(2,312)**	**(2,312)**
Other comprehensive income/ (loss) for the period	**–**	**–**	**–**	**602**	**–**	**(405)**	**197**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**602**	**–**	**(2,717)**	**(2,115)**
Reserve entry for share option charge/(credit)	**–**	**–**	**–**	**–**	**–**	**(1,041)**	**(1,041)**
Balance at 3 April 2016	**39,755**	**7,122**	**2,455**	**(7,964)**	**(867)**	**10,851**	**51,352**

Company	Share capital $'000	Share premium account $'000	Non-distributable reserves $'000	Hedging and translation reserve $'000	Merger reserve $'000	Retained earnings/ (losses) $'000	Total equity $'000
Balance at 30 March 2014	29,662	7,122	–	(5,832)	15,540	773	47,265
Profit/(loss) for the year attributable to the owners of the parent	–	–	–	–	–	(3,660)	(3,660)
Other comprehensive income/ (loss) for the period	–	–	–	(8,424)	–	(1,293)	(9,717)
Total comprehensive income/(loss) for the period	–	–	–	(8,424)	–	(4,953)	(13,377)
Issue of share capital	10,093	–	–	–	–	17,813	27,906
Exercise of Non-Executive Long Term Incentive Scheme	–	–	–	–	–	(110)	(110)
Reserve entry for share option charge/(credit)	–	–	–	–	–	897	897
Balance at 5 April 2015	**39,755**	**7,122**	**–**	**(14,256)**	**15,540**	**14,420**	**62,581**
Profit/(loss) for the year attributable to the owners of the parent	**–**	**–**	**–**	**–**	**–**	**(1,640)**	**(1,640)**
Other comprehensive income/ (loss) for the period	**–**	**–**	**–**	**(3,079)**	**–**	**(405)**	**(3,484)**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**(3,079)**	**–**	**(2,045)**	**(5,124)**
Transfer from Volex Trust	**–**	**–**	**1,186**	**–**	**–**	**–**	**1,186**
Reserve entry for share option charge/(credit)	**–**	**–**	**–**	**–**	**–**	**(1,041)**	**(1,041)**
Balance at 3 April 2016	**39,755**	**7,122**	**1,186**	**(17,335)**	**15,540**	**11,334**	**57,602**

Consolidated and Company statement of cash flows

For the 52 weeks ended 3 April 2016 (53 weeks ended 5 April 2015)

		Group		Company	
	Notes	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Net cash generated from/(used in) operating activities	25	**1,798**	7,797	**(3,510)**	(23,048)
Cash flow generated from/(used in) investing activities					
Interest received	5	**18**	40	**–**	3
Proceeds on disposal of intangible assets, property, plant and equipment		**22**	61	**–**	–
Purchases of property, plant and equipment		**(5,961)**	(3,936)	**–**	(17)
Purchases of intangible assets	13	**(626)**	(1,266)	**(179)**	(158)
Acquisition of subsidiary		**–**	–	**–**	(190)
Transactions in own shares		**–**	490	**1,186**	–
Net cash inflow/(outflow) on intercompany funding		**–**	–	**2,185**	5,039
Net cash generated from/(used in) investing activities		**(6,547)**	(4,611)	**3,192**	4,677
Cash flows before financing activities		**(4,749)**	3,186	**(318)**	(18,371)
Cash generated/(used) before non-recurring items		**(281)**	8,601	**1,443**	(16,714)
Cash utilised in respect of non-recurring items		**(4,468)**	(5,415)	**(1,761)**	(1,657)
Cash flow generated from/(used in) financing activities					
Proceeds on issue of shares		**–**	27,906	**–**	27,906
Refinancing costs paid		**–**	(875)	**–**	(875)
Repayment of borrowings		**(3,500)**	(25,139)	**(2,500)**	(22,000)
New bank loans raised		**6,872**	8,000	**–**	8,000
Net cash generated from/(used in) financing activities		**3,372**	9,892	**(2,500)**	13,031
Net increase/(decrease) in cash and cash equivalents		**(1,377)**	13,078	**(2,818)**	(5,340)
Cash and cash equivalents at beginning of period	24	**26,203**	13,675	**(9,806)**	(5,758)
Effect of foreign exchange rate changes	24	**748**	(550)	**694**	1,292
Cash and cash equivalents at end of period	24	**25,574**	26,203	**(11,930)**	(9,806)

Notes to the Financial Statements

For the 52 weeks ended 3 April 2016 (53 weeks ended 5 April 2015)

1. Presentation of financial statements

Volex plc ('the Company' and together with its subsidiaries 'the Group') is a public limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006 and listed on the London Stock Exchange. The address of the registered office is given on the inside back cover. The nature of the Group's operations and its principal activities are set out in the Strategic Review on pages 3 to 19.

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

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

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the parent company statement of comprehensive income (and separate income statement). The loss for the parent company for the period was $1,640,000 (2015: loss of $3,660,000).

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 International Financial Reporting Standards ('IFRSs'). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

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

Adoption of new and revised International Financial Reporting Standards ('IFRSs')
In the current period, there are no new standards, amendments or interpretations which have a material impact on the Group's Financial Statements.

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

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'
- IFRS 16 'Leases'

The Directors do not expect that the adoption of IFRS 9 and IFRS 15 will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments. IFRS 16 specifies how to recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities on the balance sheet for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The adoption of IFRS 16 will have an impact on the Group's balance sheet and reported results, however will not reflect any changes in the underlying economics of the business.

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.

Notes to the Financial Statements continued

For the 52 weeks ended 3 April 2016 (53 weeks ended 5 April 2015)

2. Significant accounting policies continued

Going concern

The Group's business activities, together with the factors likely to affect its future developments, performance and position are set out in the Strategic Report on pages 3 to 19. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review on pages 12 to 15. In addition note 29 to the financial statements includes the Group objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk, liquidity risk, interest rate risk, commodity price risk and foreign exchange risk.

As highlighted in note 18 to the financial statements, during the year under review the Group met its day-to-day working capital requirements through a $45 million multi-currency revolving credit facility ('RCF') with a syndicate of three banks. The principal terms of this financing facility are given in note 18. The facility requires the Group to perform quarterly financial covenant calculations with respect to leverage (adjusted net debt to adjusted rolling-12 month EBITDA) and interest cover (adjusted rolling 12-month EBITDA to adjusted rolling 12-month interest). Breach of these covenants would result in cancellation of the facility. This facility expires on 15 June 2018.

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 at least 12 months from the date of these accounts and should comply with covenants over this period. The Group also has access to and uses additional uncommitted facilities. Further, the Group has a number of mitigating actions available to it, should actual performance fall below the current financial forecasts. The Directors have the financial controls and monitoring available to them to put in place those mitigating actions in a timely fashion if they see the need to do so. The Directors therefore believe that the Group is well placed to manage its business within its covenants.

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.

Business combinations

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

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

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

Goodwill

Goodwill is initially recognised and measured as set out above.

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

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

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

Investment in subsidiary undertakings

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

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

2. Significant accounting policies continued

Foreign currencies

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

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Nonmonetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

- Exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/ hedge accounting); and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

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

Revenue recognition

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

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

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

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

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

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

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.

Notes to the Financial Statements continued

For the 52 weeks ended 3 April 2016 (53 weeks ended 5 April 2015)

2. Significant accounting policies continued

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

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

Property, plant and equipment

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

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

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

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

Intangible assets – computer software and licences

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

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

Intangible assets – patents

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

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

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

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

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

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

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

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

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

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

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

2. Significant accounting policies continued

Leases

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

The Group as lessee

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is measured at standard and adjusted for material variances such that the adjusted figure represents direct materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow moving or defective items where appropriate.

Cash and cash equivalents

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

Bank borrowings

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

Provisions

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

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

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

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

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

Retirement benefits

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

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

Notes to the Financial Statements continued

For the 52 weeks ended 3 April 2016 (53 weeks ended 5 April 2015)

2. Significant accounting policies continued

Defined benefit costs are split into three categories:

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

Remeasurement comprises actuarial gains and losses, the effect of the asset ceiling (where applicable) and the return on scheme assets (excluding interest). These costs are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Remeasurement recorded in the statement of comprehensive income is not recycled.

Net interest is calculated by applying a discount rate to the net defined benefit liability or asset and is recognised within finance costs (see note 6). As the defined benefit scheme is now closed, no service cost is incurred.

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

Share-based payments

Equity-settled share-based payments are issued to certain employees and are measured at the fair value of the equity instruments at the date of grant. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 27.

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

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

Non-recurring items

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

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

Financial instruments

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

Financial assets

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

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

Effective interest method

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

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

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

2. Significant accounting policies continued

Held-to-maturity investments

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

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

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

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

Loans and receivables

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

Impairment of financial assets

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

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

Derecognition of financial assets

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

Financial liabilities and equity

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

Derecognition of financial liabilities

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

Derivative financial instruments

The Group's activities expose it to the financial risks of changes in foreign exchange rates, interest rates and commodity prices. The Group enters into a variety of derivative financial instruments to manage its exposure to these risks. The use of financial derivatives is governed by a Group policy approved by the Board of Directors which provides written principles on the use of financial derivatives to hedge certain risk exposures. The Group does not use derivative financial instruments for speculative purposes. Further details of derivative financial instruments are disclosed in note 29 to the financial statements.

Notes to the Financial Statements continued

For the 52 weeks ended 3 April 2016 (53 weeks ended 5 April 2015)

2. Significant accounting policies continued

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

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

Hedge accounting
The Group designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency 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 judgements and estimates in applying the accounting policies
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.

Property provisions
As at 3 April 2016, the Group had property provisions of $3,294,000 (2015: $3,826,000) relating to onerous lease obligations arising from vacated leased premises and associated dilapidations. The provisions have been recorded taking into account management's best estimate, following appropriate advice, of the anticipated net cost of the lease over the remaining lease term and the level of sublease rental income, if any, that can be obtained from subtenants. The net cost of the leases is then discounted using a 0.84% pre-tax risk free discount rate (2015: 1.20%). The provisions are regularly reviewed in light of the most current information available.

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 3 April 2016, the Group had net inventories of $41,505,000 (2015: $43,437,000).

Impairment of long lived assets
As at 3 April 2016, the Group had an aggregate carrying value of goodwill, Property, Plant and Equipment and intangible assets of $37,065,000 (2015: $39,499,000). Following a downturn in trade, principally within the Power Cords division, and a significant reduction in the Volex plc share price, an impairment assessment was conducted. This assessment considered future performance (including the budget for the forthcoming year and longer term forecasts), market growth rates beyond the forecast period, cash generating units aligned with key product lines and the transferability of certain fixed assets between these lines and a discount rate of 15.0%, representing the Group's estimated cost of capital. Based upon these assumptions an impairment charge of $1,498,000 was booked and identified as a non-recurring item.

2. Significant accounting policies continued

Non-recurring items
The Group identifies significant non-recurring items separately in order to be able to compare trading performance year on year and in comparison with other businesses. During the period under review the items identified in this way totalling $4,742,000 (2015: $12,528,000) comprised restructuring costs where roles were not replaced, movements in onerous lease provisions and impairment of long lived assets. See note 4 for further details.

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.

3. Segment Information

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

Power Cords (formerly Power)	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 and floor cleaning equipment.
Cable Assemblies (formerly Data)	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 and are used in numerous devices including medical equipment, data centres, telecoms networks and the automotive industry.
Central	Corporate costs that are not directly attributable to the manufacture and sale of the Group's products but which support the Group in its operations. Included within this division are the costs incurred by the executive management team and the corporate head office.

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

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

	52 weeks to 3 April 2016		53 weeks to 5 April 2015	
	Revenue $'000	Profit/(loss) $'000	Revenue $'000	Profit/(loss) $'000
Power Cords	**230,205**	**2,293**	273,655	5,390
Cable Assemblies	**137,329**	**9,842**	149,754	11,197
Unallocated central costs	**–**	**(4,963)**	–	(7,755)
Divisional results before share-based payments and non-recurring items	**367,534**	**7,172**	423,409	8,832
Non-recurring operating items		**(4,742)**		(12,528)
Share-based payment credit/(charge)		**1,009**		(857)
Operating profit/(loss)		**3,439**		(4,553)
Finance income		**18**		40
Finance costs		**(1,915)**		(2,666)
Profit/(loss) before tax		**1,542**		(7,179)
Taxation		**(3,854)**		(3,529)
Profit/(loss) after tax		**(2,312)**		(10,708)

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

Notes to the Financial Statements continued

For the 52 weeks ended 3 April 2016 (53 weeks ended 5 April 2015)

3. Segment Information continued

The non-recurring items charge of $4,742,000 (2015: $12,528,000) was split $1,802,000 (2015: $2,450,000) to Power Cords, $1,349,000 (2015: $7,603,000) to Cable Assemblies and $1,591,000 (2015: $2,475,000) to Central.

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

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

Depreciation and amortisation	2016 $'000	2015 $'000
Power Cords	**5,077**	5,450
Cable Assemblies	**1,358**	964
Central	**745**	798
	7,180	7,212

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

Depreciation and amortisation	2016 $'000	2015 $'000
Power Cords	**900**	–
Cable Assemblies	**598**	5,098
Central	**–**	–
	1,498	5,098

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

Information about major customers

Two (2015: two) of the Group's customers individually account for more than 10% of total Group revenue with the Group's largest customer operating in the Power Cords division and accounting for 26% (2015: 27%) of total Group revenue. The other customer operates in the Cable Assemblies division and accounts for 13% (2015: 13%) 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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Asia (excluding India)	**225,053**	259,940	**32,068**	33,709
North America	**80,802**	86,676	**1,532**	1,390
Europe	**50,305**	59,690	**3,614**	4,229
India	**6,878**	8,370	**897**	584
South America	**4,496**	8,733	**493**	624
	367,534	423,409	**38,604**	40,536

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

4. Non-recurring items

	Group	
	2016 $'000	2015 $'000
Restructuring costs	**2,693**	5,223
Impairment/Product portfolio realignment	**1,498**	5,825
Movement in onerous lease provision	**1,151**	1,110
Provision for historic sales tax claims	**(600)**	102
Financing	**–**	72
Other	**–**	196
Total non-recurring items	**4,742**	12,528

During the current year, the Group has incurred $2,693,000 (2015: $5,223,000) of restructuring spend after it became apparent that trading fell below that forecast and required to support the cost base of the Group. The non-recurring cost can be split into several distinct elements:

- An executive and senior management change element of $1,321,000 (2015: $711,000). The current period charge relates to the departure of the Group Chief Executive Officer, the removal of the divisional management structure and the removal of certain other executive management positions (e.g. Chief Information Officer). In the prior period, the charge related to the departure of the Chief Financial Officer and recruitment to the divisional management teams.
- An operational element of $1,372,000 (2015: $3,556,000) which included reductions to the direct and indirect manufacturing headcount in a number of our factories following the downturn in volumes, the removal of certain middle-management roles and targeted costs associated with right-sizing our Brazil operations. The prior year charge included significant investment in the sales function, the up-skilling of certain factory managers, the removal of certain middle management roles throughout the organisation and costs associated with down-sizing certain operations
- In the prior year a business process review element of $956,000 to determine potential upgrades to the ERP system. Given the reduced Group profitability, plans to replace the ERP system have been suspended.

Following the downturn in performance (particularly in the Power Cords division) and the subsequent deterioration in the share price, a Group wide impairment review was performed on the Group's fixed assets. As a result of this $1,498,000 of property, plant and equipment has been impaired in the year. $900,000 of this charge is in relation to the Power Cords division where forecast profitability of certain product lines was insufficient to support the associated fixed asset cost base and certain assets have been deemed surplus to requirements. In the Cable Assemblies division $598,000 of impairment charge has been recorded following management's decision to scale back certain operations.

In the prior period, the Group suspended development of its Active Optical Cables ('AOC') proposition. Under the requirements of IAS 36 'Impairment of Assets' the recoverable amount of the AOC development asset was assessed and it was determined to be lower than the carrying value. As a result an impairment charge of $4,308,000 was booked. Similarly all software and tangible fixed assets which were deemed specific to the AOC project were reviewed for impairment and a further charge of $789,000 was processed. Future contracted costs associated with AOC (including purchase commitments and an onerous lease on the AOC development facility) were also provided for totalling $707,000 and severance payments to AOC development engineers of $21,000 were paid.

The Group has incurred an onerous lease charge in the period of $1,151,000 (2015: $1,110,000) following a revision to underlying assumptions included in the provision calculation. These assumptions include a potential sub-let within the onerous lease period and as a result of the on-going vacancy, this assumption has been revised in light of the latest independent market information.

Several years ago, the Group booked a $1,100,000 provision against a recoverable sales tax asset held in its Indian subsidiary since doubt existed over the full recovery of this asset. Subsequent to this decision, the Indian subsidiary's trading performance has exceeded the then forecast. As a consequence, a greater amount of the asset has been recovered then initially believed possible. Following a reassessment of future recovery, $600,000 has been released.

The prior year $102,000 non-recurring charge for historic sales tax claims related to the Philippines.

Notes to the Financial Statements continued

For the 52 weeks ended 3 April 2016 (53 weeks ended 5 April 2015)

5. Finance income

	Group	
	2016 $'000	2015 $'000
Interest on bank deposits	**18**	40

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 17).

6. Finance costs

		Group	
	Notes	**2016 $'000**	2015 $'000
Interest on bank overdrafts and loans		**1,192**	1,968
Net interest expense on defined benefit obligation	28	**107**	128
Unwinding of discount on long term provisions	21	**52**	112
Other		**189**	56
Total interest costs		**1,540**	2,264
Amortisation of debt issue costs	24	**375**	402
Total finance costs		**1,915**	2,666

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

7. Profit/loss for the period

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

		Group	
	Notes	**2016 $'000**	2015 $'000
Net foreign exchange (gain)/losses		**194**	(18)
Research and development costs		**2,948**	2,809
Depreciation of property, plant and equipment	14	**6,162**	6,413
Impairment of property, plant and equipment	14	**1,498**	689
Amortisation of intangible assets	13	**1,018**	799
Impairment of intangible assets	13	**–**	4,409
Cost of inventories recognised as an expense		**223,478**	259,697
Write-down of inventories recognised as an expense		**291**	708
Reversal of write-down of inventories recognised in the period		**(8)**	(594)
Staff costs	9	**78,172**	90,790
Impairment loss recognised on trade receivables	17	**97**	185
Reversal of impairment losses recognised on trade receivables	17	**(57)**	(164)
Loss/(gain) on disposal of property, plant and equipment		**25**	14
Operating lease payments	26	**4,816**	4,843

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

	Group	
	2016 $'000	2015 $'000
Employment costs	**1,828**	1,883
Raw materials and consultancy	**989**	721
Other	**131**	205
	2,948	2,809

7. Profit/loss for the period continued

In the current year $425,000 (2015: $999,000) of development costs were capitalised in respect of a specific cable developed for a key customer new product launch. The prior year balance comprised of $431,000 for AOC technology development prior to the suspension of the project and $568,000 relating to the development of the new Power Cord product range, "V-Novus".

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

	Group	
	2016 $'000	2015 $'000
Operating profit/(loss)	**3,439**	(4,553)
Add back:		
Non-recurring items	**4,742**	12,528
Share-based payment charge/(credit)	**(1,009)**	857
Underlying operating profit	**7,172**	8,832
Depreciation of property, plant and equipment	**6,162**	6,413
Amortisation of acquired intangible assets	**1,018**	799
Underlying EBITDA	**14,352**	16,044

8. Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	Group	
	2016 $'000	2015 $'000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	**302**	344
Fees payable to the Company's auditor and their associates for other audit services to the Group		
– the audit of the Company's subsidiaries pursuant to legislation	**279**	310
Total audit fees	**581**	654
Other services pursuant to legislation		
Audit-related assurance services	**–**	12
Other taxation advisory services	**–**	41
Other services	**–**	533
Total non-audit fees	**–**	586

Included within the prior year other non-audit services was $498,000 relating to the Placing and Open offer which was recognised in equity.

A description of the work of the Audit Committee is set out in the Audit Committee Report on pages 29 to 31 which includes an explanation of how auditor objectivity and independence is safeguarded when the auditors provide non-audit services.

9. Staff costs

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

	Group	
	2016 No.	2015 No.
Production	**6,307**	6,582
Sales and distribution	**456**	517
Administration	**421**	427
	7,184	7,526

Notes to the Financial Statements continued

For the 52 weeks ended 3 April 2016 (53 weeks ended 5 April 2015)

9. Staff costs continued

Their aggregate remuneration comprised:

	Group	
	2016 $'000	2015 $'000
Wages and salaries	**69,341**	79,049
Social security costs	**9,273**	10,080
Share-based payment (credit)/charge (note 27)	**(1,009)**	857
Other pension costs (note 28)	**567**	804
	78,172	90,790

In addition to the above $2,626,000 (2015: $3,234,000) has been paid in severance costs. This is included within the restructuring cost of $2,693,000 (2015: $5,223,000) 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 audited part of the Directors' Remuneration Report on pages 32 to 46 and form part of the financial statements.

10. Taxation

	Group	
	2016 $'000	2015 $'000
Current tax – expense for the period	**3,376**	3,062
Current tax – adjustment in respect of previous periods	**452**	605
Total current tax	**3,828**	3,667
Deferred tax – origination and reversal of temporary differences (note 20)	**26**	(138)
Income tax expense	**3,854**	3,529

UK corporation tax is calculated at 20% (2015: 21%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	2016 $'000	**2016 %**	2015 $'000	2015 %
Profit/(loss) before tax	**1,542**	**100**	(7,179)	100
Tax at the UK corporation tax rate	**308**	**20**	(1,508)	21
Tax effect of expenses that are not deductible and income that is not taxable in determining taxable profit	**1,144**	**74**	247	(3)
Tax effect of non-utilisation of tax losses	**2,056**	**134**	5,051	(70)
Adjustment in respect of previous periods	**452**	**29**	605	(9)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,358**	**88**	672	(9)
Tax effect of recognised deferred tax	**26**	**2**	(138)	2
Tax effect of loss utilisation	**(1,402)**	**(91)**	(1,092)	15
Tax expense and effective tax rate for the period before non-recurring items and share-based payments	**3,942**	**256**	3,837	(53)
Tax effect of non-recurring items and share-based payments	**(88)**	**(6)**	(308)	4
Tax expense and effective tax rate for the period	**3,854**	**250**	3,529	(49)

11. Earnings/(loss) per Ordinary share

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

	Notes	Group 2016 $'000	Group 2015 $'000
Profit/(loss) for the purpose of basic and diluted earnings/(loss) per share being net profit attributable to equity holders of the parent		**(2,312)**	(10,708)
Adjustments for:			
Non-recurring items	4	**4,742**	12,528
Share-based payment charge/(credit)	27	**(1,009)**	857
Tax effect of above adjustment		**(88)**	(308)
Underlying earnings/(loss)		**1,333**	2,369

	No. shares	No. shares
Weighted average number of Ordinary shares for the purpose of basic earnings per share	**88,956,532**	83,585,697
Effect of dilutive potential Ordinary shares/share options	**27,370**	184,697
Weighted average number of Ordinary shares for the purpose of diluted earnings per share	**89,983,902**	83,770,394

Due to the Group loss for the year, all share options are anti-dilutive and are therefore excluded from the diluted basic loss per share calculation.

Basic earnings per share	**2016 cents**	2015 cents
Basic earnings/(loss) per share	**(2.6)**	(12.8)
Adjustments for:		
Non-recurring items	**5.3**	15.0
Share-based payment charge/(credit)	**(1.1)**	1.0
Tax effect of above adjustments	**(0.1)**	(0.4)
Underlying basic earnings/(loss) per share	**1.5**	2.8

Diluted earnings per share	**2016 cents**	2015 cents
Diluted earnings/(loss) per share	**(2.6)**	(12.8)
Adjustments for:		
Non-recurring items	**5.3**	15.0
Share-based payment charge/(credit)	**(1.1)**	1.0
Tax effect of above adjustments	**(0.1)**	(0.4)
Underlying diluted earnings/(loss) per share	**1.5**	2.8

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

Notes to the Financial Statements continued

For the 52 weeks ended 3 April 2016 (53 weeks ended 5 April 2015)

12. Goodwill

	Group	
	2016 $'000	2015 $'000
Cost		
At the beginning of the period	**5,667**	6,317
Exchange differences	**(273)**	(650)
At the end of the period	**5,394**	5,667
Accumulated impairment losses		
At the beginning of the period	**2,787**	3,107
Exchange differences	**(134)**	(320)
At the end of the period	**2,653**	2,787
Carrying amount at the end of the period	**2,741**	2,880
Carrying amount at the beginning of the period	**2,880**	3,210

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

	2016 $'000	2015 $'000
Volex North America	**2,035**	2,138
Volex Europe	**631**	662
Volex India	**75**	80
	2,741	2,880

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 prepares cash flow forecasts derived from the most recently approved annual budget and the divisional long term forecasts. No growth has been forecast subsequent to March 2018.

The rate used to discount the forecast cash flows is a pre-tax discount rate of 15.0% (2015: 15.4%), which reflects the Group's estimated cost of capital.

13. Other intangible assets

Group	Acquired patents $'000	Capitalised development costs $'000	Software and licences $'000	Total $'000
Cost				
At 30 March 2014	1,591	2,303	5,456	9,350
Additions	–	999	267	1,266
Exchange differences	(164)	(285)	(446)	(895)
At 5 April 2015	1,427	3,017	5,277	9,721
Additions	**–**	**425**	**201**	**626**
Disposals	**–**	**–**	**(59)**	**(59)**
Exchange differences	**(69)**	**(118)**	**(191)**	**(378)**
At 3 April 2016	**1,358**	**3,324**	**5,228**	**9,910**
Accumulated amortisation and impairment				
At 30 March 2014	–	–	3,905	3,905
Amortisation charge for the period	–	–	799	799
Impairment	1,587	2,721	101	4,409
Exchange differences	(160)	(272)	(347)	(779)
At 5 April 2015	1,427	2,449	4,458	8,334
Amortisation charge for the period	**–**	**269**	**749**	**1,018**
Disposals	**–**	**–**	**(59)**	**(59)**
Exchange differences	**(69)**	**(118)**	**(182)**	**(369)**
At 3 April 2016	**1,358**	**2,600**	**4,966**	**8,924**
Carrying amount				
At 3 April 2016	**–**	**724**	**262**	**986**
At 5 April 2015	–	568	819	1,387
At 30 March 2014	1,591	2,303	1,551	5,445

In the current period, the Power Cords division developed a new cable for one of its largest customers. Significant engineering time was involved in the design and production of this cable and this time along with raw materials consumed in the development process have been capitalised. The cable is now in commercial production and the asset is expected to be recovered in the next 24 months. The prior year increase in capitalised development costs related to the new Power Cord product range, the "V-Novus" range and costs associated with the development of active optical cable ('AOC') assemblies, prior to the suspension of the project.

In the prior year, following an independent assessment of the AOC technology and executive management's forecast of the further cost required to convert the technology into a commercial product, it was concluded that resources were better directed elsewhere. As a result the AOC project was suspended. In accordance with the requirements of IAS 36 'Impairment of Assets' the recoverable amount of the AOC asset was assessed and it was determined to be lower than the carrying value. As a result an impairment charge was booked. The 29 patents acquired for AOC were also impaired in full.

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

The computer software impairment in the prior year was in relation to AOC specific software. This was expensed within non-recurring items.

Notes to the Financial Statements continued

For the 52 weeks ended 3 April 2016 (53 weeks ended 5 April 2015)

13. Other intangible assets continued

Company	Software and licences 2016 $'000	Software and licences 2015 $'000
Cost		
At the beginning of the period	**3,274**	3,482
Additions	**179**	158
Exchange differences	**(156)**	(366)
At the end of the period	**3,297**	3,274
Accumulated amortisation		
At the beginning of the period	**2,533**	2,102
Amortisation charge for the period	**718**	703
Exchange differences	**(153)**	(272)
At the end of the period	**3,098**	2,533
Carrying amount at the end of the period	**199**	741
Carrying amount at the beginning of the period	**741**	1,380

14. Property, plant and equipment

Group	Long leasehold buildings $'000	Plant and machinery $'000	Total $'000
Cost			
At 30 March 2014	15,133	59,759	74,892
Additions	580	3,493	4,073
Reclassification	587	(587)	–
Disposals	(605)	(980)	(1,585)
Exchange differences	(66)	(1,368)	(1,434)
At 5 April 2015	15,629	60,317	75,946
Additions	**122**	**5,894**	**6,016**
Disposals	**–**	**(558)**	**(558)**
Exchange differences	**(80)**	**(530)**	**(610)**
At 3 April 2016	**15,671**	**65,123**	**80,794**
Accumulated depreciation and impairment			
At 30 March 2014	6,001	30,159	36,160
Depreciation charge for the period	1,546	4,867	6,413
Impairment loss	–	689	689
Disposals	(605)	(905)	(1,510)
Exchange differences	(43)	(995)	(1,038)
At 5 April 2015	6,899	33,815	40,714
Depreciation charge for the period	**1,302**	**4,860**	**6,162**
Impairment loss	**–**	**1,498**	**1,498**
Disposals	**–**	**(511)**	**(511)**
Exchange differences	**(58)**	**(349)**	**(407)**
At 3 April 2016	**8,143**	**39,313**	**47,456**
Carrying amount			
At 3 April 2016	**7,528**	**25,810**	**33,338**
At 5 April 2015	8,730	26,502	35,232
At 30 March 2014	9,132	29,600	38,732

At 3 April 2016, the Group had $1,321,000 (2015: $141,000) contractual commitments for the acquisition of property, plant and equipment.

Of the $6,162,000 (2015: $6,413,000) depreciation charge for the period, $5,666,000 (2015: $5,569,000) was expensed through cost of sales and $496,000 (2015: $844,000) was expensed through operating expenses. The impairment charge of $1,498,000 (2015: $689,000) was expensed as a non-recurring item (see note 4).

14. Property, plant and equipment continued

Company	Plant and machinery 2016 $'000	2015 $'000
Cost		
At the beginning of the period	**490**	528
Additions	**–**	17
Reclassification	**–**	–
Disposals	**–**	–
Exchange differences	**(24)**	(55)
At the end of the period	**466**	490
Accumulated depreciation and impairment		
At the beginning of the period	**451**	406
Depreciation charge for the period	**27**	95
Reclassification	**–**	–
Disposals	**–**	–
Exchange differences	**(24)**	(50)
At the end of the period	**454**	451
Carrying amount at the end of the period	**12**	39
Carrying amount at the beginning of the period	**39**	122

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 30 March 2014	56,909	100,973	157,882
Additions	173	4,789	4,962
Repayment	–	(2,510)	(2,510)
Exchange differences	(5,857)	(2,031)	(7,888)
At 5 April 2015	51,225	101,221	152,446
Additions	**–**	**1,136**	**1,136**
Repayment	**–**	**(8,524)**	**(8,524)**
Exchange differences	**(2,466)**	**(474)**	**(2,940)**
At 3 April 2016	**48,759**	**93,359**	**142,118**
Accumulated depreciation and impairment			
At 30 March 2014	6,058	10,803	16,861
Impairment	2,192	710	2,902
Exchange differences	(698)	(1,218)	(1,916)
At 5 April 2015	7,552	10,295	17,847
Impairment	**–**	**907**	**907**
Exchange differences	**(364)**	**301**	**(63)**
At 3 April 2016	**7,188**	**11,503**	**18,691**
Carrying amount			
At 3 April 2016	**41,571**	**81,856**	**123,427**
At 5 April 2015	43,673	90,926	134,599
At 30 March 2014	50,851	90,170	141,021

In the United Kingdom, the Company includes an operational division, Volex Powercords Europe. Details of the Company's principal subsidiary undertakings are set out on page 96. Investments in subsidiaries are all stated at cost.

All loans are carried at amortised cost. In the 52 weeks to 3 April 2016, the Company increased its loans with Volex Group Holdings Ltd. Repayments were also received from Volex Inc and Volex Poland SP z.o.o.

Notes to the Financial Statements continued

For the 52 weeks ended 3 April 2016 (53 weeks ended 5 April 2015)

16. Inventories

	Group		Company	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Raw materials	**17,276**	16,998	**–**	–
Work-in-progress	**60**	68	**–**	–
Finished goods	**24,169**	26,371	**2,032**	2,262
	41,505	43,437	**2,032**	2,262

17. Trade and other receivables

	Group		Company	
Trade receivables	**2016 $'000**	2015 $'000	**2016 $'000**	2015 $'000
Amounts receivable for the sale of goods	**55,822**	66,451	**1,990**	2,623
Allowance for doubtful debts	**(612)**	(651)	**–**	–
	55,210	65,800	**1,990**	2,623

Other receivables				
Amounts due from Group undertakings	**–**	–	**18,660**	23,068
Other debtors	**7,658**	7,852	**244**	401
Prepayments	**2,259**	2,313	**454**	893
	9,917	10,165	**19,358**	24,362
Due for settlement within 12 months	**8,378**	9,128	**19,329**	24,312
Due for settlement after 12 months	**1,539**	1,037	**29**	50
	9,917	10,165	**19,358**	24,362

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

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

Two (2015: two) of the Group's customers individually account for more than 10% of total Group revenue. The largest customer operates in the Power Cords division and accounts for 26% (2015: 27%) of total Group revenue. The other customer operates in the Cable Assemblies division and accounts for 13% (2015: 13%) of total Group revenue. Other than these customers, the Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. At 3 April 2016, these two customers represented 30% of the net trade receivables (2015: 28%).

The average credit period taken on sales of goods is 63 days (2015: 62 days). An allowance has been made for estimated irrecoverable amounts from the sale of goods. This allowance has been determined by reference to past default experience and an analysis of the counterparty's current financial position.

Included in trade receivables are receivables with a carrying value of $7,865,000 (2015: $9,618,000) and $212,000 (2015: $465,000) for the Group and Company respectively which are past due at the reporting date for which no provision has been made as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group and Company do not hold any collateral over these balances.

	Group		Company	
Ageing of past due but not impaired receivables	**2016 $'000**	2015 $'000	**2016 $'000**	2015 $'000
0–60 days	**7,371**	9,050	**212**	431
60–90 days	**222**	364	**–**	34
90–120 days	**45**	198	**–**	–
120+ days	**227**	6	**–**	–
	7,865	9,618	**212**	465

17. Trade and other receivables continued

Movement in the allowance for doubtful debts	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Balance at the beginning of the period	**651**	714	**–**	–
Amounts written off during the period	**(72)**	(63)	**–**	–
Amounts recovered during the period	**–**	–	**–**	–
Increase/(decrease) in allowance recognised in profit or loss	**40**	21	**–**	–
Exchange differences	**(7)**	(21)	**–**	–
Balance at the end of the period	**612**	651	**–**	–

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

Ageing of impaired trade receivables	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
0–60 days	**–**	4	**–**	–
60–90 days	**–**	–	**–**	–
90–120 days	**3**	12	**–**	–
120+ days	**609**	635	**–**	–
	612	651	**–**	–

18. Borrowings

	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Unsecured borrowings at amortised cost				
Bank overdrafts	**5,164**	7,533	**11,934**	12,819
Secured borrowings at amortised cost				
Bank loans	**28,823**	24,323	**6,058**	8,164
Total borrowings at amortised cost	**33,987**	31,856	**17,992**	20,983
Amount due for settlement within 12 months	**5,164**	7,533	**11,934**	12,819
Amount due for settlement after 12 months	**28,823**	24,323	**6,058**	8,164
	33,987	31,856	**17,992**	20,983

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

	2016 %	2015 %
Bank loans and overdrafts	**2.5**	4.0

The Group utilises a $45 million multi-currency combined revolving overdraft and guarantee facility provided by a syndicate of three banks (Lloyds Banking Group plc, HSBC Bank plc and Clydesdale Bank plc – together 'the Syndicate').

The amount available under the facility at 3 April 2016 was $45 million (2015: $45 million). The facility was secured by fixed and floating charges over the assets of certain Group companies.

The terms of the facility require the Group to perform quarterly financial covenant calculations with respect to leverage (adjusted net 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.

Notes to the Financial Statements continued

For the 52 weeks ended 3 April 2016 (53 weeks ended 5 April 2015)

18. Borrowings continued

In the prior year, professional fees of $875,000 were incurred during the period in relation to the facility amendment. Of this $300,000 was paid to the Syndicate to agree to the amendment. The $875,000 was capitalised and is being charged to the income statement on a straight line basis over the remaining period to facility expiry.

At 3 April 2016, the facility incurred interest at a margin of 2.25% (2015: 2.47%) above LIBOR.

Subsequent to year end the facility terms have been amended and the expiry date extended to 15 June 2018. The amendments are principally in relation to covenant level revisions.

Also drawn under the facilities, and not included above, are bonds, guarantees and letters of credit amounting to $1,852,000 (2015: $2,306,000).

Drawings under the facilities were made in various currencies. Total borrowings for the Group at 3 April 2016 can be analysed by currency as follows:

Group	2016 $'000	2015 $'000
USD	**(401)**	7,878
Euro	**20,056**	12,679
Pound Sterling	**14,774**	11,973
Indian Rupee	**–**	162
	34,429	32,692
Less: debt issue costs (note 24)	**(442)**	(836)
	33,987	31,856

Undrawn borrowing facilities
At 3 April 2016, the Group had undrawn committed borrowing facilities available of $8,718,000 (2015: $10,164,000).

19. Trade and other payables

	Group		Company	
Trade payables	**2016 $'000**	2015 $'000	**2016 $'000**	2015 $'000
Trade payables	**53,814**	62,241	**722**	1,059
Other payables				
Amounts owed to Group undertakings	**–**	–	**62,818**	72,032
Other taxes and social security	**3,116**	3,973	**90**	40
Accruals and deferred income	**18,061**	22,748	**1,324**	2,600
	21,177	26,721	**64,232**	74,672
Due for settlement within 12 months	**20,784**	26,185	**15,771**	18,196
Due for settlement after 12 months	**393**	536	**48,461**	56,476
	21,177	26,721	**64,232**	74,672

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 84 days (2015: 78 days).

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

20. Deferred tax

Group

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

	Unremitted earnings $'000	Trading losses $'000	Accelerated tax depreciation $'000	Other short term timing differences $'000	Total $'000
At 30 March 2014	(1,995)	438	(36)	86	(1,507)
(Charge)/credit to income	(189)	456	(75)	(54)	138
Exchange differences	–	(51)	88	(5)	32
At 5 April 2015	(2,184)	843	(23)	27	(1,337)
(Charge)/credit to income	**–**	**(26)**	**45**	**(45)**	**(26)**
Exchange differences	**52**	**6**	**–**	**(5)**	**53**
At 3 April 2016	**(2,132)**	**823**	**22**	**(23)**	**(1,310)**

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:

	2016 $'000	2015 $'000
Deferred tax assets	**823**	848
Deferred tax liabilities	**(2,133)**	(2,185)
	(1,310)	(1,337)

At the balance sheet date, the Group had unused tax losses of $139,254,000 (2015: $146,000,000) available for offset against future profits. The Group has recognised $769,000 (2015: $844,000) of deferred tax asset in respect of these unused tax losses. Included in unrecognised tax losses are losses of $39,650,000 (2015: $38,000,000) that cannot be carried forward indefinitely. Of this amount $9,839,000 (2015: $5,000,000) 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 of the asset to be recovered. Deferred tax assets have been recognised based on future forecast taxable profits.

At the reporting date, a deferred tax liability of $2,133,000 (2015: $2,185,000) has been recognised relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will reverse in the foreseeable future. The temporary differences at 3 April 2016 represent only the unremitted earnings of those overseas subsidiaries where remittance to the UK of those earnings may still result in a tax liability, principally as a result of dividend withholding taxes levied by the overseas tax jurisdictions in which these subsidiaries operate.

Company

At the reporting date, the Company had unused tax losses of $75,130,000 (2015: $70,000,000) available for offset against future profits. 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 3 April 2016 (53 weeks ended 5 April 2015)

21. Provisions

Group	Property $'000	Corporate restructuring $'000	Other $'000	Total $'000
At 30 March 2014	3,849	2,608	228	6,685
Charge/(credit) in the period	1,381	85	2,324	3,790
Utilisation of provision	(1,185)	(2,354)	(1,887)	(5,426)
Unwinding of discount (note 6)	112	–	–	112
Exchange differences	(331)	(80)	(81)	(492)
At 5 April 2015	3,826	259	584	4,669
Charge/(credit) in the period	**1,151**	**(6)**	**142**	**1,287**
Utilisation of provision	**(1,652)**	**(181)**	**(343)**	**(2,176)**
Unwinding of discount (note 6)	**52**	**–**	**–**	**52**
Exchange differences	**(83)**	**(5)**	**(27)**	**(115)**
At 3 April 2016	**3,294**	**67**	**356**	**3,717**
Less: included in current liabilities	**1,348**	**67**	**356**	**1,771**
Non-current liabilities	**1,946**	**–**	**–**	**1,946**

Company	Property $'000	Corporate restructuring $'000	Other $'000	Total $'000
At 30 March 2014	3,849	2,226	101	6,176
Charge/(credit) in the period	581	(6)	1,977	2,552
Utilisation of provision	(972)	(2,050)	(1,887)	(4,909)
Unwinding of discount	109	–	–	109
Exchange differences	(331)	(71)	(18)	(420)
At 5 April 2015	3,236	99	173	3,508
Charge/(credit) in the period	**1,151**	**(6)**	**–**	**1,145**
Utilisation of provision	**(1,255)**	**(93)**	**(173)**	**(1,521)**
Unwinding of discount	**49**	**–**	**–**	**49**
Exchange differences	**(83)**	**–**	**–**	**(83)**
At 3 April 2016	**3,098**	**–**	**–**	**3,098**
Less: included in current liabilities	**1,152**	**–**	**–**	**1,152**
Non-current liabilities	**1,946**	**–**	**–**	**1,946**

Property provisions

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

During the 52 weeks ended 3 April 2016, the Group revised its assumptions on one onerous property following the failure to achieve a sub-lease in the previously forecast time period. The onerous provision was recalculated after receipt of external advice as to likely future cash outflows. The resultant $1,151,000 onerous lease charge has been booked as a non-recurring item (see note 4.)

In the prior year, in addition to adjustments made to the onerous lease provision on the above property, two further properties became onerous, one following the decision to suspend the AOC development project and one following the exit of sub-tenants. Of the $1,381,000 charged to the income statement, $1,110,000 is shown in non-recurring items as movement in onerous lease provision and $271,000 is included within the product portfolio realignment charge as associated with the AOC suspension.

Corporate restructuring

In the prior year a $259,000 provision was held for certain severance and recruitment fees plus an amount held for professional fees associated with the liquidation of dormant overseas entities. The severance and recruitments fees have been paid in the year.

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.

22. Share capital

Group and Company	2016 $'000	2015 $'000
Issued and fully paid:		
90,251,892 (2015: 90,251,892) Ordinary shares of 25p each	**39,755**	39,755

During the prior year, the Company issued 24,067,171 Ordinary shares as part of the Placing and Open Offer in July 2014.

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	2016	2015
Performance Share Plan				
12 March 2014	25	March 2017 – March 2024	**–**	1,285,052
19 December 2014	25	December 2017 – December 2024	**–**	1,542,705
18 June 2015	25	June 2018 – June 2025	**362,889**	–
31 March 2016	25	March 2019 – March 2026	**3,468,975**	–
Restricted Share Scheme				
20 September 2013	–	July 2016 – February 2017	**–**	630,000
12 March 2014	–	March 2017 – September 2017	**–**	50,000
18 July 2014	–	July 2017 – February 2018	**–**	50,000
Deferred Bonus Plan				
18 June 2015	–	June 2016 – December 2016	**37,566**	–
18 June 2015	–	June 2017 – December 2017	**37,566**	–
			3,906,996	3,557,757

For further details of the Group's share option schemes see note 27.

23. Own shares and non-distributable reserves

Own shares	2016 $'000	2015 $'000
At beginning of the period	**867**	1,103
Disposed of on exercise in the period	**–**	(236)
Sale of shares	**–**	–
At end of the period	**867**	867

The own shares reserve represents both the cost of shares in the Company purchased in the market and the nominal share capital of shares in the Company issued to the Volex Group plc Employee Share Trust to satisfy future share option exercises under the Group's share option schemes (see note 27).

The number of Ordinary shares held by the Volex Group plc Employee Share Trust at 3 April 2016 was 1,295,360 (2015: 1,295,360). The market value of the shares as at 3 April 2016 was $708,000 (2015: $1,273,000).

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

During the year no (2015: 339,639) shares were utilised on the exercise of share awards.

During the year the Volex Group Guernsey Purpose Trust was closed and all assets held at the time of closure transferred to Volex plc.

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.

Notes to the Financial Statements continued

For the 52 weeks ended 3 April 2016 (53 weeks ended 5 April 2015)

24. Analysis of net debt

Group	Cash and cash equivalents $'000	Bank loans $'000	Debt issue costs $'000	Total $'000
At 30 March 2014	13,675	(46,372)	477	(32,220)
Cash flow	13,078	17,139	875	31,092
Exchange differences	(550)	4,074	(114)	3,410
Amortisation of debt issue costs	–	–	(402)	(402)
At 5 April 2015	26,203	(25,159)	836	1,880
Cash flow	**(1,377)**	**(3,372)**	**–**	**(4,794)**
Exchange differences	**748**	**(734)**	**(19)**	**(5)**
Amortisation of debt issue costs	**–**	**–**	**(375)**	**(375)**
At 3 April 2016	**25,574**	**(29,265)**	**442**	**(3,249)**

Debt issue costs relate to bank facility arrangement fees.

During the prior year $875,000 of professional fees were capitalised through the debt refinancing. The resulting debt issue cost is being amortised over the remaining life of the facility.

25. Notes to the statement of cash flows

	Group		Company	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Profit/(loss) for the period	**(2,312)**	(10,708)	**(1,640)**	(3,660)
Adjustments for:				
Finance income	**(18)**	(40)	**(432)**	(280)
Finance costs	**1,915**	2,666	**(65)**	2,013
Income tax expense	**3,854**	3,529	**221**	216
Depreciation on property, plant and equipment	**6,162**	6,413	**27**	95
Amortisation of intangible assets	**1,018**	799	**718**	703
Impairment loss	**1,498**	5,098	**–**	–
(Gain)/loss on disposal of property, plant and equipment	**25**	14	**–**	–
Impairment of investments	**–**	–	**907**	2,902
Share-based payment (credit)/charge	**(1,009)**	857	**(1,123)**	857
(Decrease)/increase in provisions	**(1,203)**	(1,078)	**(684)**	(1,854)
Effects of foreign exchange rate changes	**126**	333	**(262)**	403
Operating cash flow before movement in working capital	**10,056**	7,883	**(2,333)**	1,395
(Increase)/decrease in inventories	**1,897**	(4,881)	**215**	112
(Increase)/decrease in receivables	**10,609**	171	**3,624**	6,972
Increase/(decrease) in payables	**(14,433)**	9,587	**(3,943)**	(30,055)
Movement in working capital	**(1,927)**	4,877	**(104)**	(22,971)
Cash generated from/(used in) operations	**8,129**	12,760	**(2,437)**	(21,576)
Cash generated from/(used in) operations before operating non-recurring items	**12,597**	18,175	**(676)**	(19,919)
Cash utilised by operating non-recurring items	**(4,468)**	(5,415)	**(1,761)**	(1,657)
Taxation paid	**(4,489)**	(2,596)	**(253)**	(216)
Interest paid	**(1,842)**	(2,367)	**(820)**	(1,256)
Net cash generated from/(used in) operating activities	**1,798**	7,797	**(3,510)**	(23,048)

25. Notes to the statement of cash flows continued

Cash and cash equivalents

	Group		Company	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Cash and bank balances	**30,738**	33,736	**4**	3,013
Bank overdrafts	**(5,164)**	(7,533)	**(11,934)**	(12,819)
	25,574	26,203	**(11,930)**	9,806

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.

26. Operating lease arrangements

The following have been recognised during the period:

	Group		Company	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Minimum lease payments made under operating leases				
Paid	**5,863**	5,841	**999**	1,259
Recognised in operating profit	**4,816**	4,843	**275**	437

Payments made under operating leases net of sublease receipts and charged against the onerous lease provision in the period were $1,047,000 (2015: $998,000) for the Group and $725,000 (2015: $822,000) for the Company.

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	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Within one year	**5,099**	5,263	**708**	1,018
In the second to fifth years inclusive	**7,113**	6,479	**1,968**	2,810
After five years	**3,275**	2,434	**–**	–
	15,487	14,176	**2,676**	3,828

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 (2015: 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	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Within one year	**355**	532	**–**	–
In the second to fifth years inclusive	**–**	355	**–**	–
	355	887	**–**	–

Notes to the Financial Statements continued

For the 52 weeks ended 3 April 2016 (53 weeks ended 5 April 2015)

27. Share-based payments

	Group	
	2016 $'000	2015 $'000
Share-based payment charge/(credit)	**(1,041)**	897
National insurance charge/(credit) in relation to share awards	**32**	(40)
	(1,009)	857

During the period the Group had three types of equity-settled share option schemes in operation: a Performance Share Plan ('PSP'), a Restricted Share Award Scheme ('RSA') and a Deferred Bonus Plan ('DBP').

Options issued under the PSP are exercisable between three and ten years from the date of grant, subject to the continued employment of the participant and achievement of performance targets. All awards under the PSP have an exercise price of 25p, which is equivalent to the nominal value of the underlying Ordinary share. Full details of how the scheme operates are explained on page 34 of the Directors' Remuneration Report.

The RSAs are nil cost shares that vest, subject to continued employment, after three years from the date of grant.

The DPB shares are nil cost and vest, subject to continued employment, after a predetermined length of time.

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

	2016		2015	
	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	**3,557,757**	**20**	3,038,691	19
Granted during the period	**3,947,608**	**24**	1,592,705	24
Exercised during the period	**–**	**–**	(385,622)	11
Expired during the period	**(3,598,369)**	**(20)**	(688,017)	25
Outstanding at the end of the period	**3,906,996**	**25**	3,557,757	20
Exercisable at the end of the period	**–**	**–**	–	–

Of the share awards that expired during the period, 3,598,369 (2015: 246,674) lapsed in respect of leavers and no options (2015: 441,343) expired due to failure to meet performance conditions.

The awards outstanding at 3 April 2016 had a weighted average remaining contractual life of nine years (2015: four years).

Of the 3,906,996 awards outstanding at 3 April 2016, 3,831,864 had an exercise price of £0.25 and 75,132 had an exercise price of £nil.

Of the 3,557,757 awards outstanding at 5 April 2015, 2,827,757 had an exercise price of £0.25 and 730,000 had an exercise price of £nil.

The aggregate of the estimated fair values of the options granted during the period was $1,265,000 (2015: $1,094,000).

With the exception of the DPB awards, 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:

	2016	2015
Weighted average share price	**£0.42**	£0.70
Weighted average exercise price	**£0.25**	£0.25
Expected volatility	**50%**	56%
Expected life (years)	**3.50**	3.50
Risk-free rate	**0.52%**	0.85%
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 DPB awards were valued at their market price on the day of grant, being £0.83 on 18 June 2015.

28. Retirement benefit schemes

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

The total cost charged to the Group's income statement in the period was $567,000 (2015: $804,000). The total cost charged to the Company's income statement in the period was $389,000 (2015: $576,000).

Defined benefit schemes
The Company operates a UK defined benefit pension arrangement called the Volex Executive Pension Scheme (the 'Scheme'). The Scheme provides benefits on retirement or death, based on final salary and length of service up to 31 March 2003 or earlier date of leaving service. Future accrual of retirement benefits under the scheme(s) ceased on 31 March 2003 when the scheme(s) were replaced with defined contribution arrangements.

The Scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A full actuarial valuation of the Scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process the Company must agree with the Trustee of the Scheme the contributions to be paid to address any shortfall against the Statutory Funding Objective. The last full actuarial valuation of the scheme was carried out by a qualified independent actuary on 31 July 2013, and the assumptions used and results from this valuation have been incorporated, as appropriate, in the following IAS 19 disclosures. This valuation has been updated on an approximate basis to 3 April 2016 and utilises the projected unit credit valuation method.

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

The key assumptions utilised are:

	Valuation at	
	2016	2015
Discount rate	**3.4%**	3.2%
Future pension increases	**2.0%**	2.0%
Revaluation in deferment	**2.0%**	2.0%
Inflation assumption (RPI)	**3.0%**	3.0%
Inflation assumption (CPI)	**2.0%**	2.0%

The following mortality assumptions have been made:

	2016 Years	2015 Years
Future life expectancy for a pensioner currently aged 65		
– Male	**22.9**	22.8
– Female	**24.0**	23.9
Future life expectancy at age 65 for a non-pensioner currently aged 55		
– Male	**23.8**	23.7
– Female	**24.9**	24.8

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%	($1,406,000)/$1,562,000
Inflation	Increase/decrease by 0.5%	$1,243,000/($1,122,000)
Life expectancy	Increase/decrease by 1 year	$731,000/($746,000)

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.

Notes to the Financial Statements continued

For the 52 weeks ended 3 April 2016 (53 weeks ended 5 April 2015)

28. Retirement benefit schemes continued

Amounts recognised in income statement (note 6)	2016 $'000	2015 $'000
Interest cost	(758)	(1,013)
Expected return on scheme assets	651	885
Finance income/(costs)	(107)	(128)

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

An actuarial loss of $405,000 (2015: $1,293,000) has been reported in the statement of comprehensive income.

Cumulative actuarial gains/(losses) recognised in equity	2016 $'000	2015 $'000
At the beginning of the period	(1,160)	133
Net actuarial gains/(losses) recognised in the period	(405)	(1,293)
At the end of the period	(1,565)	(1,160)

Amounts recognised in the statement of financial position	2016 $'000	2015 $'000
Fair value of scheme assets	18,295	19,981
Present value of defined benefit obligations	(21,625)	(23,599)
Deficit in scheme recognised in the statement of financial position	(3,330)	(3,618)
Current liabilities	(763)	(709)
Non-current liabilities	(2,567)	(2,909)
	(3,330)	(3,618)

The Company has contributed $681,000 to its defined benefit pension plans in the period ended 3 April 2016 (2015: $643,000).

Movements in the present value of defined benefit obligations	2016 $'000	2015 $'000
At the beginning of the period	(23,599)	(23,709)
Interest cost	(758)	(1,013)
Experience gain/(loss) on liabilities	–	–
(Losses)/gains from changes to demographic assumptions	–	403
Remeasurement gain/(loss)	576	(3,015)
Benefits paid	988	1,091
Foreign exchange	1,168	2,644
At the end of the period	(21,625)	(23,599)

Movements in the fair value of scheme assets	2016 $'000	2015 $'000
At beginning of period	19,981	20,475
Interest on assets	651	885
Actuarial gains/(losses)	(981)	1,319
Contributions from the sponsoring company	681	643
Benefits paid	(988)	(1,091)
Foreign exchange	(1,049)	(2,250)
At end of period	18,295	19,981

28. Retirement benefit schemes continued

Assets

Asset category	2016 $'000	2015 $'000
Equity instruments	**10,794**	11,988
Debt instruments	**7,501**	7,793
Cash	**–**	200
Total	**18,295**	19,981

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 (2015: $nil).

The actual return on scheme assets for the period was a loss of $408,000 (2015: a gain of $2,203,000).

The estimated amount of contributions expected to be paid to the scheme during the 52 weeks to 2 April 2017 is $763,000 (2016: $709,000).

29. 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 18, 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 $45,000,000 as at 3 April 2016 (2015: $45,000,000). At this date the amounts drawn under this facility included term loans of $6,500,000 and €20,000,000 (2015: $9,000,000 and €14,700,000). Under the RCF, a cash pool facility exists denominated in a variety of currencies. At 3 April 2016, a net overdraft was held in the pool of $5,164,000 (2015: $7,371,000). The average combined utilisation during the period was $37,096,000 (2015: $40,869,000).

Included in note 18 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 net 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. Post year end, this facility has been extended and is due to expire on 15 June 2018.

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 contracted and committed facility for the period to June 2018 (the period considered for the Viability Statement) and should comply with covenants over this period. The Group also has access to and uses additional uncommitted facilities. Further, the Group has a number of mitigating actions available to it, should actual performance fall below the current financial forecasts. The Directors have the financial controls and monitoring available to them to put in place those mitigating actions in a timely fashion if they see the need to do so. The Board are therefore confident that the combination of the above facilities provides adequate liquidity headroom for the successful execution of the Group's operations and that the Group will be able to operate in agreement with the required covenant levels.

The Group is not subject to externally imposed capital requirements.

Financial instruments

The Group's principal financial instruments comprise bank borrowings and overdrafts, cash and short term deposits, trade and other receivables and trade and other payables. The Group also enters into derivative transactions, principally copper forward contracts to manage the commodity price risk arising from its operations and forward currency contracts to manage the currency risks arising from its operations.

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

Notes to the Financial Statements continued

For the 52 weeks ended 3 April 2016 (53 weeks ended 5 April 2015)

29. Financial instruments continued

	Book value 2016 $'000	Book value 2015 $'000	Fair value 2016 $'000	Fair value 2015 $'000
Financial assets – loans and receivables				
Cash	**30,738**	33,736	**30,738**	33,736
Trade and other receivables	**56,594**	68,716	**56,594**	68,716
Financial liabilities – amortised cost				
Interest-bearing loans and borrowings	**(33,987)**	(31,856)	**(34,429)**	(32,692)
Trade and other payables	**(70,960)**	(80,919)	**(70,960)**	(80,919)
Financial derivatives for which hedge accounting has been applied				
Derivative financial instruments	**68**	(1,218)	**68**	(1,218)
Financial derivatives for which hedge accounting has not been applied				
Derivative financial instruments	**–**	22	**–**	22

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

Financial risk management

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

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

Market risk

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

Interest rate risk

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

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

2016	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							
Floating rate							
Cash assets	**30,738**	**–**	**–**	**–**	**–**	**–**	**30,738**
Bank loans and borrowings	**(5,164)**	**(28,823)**	**–**	**–**	**–**	**–**	**(33,987)**

2015	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							
Floating rate							
Cash assets	33,736	–	–	–	–	–	33,736
Bank loans and borrowings	(7,533)	–	(24,323)	–	–	–	(31,856)

29. Financial instruments continued

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 review the interest rate risk exposure and are currently of the view that the Group should not fix its interest rate. At 3 April 2016, the Group is exposed to floating rate interest on borrowings at a margin of 2.25% (5 April 2015: 2.50%) 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 $180,000 lower/$90,000 higher (2015: $200,000 lower/$100,000 higher). A 0.5% increase/0.25% decrease interest rate sensitivity test has been performed since this represents the Directors' assessment of a reasonably possible change in interest rates.

Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro 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	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
USD	**45,708**	65,010	**69,153**	76,871
Euro	**23,528**	15,942	**3,253**	4,364
Chinese Renminbi	**13,116**	14,225	**7,276**	8,736
Pound Sterling*	**16,626**	13,161	**498**	1,659
Indian Rupee	**778**	968	**2,414**	3,287
Other	**5,267**	4,731	**4,881**	7,601

* Under the RCF, a cash pool facility exists over two entities, denominated in a variety of currencies. At 3 April 2016, there was an overdraft was $5,164,000 (2015: $7,371,000).

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	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
10% depreciation of USD against foreign currency				
(i) Profit before tax	**(633)**	(407)	**587**	87
(ii) Equity*	**(11,344)**	(12,219)	**(1,271)**	(1,096)
10% appreciation of USD against foreign currency				
(i) Profit before tax	**518**	333	**(479)**	(71)
(ii) Equity*	**9,281**	9,998	**1,041**	897

(i) This is mainly attributable to the exposure on GBP/EURO monetary assets and liabilities in the Group at the reporting date.

(ii) This is mainly attributable to changes in the carrying value of external loans designated as a hedge of overseas investments and 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 3 April 2016 (53 weeks ended 5 April 2015)

29. 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 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	2016		2015	
Contracted copper price	Contracted volume (MT)	Fair value $'000	Contracted volume (MT)	Fair value $'000
$4,500 – $5,000	**300**	**9**	–	–
$5,000 – $5,500	**300**	**(85)**	–	–
$5,500 – $6,000	**–**	**–**	930	(591)
$6,000 – $6,500	**–**	**–**	1,080	(671)
	600	**(76)**	2,010	(1,262)

All contracts expire within 12 months of 3 April 2016.

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

Bank and cash balances comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value. The credit risk on these assets is limited because the counterparties are predominantly financial institutions with investment grade credit ratings assigned by international credit rating agencies.

The Group's credit risk is therefore primarily attributable to its trade receivables. The Group's customers are predominantly large blue chip OEMs, contract equipment manufacturers and distributors. The Group regularly reviews the credit worthiness of significant customers and credit references are sought for major new customers where relevant. The Board recognises that credit risk is a feature of all businesses, especially international businesses. However, it believes that all reasonable steps to mitigate any loss are taken.

The net amount of trade receivables reflects the maximum credit exposure to the Group. No other guarantees or security have been given. For further information on the credit risk associated with trade and other receivables, see note 17.

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 18 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 3 April 2016, the Group had utilised $5.0 million (2015: $7.8 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).

2016	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	**(70,960)**	**(70,960)**	**(70,581)**	**(80)**	**(3)**	**(296)**
Bank overdrafts and loans	**(33,987)**	**(34,429)**	**(5,164)**	**(29,265)**	**–**	**–**
Derivative financial liabilities						
Copper commodity contracts	**(76)**	**(76)**	**(76)**	**–**	**–**	**–**

2015	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	(80,919)	(80,919)	(80,498)	(156)	–	(265)
Bank overdrafts and loans	(31,856)	(32,692)	(7,533)	–	(25,159)	–
Derivative financial liabilities						
Copper commodity contracts	(1,262)	(1,262)	(1,262)	–	–	–

30. Contingent liabilities

As a global Group, subsidiary companies, in the normal course of business, engage in significant levels of cross-border trading. The customs, duties and sales tax regulations associated with these transactions are complex and often subject to interpretation. While the Group places considerable emphasis on compliance with such regulations, including appropriate use of external legal advisors, full compliance with all customs, duty and sales tax regulations cannot be guaranteed.

Through the normal course of business, the Group provides manufacturing warranties to its customers and assurances that its products meet the required safety and testing standards. When the Group is notified that there is a fault with one of its products, the Group will provide a rigorous review of the defective product and its associated manufacturing process and if found at fault and contractually liable will provide for costs associated with recall and repair as well as rectify the manufacturing process or seek recompense from its supplier. The Group does not provide for such costs where fault has not yet been determined and investigations are ongoing.

The Company enters into financial guarantee contracts to guarantee the indebtedness of other Group companies. The Company considers these to be insurance arrangements and treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

31. 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	2016 $'000	2015 $'000
Short term employee benefits	**1,312**	2,534
Post-employment benefits	**137**	191
Share-based payment charge/(credit)	**32**	697
	1,481	3,422

In addition to the above, $271,000 (2015: $369,000) has been expensed in the period for severance costs to directors. Details of Directors' remuneration for the period are provided in the audited part of the Directors' Remuneration Report on page 40.

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

	2016 $'000	2015 $'000
Management fees	**2,266**	3,728
Royalty fees	**3,579**	3,851
Interest	**32**	277
	6,277	7,856

Amounts due to and from subsidiary undertaking are shown in notes 17 and 19.

Remuneration of Directors of the Company is discussed above.

32. Events after the balance sheet date

On 8 June 2016, the Group entered into an 'Amendment and Extension' agreement on its senior credit facility. The facility was extended for 12 months until 15 June 2018. The amendment to the facility is principally in relation to covenant level revisions and guarantor group members.

Principal Operating Subsidiaries

United Kingdom

Volex Powercords Europe is a trading division of Volex plc.

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

Overseas

The principal overseas subsidiary undertakings, the business of which is the manufacture and/or sale of power and data products, all of which are wholly owned (either directly or indirectly), are as follows:

Name of entity	Footnotes	Country of incorporation/registration and operation
Volex Pte Ltd	1	Singapore
Volex (Asia) Pte Ltd	5	Singapore
PT Volex Indonesia	7	Indonesia
PT Volex Cable Assembly	7	Indonesia
Volex Cable Assemblies (Phils) Inc	2	Philippines
Volex Japan KK	2	Japan
Volex (Taiwan) Co. Ltd	2	Taiwan
Volex (Thailand) Co. Ltd	2	Thailand
Volex Cable Assembly (Vietnam) Pte Ltd	2	Vietnam
Volex Cable Assemblies Sdn Bhd	3	Malaysia
Volex Cables (HK) Ltd	3	Hong Kong
Volex Interconnect (India) Pvt Ltd	8	India
Volex Interconnect Systems (Suzhou) Co. Ltd	3	China
Volex Cable Assembly (Shenzhen) Co. Ltd	3	China
Volex Cable Assembly (Zhongshan) Co. Ltd	3	China
Volex International Korea LLC	1	South Korea
Volex Holdings Inc	1	USA
Volex Inc	4	USA
Volex Canada Inc	1	Canada
Volex de Mexico SA de CV	6	Mexico
Volex do Brasil Ltda	9	Brazil
Volex Europe Ltd	3	Ireland
Volex Poland SP z.o.o.	9	Poland
Volex France Sarl	1	France
Volex Germany GmbH	1	Germany
Volex Sweden AB	1	Sweden

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

Five year summary

Results	Unaudited IFRS 2016 $'000	Unaudited IFRS 2015 $'000	Unaudited IFRS 2014 $'000	Unaudited IFRS 2013 $'000	Unaudited IFRS 2012 $'000
Revenue	**367,534**	423,409	400,177	473,154	517,769
Gross profit	**58,519**	70,627	66,022	83,171	97,529
Operating expenses	**(55,080)**	(75,180)	(70,844)	(78,976)	(74,491)
Underlying operating profit[(i)]	**7,172**	8,832	4,532	12,342	32,004
Operating non-recurring items	**(4,742)**	(12,528)	(11,642)	(7,966)	(4,990)
Share-based payment (charge)/credit	**1,009**	(857)	2,288	(181)	(3,976)
Profit/(loss) on ordinary activities before taxation	**1,542**	(7,179)	(7,562)	1,926	19,211
Depreciation and amortisation	**7,180**	7,212	7,972	5,943	3,603

	Cents	Cents	Cents	Cents	Cents
Basic underlying earnings/(loss) per share[(ii)]	**1.5**	2.8	(8.6)	10.8	41.6
Basic earnings/(loss) per share	**(2.6)**	(12.8)	(22.6)	(1.5)	28.9

Statement of financial position	$'000	$'000	$'000	$'000	$'000
Non-current assets	**39,427**	41,384	48,670	52,107	31,645
Net cash/(debt)	**(3,249)**	1,880	(32,220)	(19,500)	3,643
Other assets and liabilities	**15,174**	11,244	20,275	13,039	16,024
Net assets	**51,352**	54,508	36,725	45,646	51,312
Gearing	**6%**	–	88%	43%	–

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

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

Shareholder Notes

Shareholder Information

Financial Calendar

FY2017

Interim Results Announced w/c 7 November 2016
Year End 2 April 2017
Final Results Announced w/c 5 June 2017

FY2018

Interim Results Announced w/c 6 November 2017
Year End 1 April 2018
Final Results Announced w/c 4 June 2018

Registered Office and Advisors

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158956 (Registered in England and Wales)

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Independent Auditors

PricewaterhouseCoopers LLP

Bankers

Lloyds Bank plc
Clydesdale Bank plc
HSBC Bank plc

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