9 November 2018

VOLEX plc

Half year results for the 26 weeks ended 30 September 2018

'Solid half year performance underpinned by underlying operating profit organic growth of 48% '

Volex plc ('Volex'), the global provider of cable assemblies, today announces its interim results for the 26 weeks to 30 September 2018 ('H1 FY2019').

Financial Summary	26 weeks to 30 September 2018	26 weeks to 1 October 2017	% Change
Revenue	**$182.4m**	**$161.4m**	13.0
Underlying* operating profit	**$9.9m**	**$5.5m**	80.9
Statutory operating profit	**$5.7m**	**$5.1m**	12.8
Underlying* profit before tax	**$9.0m**	**$4.5m**	98.2
Statutory profit before tax	**$4.9m**	**$4.2m**	16.7
Basic earnings per share	**2.7c**	**3.9c**	(30.8)
Underlying diluted earnings per share	**5.8c**	**4.3c**	34.9
Net cash	**$24.9m**	**$5.8m**	430.4

* Before adjusting items (non-recurring items and amortisation of acquired intangibles) and share-based payments

Operational highlights

- Completed the acquisitions of MC Electronics LLC and Silcotec Europe Limited during the half year. Both businesses are performing well and expand Volex's customer base and manufacturing footprint in complex cable assemblies.
- Significant profit margin improvement in our Power division as a result of management actions to reduce excess capacity in Shenzhen, consolidate PVC production in Zhongshan, exit low margin business and successfully manage input cost inflation.
- We expect to continue to reduce our production costs over the next 12 months through a focus on automation and product standardisation.

Financial highlights

- Underlying operating profit of $9.9 million is up 80.9% on the prior year. Stripping out the contributions from the newly acquired entities, organic growth was 48.4% reflecting improvements in both the Power and Cable Assembly divisions.
- Organic revenue growth of 3.5% in the period despite a 32.5% reduction in revenue with our largest Power customer. Growth was seen in virtually all other key accounts such that with the largest Power customer stripped out, organic revenue growth was 10%.
- Placing of 48 million new shares generated net cash proceeds of $46.7 million. $11.3 million was utilised in the acquisition of Silcotec with the balance being used to fund investment, working capital and future accretive acquisitions. Net cash at the period end was $24.9 million.

Nat Rothschild, Executive Chairman, said:

"I am pleased to report that the actions we have taken over the past two years are reflected in the solid financial results announced today. This progress has been made possible by a rejuvenated management team with a clear strategy focused on driving shareholder returns. As part of our future plans we intend to further enhance our senior management team through selective recruitment whilst further developing our factory teams with training and development programmes aligned to our growth objectives. Through careful planning, we believe we will return value to our shareholders.

Thanks to the support of those shareholders, we were able to raise $46.7 million of cash in the first half of the year through a placing of shares. This cash has been used to

- deleverage the balance sheet, leaving Volex in a strong financial position;
- fund the acquisition of Silcotec Europe Limited and provide funds for future accretive acquisitions;
- enable investment in factory rationalisation and automation; and
- increase our capabilities in new product development, especially in the fast growing electric vehicle space.

The acquisition of Silcotec, following the acquisition earlier in the year of MC Electronics LLC, was part of Volex's strategy to grow the Cable Assemblies division both organically and through targeted acquisitions in this highly fragmented marketplace. It is our aim to build a well-diversified, global Cable Assemblies business, providing the highest standard of quality and service to customers in the medical and industrial equipment markets.

Both acquisitions are trading in line with plan and to date have contributed $15.3 million to Group revenue and $1.8 million to underlying operating profit. During the second half of the year we plan to step up the level of integration in both businesses so that we may maximise the benefits arising from an enlarged Cable Assemblies division.

The acquisitions have not detracted from the performance of the 'traditional' Volex business where we continue to drive efficiency, process and supply chain improvements across our facilities through a renewed commitment to lean manufacturing. This approach coupled with organic revenue growth of 3.5% has resulted in an underlying operating profit growth of 48.4%. And this despite a further managed reduction of 32.5% in the revenues derived from our largest Power customer. To counter this decline we are in the early stages of assessing our options regarding the relocation of our manufacturing operations in Shenzhen where approximately 50% of our site is owned with the remaining 50% on a lease expiring in 2021.

The revenue growth away from our largest Power customer can largely be attributed to our core customers in the healthcare, high-speed cabling solutions and electric vehicle charging sectors who value our product and service offering and our reputation for quality. The profit improvement flows from the additional volumes passing through our factories, ongoing tight cost control (which includes the reduced cost base from previous restructuring activities undertaken) and improved manufacturing processes. With the setting up of a dedicated PVC power cords factory in the prior year, we have introduced our first two automated production lines with further automation planned for the second half of the year.

Outlook

Volex's core markets are expected to remain highly competitive and the US trade tariffs imposed on China imports has created uncertainty in the marketplace. However, the Board believes that the increase in tariffs from 10% to 25% in January 2019 provides the Group with a competitive opportunity. Few of Volex's China based competitors have an international factory footprint and we are already engaging with customers about the possibility of transferring production from China to one of our alternate factories.

Going forward, we are seeing the cost price pressure ease with the copper price dropping back and the US Dollar strengthening against our key manufacturing currencies.

With a continuing strong sales pipeline, the Board is optimistic about the future outlook and expects full year trading performance slightly ahead of market expectations.

Further we are in discussion with several potential acquisition targets and we expect to make further announcements in this regard in the second half of the year".

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RESULTS FOR THE 26 WEEKS ENDED 30 September 2018

Overview

The Board is pleased to report its results for the half year to 30 September 2018 which has seen the Group continue on its path to recovery, improving upon the prior first half year's profit performance, which itself was the best first half performance in five years.

$'000	**Traditional**	**Acquisitions**	26 weeks ended 30 September 2018 **Total**	26 weeks ended 1 October 2017 **Total**
Revenue	167,086	15,341	**182,427**	161,449
Cost of Sales	(136,688)	(11,716)	**(148,404)**	(132,578)
Underlying gross profit*	30,398	3,625	**34,023**	28,871
Underlying gross margin	*18.2%*	*23.6%*	***18.7%***	*17.9%*
Operating costs	(22,289)	(1,849)	**(24,138)**	(23,407)
Underlying operating profit*	8,109	1,776	**9,885**	5,464
Underlying operating margin	*4.9%*	*11.6%*	***5.4%***	*3.4%*

* Before adjusting items (non-recurring items and amortisation of acquired intangibles) and share-based payments

During the half year, the Group completed the acquisitions of MC Electronics LLC ('MC') and Silcotec Europe Limited ('Silcotec'). Both acquisitions are to be included within the Cable Assemblies division and are currently trading in line with their acquisition plan. Full operational integration will occur in the second half of the year primarily in respect of IT, procurement and sales so that Volex maximises the benefits arising from an enlarged Cable Assemblies division.

MC and Silcotec have contributed $15.3 million to the half year revenue with 88% of that revenue derived from customers that Volex had little or no relationship with prior to acquisition. This has made a significant contribution to the Group's strategy of diversifying the customer base. The underlying gross margin achieved by the two entities is ahead of the rest of the group partly due to their product mix (higher margin healthcare cable assemblies as opposed to commoditised power cords) and partly due to better factory utilisation and productivity. The underlying operating profit margin is ahead of the rest of the group due to the lower corporate costs carried by both businesses.

Excluding the acquisitions (the 'traditional' Group), revenue increased by 3.5% with this growth split across the two divisions and across numerous accounts. In particular, our healthcare, high-speed cabling solutions and electric vehicle charging sectors performed well. This growth came despite a 32.5% fall in the revenues derived from our largest Power customer. We expect revenues from this customer to continue to decline as they look to go 'cordless' in the next few years, however, as this half year has shown we are now well equipped to manage this scenario.

Part of the revenue increase was due to the sharing of input cost inflation with our customers. Of those input costs, copper (a key component of our power cables) was on average 20.3% more expensive in H1 FY2019 compared to H1 FY2018. Similarly the US Dollar has been weaker in H1 FY2019 versus H1 FY2018 against our key manufacturing currencies of the Chinese Renminbi (average 3.8% weaker) and the Polish Zloty (average 3.6% weaker), pushing up local manufacturing costs such as direct labour and utility costs.

Whilst targeted price increases partially mitigated the impact of input cost inflation, an improvement in underlying gross margin was observed in the traditional business due to the leveraging effect of passing higher volumes through our factories which help absorb the fixed overheads. Further improvements in productivity and scrap rates following the roll-out of Kaizen manufacturing initiatives helped push the underlying gross margin up to 18.2%. In the second half of the year, we expect the new automated production lines to further drive productivity improvements.

The underlying operating profit from the traditional Volex business at $8.1m was up 48.4% on prior year. Despite the increased activity, the Group's continued tight cost control has ensured that operating costs did not grow accordingly. The actual recorded decline was in part due to a reduced number of new product development projects with our largest Power customer and in part due to a foreign exchange gain made from the US Dollar strengthening against all currencies at the end of the half year.

During the period, the Group announced the closure of its Indian manufacturing facility. Several of the key accounts previously served by the Indian factory have been retained and will be serviced from either our Poland or China factories. As part of the India factory closure, Volex has incurred non-recurring closure costs of $0.7 million, of which $0.4 million were cash costs primarily in relation to redundancies and retention bonuses (several key personnel were paid bonuses to help close the factory in an orderly manner). During the review of the balance sheet, certain accounting irregularities were identified that have been fully provided for and appropriate action taken. This gave rise to an additional net $0.3 million charge.

During the half year, the US administration implemented a 10% trade tariff on certain products imported from China. These tariffs were effective as of 24 September 2018 with an expectation that the tariff will rise to 25% in January 2019. Volex views these tariffs as a competitive opportunity since very few of Volex's Chinese rivals have a global factory footprint to rival Volex. We are currently seeing interest from several of our customers in exploring the opportunity to move production from our China sites to an alternate Volex factory.

Further detailed analysis of the trading divisions is given on the subsequent pages.

Trading performance

Power Cords Division

$'000	26 weeks ended 30 September 2018	26 weeks ended 1 October 2017 (Restated*)	52 weeks ended 1 April 2018 (Restated*)
Revenue	**104,235**	100,536	203,569
Underlying gross profit	**18,799**	16,131	33,877
Underlying gross margin	***18.0%***	*16.0%*	*16.6%*
Operating costs	**(10,735)**	(11,206)	(21,765)
Underlying operating profit	**8,064**	4,925	12,112
Underlying operating margin	***7.7%***	*4.9%*	*6.0%*

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

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

The Power division revenue for H1 FY2019 was $104.2 million, up 3.7% on the prior period. This performance was despite the division's largest customer continuing its decline with revenue down 31.7% on the prior year. As previously highlighted, this customer's laptop range is now being sold with a USB-C charger rather than a traditional power cord with other Volex legacy products also being designed out. Further end-consumer demand for new products manufactured by this customer, that we supply power cords for, has been weak resulting in disappointing sales. We now believe that business with this customer will continue its decline as this customer looks to go cordless over the next few years and duck head products reach end of life. As the above numbers show, however, loss of this business does not have a significant detrimental impact on the division due to the low margins achieved. Divisional management has begun assessing the future options for the Shenzhen facility where all of this customer's manufacturing takes place, including the possible relocation of our manufacturing operations since only c.50% of the site is owned with the remainder held on a lease expiring in 2021.

Off-setting the decline with the division's largest customer, Volex saw significant growth across many other key accounts with sales to one of the world's leading electric vehicle manufacturers up by 82%. Given that commercial production with this customer began only last year, its rise to being a top ten account has been rapid. Other accounts showing strong growth cover diverse sectors including home power tools, commercial refrigeration, coffee makers and data centres. Even the accounts relating to laptops, PCs and printers showed modest growth, reversing a downward trend observed over the past few years.

In addition to increased volumes, divisional management and the sales team had success in sharing some of the input cost price inflation the division was experiencing with our customers. The cost of copper, a key conducting element of our power cords, was on average 20.3% more expensive in H1 FY2019 compared to H1 FY2018. At the end of the period the copper price had dropped back with an approximate 12% decline but this will not impact Volex until the second half of the year. Similarly with the key Power manufacturing sites based in China, an average 3.8% weakening in the US Dollar against the Renminbi pushed up the cost of the China direct labour force and local costs. By the period end, however, the US Dollar had strengthened so the labour cost pressure is expected to ease in the second half.

With targeted price increases helping negate some of the cost price inflation, the gross margin has been further enhanced by the ongoing programme of removing negative margin products from our portfolio and improvements in productivity and scrap rates following the roll-out of Kaizen manufacturing initiatives. In the past, products were often priced in batches with the return on an overall batch analysed rather than the individual products. However, over time our customers became more sophisticated and would buy from us just those products on which we had a lower price and therefore a negative margin. For the past few years, Volex has worked to eliminate these negative margin products with over 100 part numbers re-priced in the past half year. Going forward, Volex hopes to eliminate all negative margin products in the second half of the year.

As noted in the FY2018 year-end accounts, in the prior year a strategic decision was taken to transfer all PVC production from Shenzhen to Zhongshan since with all PVC production under one roof, better asset utilisation, better management of factory floor space and overhead savings could all be achieved. Further the greater production volumes would provide better conditions for automation. To this end, 5 PVC lines were transferred in FY2018 with a further 6 lines transferred in H1 FY2019. In August 2018, Zhongshan introduced its first two fully automated production lines, one for EU power cord production and one for the US. Productivity gains are already being observed as a result of this change.

To further enhance the level of automation within Volex, Volex needs to standardise the Power product offering, reducing the number of variants of essentially the same product. As a result, a new range of products was developed in the half year. The engineering team is currently working to secure safety approvals on these new products and once certified all new sales will be made using the new range with Volex also looking to transition existing customers across.

Thanks to the leveraging effect of increased volumes, the negotiated price increases arising from the higher input costs, the removal of negative margin products and the improved manufacturing processes, the gross margin within the division increased to 18.0%.

Operating costs have been closely monitored throughout the period and the rigorous cost control policies implemented over the past few years remain in place. The reduction in cost since the prior half year is primarily due to the reduced level of new product development with the division's largest customer.

As a consequence of the above, underlying operating profit has increased by 63.8% to $8.1 million.

Cable Assemblies Division

$'000	26 weeks ended 30 September 2018	26 weeks ended 1 October 2017 (Restated*)	52 weeks ended 1 April 2018 (Restated*)
Traditional	**62,851**	60,913	118,808
Acquisitions	**15,341**	-	-
Revenue	**78,192**	60,913	118,808
Underlying gross profit	**15,224**	12,740	22,112
Underlying gross margin	***19.5%***	*20.9%*	*18.6%*
Operating costs	**(9,976)**	(9,717)	(18,590)
Underlying operating profit	**5,248**	3,023	3,522
Underlying operating margin	***6.7%***	*5.0%*	*3.0%*

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

Volex designs and manufactures a broad range of cables and connectors (ranging from high speed copper and fiber-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.

Revenue for H1 FY2019 was $78.2 million, up 28.4% on the prior period. Stripping out the revenue contribution from the acquired MC and Silcotec entities, the revenue increase is reduced to 3.2%. This increase arose principally from the high-speed interconnect solutions and healthcare sectors with a large online retailer providing significant growth in the period. This growth has been partially off-set by the decline seen from a key US transportation and telematics customer. As we have noted previously, demand from this customer is cyclical and after a year of high demand, this year Volex is seeing reduced activity.

The underlying gross profit has increased to $15.2 million from $12.7 million, representing a gross margin of 19.5% (H1 FY2018: 20.9%). The reduction in margin is due to price downs given to two key customers whilst at the same time Volex suffered from cost price inflation. Divisional management is optimistic that with a renewed operational focus, we can reverse much of this decline.

Operating costs have increased by $0.3 million to $10.0 million, however, of this $1.8 million related to the two new acquisitions. The traditional Volex business saw a decline in costs of $1.5m with a $0.8 million reduction due to foreign exchange (US Dollar strengthened significantly against the Renminbi and the Polish Zloty) and a $0.5 million saving on legal fees associated with the closure of Volex Brazil.

As a result of the above, underlying divisional operating profit for the period increased from $3.0 million in H1 FY2018 to $5.2 million in H1 FY2019.

Adjusting items and share-based payments

Adjusting items and share-based payments totalled $4.1 million in the period (H1 FY2018: $0.4 million).

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

Included within the $4.1 million is $1.9 million of restructuring costs. Restructuring of the Shenzhen factory continued as Volex responded to the declining business from the Power division's largest customer resulting in $1.5 million of severance payments. A further $0.7 million charge has been incurred through the closure of the Volex factory in India comprising severance payments ($0.3 million), retention payments made to certain key staff ($0.1 million) and a net $0.3 million charge to impair non-recoverable assets. Off-setting these two charges is a credit of $0.3 million in relation to the release of certain provisions booked a number of years ago for which settlement has now become time-barred.

$0.8 million of costs have been incurred in the period in relation to legal fees on the acquisitions of MC Electronics and Silcotec plus post-acquisition retention payments due.

Associated with the acquisitions, Volex has recognised certain intangible assets including non-compete agreements, customer relationships and order backlogs. As at 30 September 2018, these intangibles are provisional and subject to change during the annual subsequent measurement period following each acquisition. The amortisation of these intangibles is non-cash and totals $0.6 million for the period, split $0.4 million for Silcotec and $0.2 million for MC Electronics.

The share-based payments expense of $0.8 million is higher than the prior half year due to the fact that H1 FY2018 benefitted from a significant credit arising on the lapse of certain share options.

Tax

The Group incurred a tax charge of $1.5 million (H1 FY2018: $0.7 million) representing an underlying effective tax rate of 18.1% (H1 FY2018: 14.8%), consistent with our expectation of the underlying ETR for the full year. The increase in the ETR reflects tax charges due on recent acquisitions and additional withholding tax on undistributed reserves.

Half year position and cash flows

Balance sheet and refinancing

Net assets as at H1 FY2019 are $106.2 million, up $58.0 million from the prior year end. The principal reason for the increase is the $46.7 million raised through the placing of 45 million shares and the $6.7 million of equity issued in consideration for the acquisitions of MC Electronics and Silcotec.

The table below summarises the impact of the two acquisitions made:

$'000	Traditional	Acquisitions	30 September 2018 Total	1 April 2018 Total
Non-current assets				
Goodwill	2,451	5,136	**7,587**	2,633
Other intangible assets	591	5,540	**6,131**	498
Property, plant and equipment	16,777	3,806	**20,583**	17,406
Other long term assets	6,319	313	**6,632**	4,069
	26,138	14,482	**40,933**	24,606
Net current assets (excluding cash and overdraft)				
Inventories	43,143	8,393	**51,536**	40,686
Trade receivables	64,510	7,596	**72,106**	56,199
Trade payables	(44,100)	(2,250)	**(46,350)**	(54,181)
Other Working capital	(28,651)	(2,512)	**(31,163)**	(22,329)
	34,902	11,227	**46,129**	20,375
Long term liabilities	(5,511)	(295)	**(5,806)**	(6,785)
Net funds	22,429	2,507	**24,936**	9,948
Net assets	77,958	28,234	**106,192**	48,144

Goodwill and other intangibles (non-compete agreements, customer relationships and order backlogs) have been recognised on the acquisition of both MC Electronics and Silcotec.

Inventory in the traditional Volex business has increased on year end by $2.5 million, partly due to the increased level of trade but also due to buffer stock having been built up in advance of the transfer of the PVC lines from Shenzhen to Zhongshan. Additionally the lead time on raw materials used in our Electric Vehicle chargers is longer than the raw material for standard power cords and therefore Volex holds a higher level of raw material in order to meet customer demand.

Trade receivables in the traditional business has increased by $8.3 million on year end due to the higher level of business activity whilst trade payables has decreased by $10.1 million since with net funds following the equity raise, Volex is taking advantage of prompt payment discounts.

At 30 September 2018, the Group had net funds of $24.9 million. The Group's senior credit facility runs to June 2019 with no elements (other than the letter of credit facility) drawn at half year. At present the net funds are sufficient for the Group to continue in operations for the foreseeable future with no requirement for a credit facility. Volex is currently considering its financing options for the period post June 2019.

Cash flows

Net cash increased from $9.9 million at 1 April 2018 to $24.9 million at 30 September 2018. This increase was primarily due to the $46.7 million raised through the equity issue in June 2018 (48 million shares issued at £0.75 each) less the net $9.4 million consideration paid on the acquisition of MC Electronics and Silcotec, a $2.3 million payment post Silcotec acquisition to release it from a loan obligation and a $18.8 million cash outflow from operations (H1 FY2018: $0.4 million).

The cash outflow from operations has arisen due to the large movement in working capital since the prior year end, including:

- an increase in inventory leading to a cash outflow of $2.8 million (H1 FY2018 outflow of $5.3 million). This increase is due to the increased level of trade, the seasonality of the Power business (stock tends to be higher in September than March due to pre-Christmas activity) and a build of buffer stock in advance of the transition of further PVC lines to Zhongshan.
- an increase in receivables leading to a cash outflow of $12.9 million (H1 FY2018 outflow of $6.1 million). This increase is due to the increased level of trade plus the fact that the Silcotec business was acquired without any trade receivables. The cash collection of invoices raised prior to the acquisition date was left with the seller, with Volex responsible only for cash collection on sales post-acquisition. At half year-end, Silcotec trade debtors totalled $5.1 million and the entirety of this increase is within the $12.9 million movement.
- a decrease in payables of $11.5 million. Due to the surplus cash, the Group decided to take advantage of prompt payment discounts offered by several key suppliers in order to improve margins.

Impact of Brexit

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

Risks and uncertainties

Risks to Volex are anticipated and regularly assessed and internal controls are enhanced where necessary to ensure that such risks are appropriately mitigated. The principal risks and uncertainties facing the Group in the second half of the year remain those detailed in the FY2018 Annual Report and Accounts on pages 25 to 29, a copy of which is available on the website at www.volex.com.

The principal risks and uncertainties are summarised as:

- Competitor risk;
- Customer concentration;
- Key personnel retention;
- Quality and product failure;
- Product development;
- Supplier dependency;
- Investment valuation and integration;
- Breach of financial covenants and liquidity;
- Copper price volatility;
- Foreign exchange rate movements;
- Compliance with legislation and regulations; and
- Corporate Governance.

Responsibility statement

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS34 'Interim Financial Reporting' as adopted by the EU.
- the interim management report includes a fair review of the information required by DTR 4.2.7R:
    - an indication of important events that have occurred during the first six months of the financial year, and their impact on the condensed set of financial statements, and
    - a description of the principal risks and uncertainties for the remaining six months of the year.
- the interim management report includes a fair review of the information required by DTR 4.2.8R:
    - related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group in that period, and
    - any changes in the related party transactions described in the Annual Report 2018 that could have a material effect on the financial position or performance of the Group in the current period.

Nat Rothschild
Executive Chairman
9 November 2018

Daren Morris
Group Chief Financial Officer
9 November 2018

Unaudited consolidated income statement

For the 26 weeks ended 30 September 2018 (26 weeks ended 1 October 2017)

	Notes	26 weeks ended 30 September 2018 Before Adjusting items $'000	Adjusting Items and share-based payments $'000	Total $'000	26 weeks ended 1 October 2017 Before Adjusting items $'000	Adjusting Items and share-based payments $'000	Total $'000
Revenue	2	**182,427**	**-**	**182,427**	161,449	-	161,449
Cost of sales		**(148,404)**	**(1,666)**	**(150,070)**	(132,578)	-	(132,578)
Gross profit		**34,023**	**(1,666)**	**32,357**	28,871	-	28,871
Operating expenses		**(24,138)**	**(2,495)**	**(26,633)**	(23,407)	(388)	(23,795)
Operating profit/(loss)	2	**9,885**	**(4,161)**	**5,724**	5,464	(388)	5,076
Share of net profit/(loss) from associates		**(210)**	**-**	**(210)**	(52)	-	(52)
Finance income		**42**	**-**	**42**	8	-	8
Finance costs		**(703)**	**-**	**(703)**	(873)	-	(873)
Profit/(loss) on ordinary activities before taxation		**9,014**	**(4,161)**	**4,853**	4,547	(388)	4,159
Taxation	4	**(1,628)**	**88**	**(1,540)**	(674)	-	(674)
Profit/(loss) for the period attributable to the owners of the parent		**7,386**	**(4,073)**	**3,313**	3,873	(388)	3,485
Earnings/(loss) per share (cents)							
Basic	5	**6.0**		**2.7**	4.4		3.9
Diluted	5	**5.8**		**2.6**	4.3		3.8

	Notes	52 weeks ended 1 April 2018 Before Adjusting items $'000	Adjusting Items and share-based payments $'000	Total $'000
Revenue	2	322,377	-	322,377
Cost of sales		(266,388)	(146)	(266,534)
Gross profit		55,989	(146)	55,843
Operating expenses		(44,532)	(2,538)	(47,070)
Operating profit/(loss)	2	11,457	(2,684)	8,773
		(192)	-	(192)
Finance income		20	-	20
Finance costs		(1,606)	-	(1,606)
Profit/(loss) on ordinary activities before taxation		9,679	(2,684)	6,995
Taxation	4	(1,519)	(1,551)	(3,070)
Profit/(loss) for the period attributable to the owners of the parent		8,160	(4,235)	3,925
Earnings/(loss) per share (cents)				
Basic	5	9.2		4.4
Diluted	5	8.9		4.3

Unaudited consolidated statement of comprehensive income

For the 26 weeks ended 30 September 2018 (26 weeks ended 1 October 2017)

	26 weeks to 30 September 2018 $'000	26 weeks to 1 October 2017 $'000	(Audited) 52 weeks to 1 April 2018 $'000
Profit/(loss) for the period	**3,313**	3,485	3,925
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on defined benefit pension schemes	**331**	617	870
Tax relating to items that will not be reclassified	-	-	-
	331	617	870
Items that may be reclassified subsequently to profit or loss:			
Gain/(loss) on hedge of net investment taken to equity	-	-	-
Gain/(loss) arising on cash flow hedges during the period	**(626)**	253	(265)
Exchange gain/(loss) on translation of foreign operations	**437**	(2,485)	(3,631)
Tax relating to items that may be reclassified	-	-	-
	(189)	(2,232)	(3,896)
Other comprehensive income/(loss) for the period	**142**	(1,615)	(3,026)
Total comprehensive income/(loss) for the period	**3,455**	1,870	899

Unaudited consolidated statement of financial position

As at 30 September 2018 (1 October 2017)

	Note	**30 September 2018 $'000**	1 October 2017 $'000	(Audited) 1 April 2018 $'000
Non-current assets				
Goodwill		**7,587**	2,584	2,633
Other intangible assets		**6,131**	544	498
Property, plant and equipment		**20,583**	17,709	17,406
Investments in associates		**-**	248	226
Other receivables		**2,321**	759	1,560
Deferred tax asset		**4,311**	2,955	2,283
		40,933	24,799	24,606
Current assets				
Inventories		**51,536**	41,628	40,686
Trade receivables		**72,106**	60,030	56,199
Other receivables		**6,917**	8,091	7,376
Current tax assets		**713**	178	948
Derivative financial instruments		**46**	688	192
Cash and bank balances	8	**24,647**	23,464	24,830
		155,965	134,079	130,231
Total assets		**196,898**	158,878	154,837
Current liabilities				
Borrowings	8	**-**	1,003	1,849
Trade payables		**46,350**	54,953	54,181
Other payables		**30,074**	27,211	25,576
Current tax liabilities		**6,416**	4,579	4,030
Retirement benefit obligation		**881**	770	947
Provisions		**703**	362	292
Derivatives financial instruments		**476**	-	-
		84,900	88,878	86,875
Net current assets		**71,065**	45,201	43,356
Non-current liabilities				
Borrowings	8	**-**	16,667	13,033
Other payables		**1,419**	463	1,080
Non current tax liabilities		**-**	-	1,242
Deferred tax liabilities		**2,568**	1,326	2,008
Retirement benefit obligation		**1,466**	2,971	2,370
Derivative financial instruments		**10**	-	-
Provisions		**343**	85	85
		5,806	21,512	19,818
Total liabilities		**90,706**	110,390	106,693
Net assets		**106,192**	48,488	48,144
Equity attributable to owners of the parent				
Share capital	6	**58,111**	39,755	39,755
Share premium account		**42,807**	7,122	7,122
Non-distributable reserve		**2,455**	2,455	2,455
Hedging and translation reserve		**(8,339)**	(6,486)	(8,150)
Own shares	7	**(792)**	(867)	(867)
Retained earnings		**11,950**	6,509	7,829
Total equity		**106,192**	48,488	48,144

Unaudited Consolidated Statement of Changes in Equity

For the 26 weeks ended 30 September 2018 (26 weeks ended 1 October 2017)

	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 2 April 2017	**39,755**	**7,122**	**2,455**	**(4,254)**	**(867)**	**2,096**	**46,307**
Profit for the period attributable to the owners of the parent	-	-	-	-	-	3,485	3,485
Other comprehensive income/ (loss) for the period	-	-	-	(2,232)	-	617	(1,615)
Total comprehensive income/ (loss) for the period	-	-	-	(2,232)	-	4,102	1,870
Reserve entry for share option charges/(credit)	-	-	-	-	-	311	311
Balance at 1 October 2017	**39,755**	**7,122**	**2,455**	**(6,486)**	**(867)**	**6,509**	**48,488**
Balance 1 April 2018	**39,755**	**7,122**	**2,455**	**(8,150)**	**(867)**	**7,829**	**48,144**
Profit for the period attributable to the owners of the parent	-	-	-	-	-	3,313	3,313
Other comprehensive income/ (loss) for the period	-	-	-	(189)	-	331	142
Total comprehensive income/ (loss) for the period	-	-	-	(189)	-	3,644	3,455
Shares issued	18,205	35,685	-	-	-	-	53,890
Exercise of deferred bonus shares	151	-	-	-	-	(151)	-
Own shares sold/(utilised) in the period	-	-	-	-	75	(31)	44
Reserve entry for share option charges/(credit)	-	-	-	-	-	659	659
Balance at 30 September 2018	**58,111**	**42,807**	**2,455**	**(8,339)**	**(792)**	**11,950**	**106,192**

Unaudited consolidated statement of cash flows

For the 26 weeks ended 30 September 2018 (26 weeks ended 1 October 2017)

	Notes	26 weeks to 30 September 2018 $'000	26 weeks to 1 October 2017 $'000	(Audited) 52 weeks to 1 April 2018 $'000
Profit/(loss) for the period		**3,313**	3,485	3,925
Adjustments for:				
Finance income		**(42)**	(8)	(20)
Finance costs		**703**	873	1,606
Income tax expense		**1,540**	674	3,070
Share of net profit/(loss) from associates		**210**	52	192
Depreciation of property, plant and equipment		**1,594**	1,546	3,095
Impairment of property, plant and equipment		**249**	-	-
Impairment of intangible assets		**-**	-	74
Amortisation of intangible assets		**630**	59	115
Loss on disposal of property, plant and equipment		**125**	8	89
Share option charge/(credit)		**832**	388	1,132
Increase/(decrease) in provisions		**(748)**	(382)	(810)
Operating cash flow before movements in working capital		**8,406**	6,695	12,468
(Increase)/decrease in inventories		**(2,790)**	(5,279)	(3,974)
(Increase)/decrease in receivables		**(12,888)**	(6,130)	(1,661)
Increase/(decrease) in payables		**(11,497)**	4,310	1,508
Movement in working capital		**(27,175)**	(7,099)	(4,127)
Cash generated by operations		**(18,769)**	(404)	8,341
Cash generated by operations before adjusting items		**(16,219)**	147	9,365
Cash utilised by adjusting items		**(2,550)**	(551)	(1,024)
Taxation paid		**(942)**	(1,227)	(2,469)
Interest paid		**(438)**	(483)	(979)
Net cash generated from/(used in) operating activities		**(20,149)**	(2,114)	4,893
Cash flow from investing activities				
Interest received		**42**	8	12
Net proceeds on acquisition of businesses	9	**(9,398)**	-	-
Proceeds on disposal property, plant and equipment		**10**	11	44
Purchases of property, plant and equipment		**(1,257)**	(1,051)	(2,436)
Purchases of intangible assets		**(161)**	(2)	(2)
Utilisation of own shares		**42**	-	-
Purchase of preference shares		**(1,000)**	-	(400)
Investments in associates		**-**	(300)	(400)
Net cash generated from/(used in) investing activities		**(11,722)**	(1,334)	(3,182)
Cash flow before financing activities		**(31,871)**	(3,448)	1,711
Cash generated/(used) before adjusting items		**(29,321)**	(2,897)	2,735
Cash utilised in respect of adjusting items		**(2,550)**	(551)	(1,024)

Unaudited consolidated statement of cash flows (continued)

For the 26 weeks ended 30 September 2018 (26 weeks ended 1 October 2017)

	Notes	26 weeks to 30 September 2018 $'000	26 weeks to 1 October 2017 $'000	(Audited) 52 weeks to 1 April 2018 $'000
Cash flow before financing activities		**(31,871)**	(3,448)	1,711
Cash flow from financing activities				
Repayment of borrowings		**(12,826)**	(3,000)	(7,285)
Refinancing costs paid		**-**	(494)	(496)
Proceeds on issue of shares		**46,685**	-	-
Net cash generated from/(used in) financing activities	8	**33,859**	(3,494)	(7,781)
Net increase/(decrease) in cash and cash equivalents		**1,988**	(6,942)	(6,070)
Cash and cash equivalents at beginning of period	8	**22,981**	29,565	29,565
Effect of foreign exchange rate changes		**(322)**	(162)	(514)
Cash and cash equivalents at end of period	8	**24,647**	22,461	22,981

Notes to the Interim Statements

1. Basis of preparation

These interim financial statements have been prepared in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the 52 weeks ended 1 April 2018, which have been prepared in accordance with IFRSs as adopted by the European Union.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The financial information presented for the 26 weeks ended 30 September 2018 ('H1 FY2019') and the 26 weeks ended 1 October 2017 ('H1 FY2018') has not been reviewed by the auditors. The financial information for the 52 weeks ended 1 April 2018 ('FY 2018') is extracted and abridged from the Group's full accounts for that year. The statutory accounts for FY 2018 have been filed with the Registrar of Companies for England and Wales and have been reported on by the Group's auditors. The Report of the Auditors was not qualified and did not contain a statement under Section 498 of the Companies Act 2006.

The interim report was approved by the Board of Directors on 9 November 2018.

This interim report can be downloaded or viewed via the Group's website at www.volex.com. Copies of the annual report for the financial year ended 1 April 2018 are available at the Company's registered office at Holbrook House, 34-38 Hill Rise, Richmond, Surrey, London, TW10 6UA, UK and can also be downloaded or viewed via the Group's website.

Following the placement of 48 million new shares in the period which raised $46.7 million, the Group is in a net funds position with $24.9m of cash held at 30 September 2019. The Group continues to have access to a committed senior credit facility, however, with the exception of 4 letters of credit totalling $0.7 million, it is unutilised. The facility expires in June 2019. The Group's forecast and projections, taking reasonable account of possible changes in trading performance show that the Group should continue to operate with net funds for the foreseeable future. As of 9 November 2018, the Group is not committed to any further acquisitions. Should any opportunities under review develop, the Group will consider the appropriate funding sources at the time. The Directors therefore believe that the Group is well placed to manage its business within the available facilities. Accordingly, they continue to adopt the going concern basis in preparing these condensed financial statements.

The same presentation and methods of computation are followed in these condensed financial statements as applied in the Group's latest annual financial statements with the following two exceptions:

- replacement of the non-recurring items disclosure with an adjusting items disclosure. Adjusting items expands upon non-recurring items to include not only those costs that are one-off in nature and significant (such as restructuring costs or impairment charges and acquisition related costs) but to also include the non-cash amortisation of acquired intangible assets.
- restatement of the prior year segmental reporting. Following a change in reporting lines and in an attempt to improve the transparency and accountability of each site, a number of sites which had been classified as "hybrid" and had their revenues and costs allocated across the reporting divisions have now been reclassified to either the Power Cords or the Cable Assembly divisions.

These condensed financial statements have also been prepared using accounting policies consistent with International Financial Reporting Standards as adopted for use in the European Union ('IFRS') and which are consistent with those disclosed in the annual report and accounts for the year ended 1 April 2018 with the exception of the following two new accounting standards that have become effective during the period:

- IFRS 15 '*Revenue from Contracts with Customers'* - this introduces a single, principles based approach to the recognition and measurement of revenue from all contracts with customers. The majority of the Group's contracts have just one performance obligation which is the delivery of goods. Under IFRS 15 revenue is to be recognised at a single point, either on delivery or pick up depending upon the agreed terms with the customers. From the review performed of the Group's largest customers no material impacts were identified from IFRS 15 adoption.

1. Basis of preparation (continued)

- IFRS 9 ‘*Financial Instruments*’ - the adoption of IFRS 9 has had no material impact upon the amounts recognised in the financial statements. It has, however, lead to a change to the internal documentation held with respect to our copper and foreign exchange hedging contracts. We continue to account for these contracts as cash flow hedges. Due to the low level of historic debt write off, the impact of provisioning for future expected credit loss has been deemed immaterial.

Impact of standards issued but not yet applied by the Group

IFRS 16 Leases prescribes a single lessee accounting standard that requires the recognition of a right of use asset and corresponding liability for all those leases with terms over 12 months unless the underlying asset is of low value. The implementation of IFRS 16 is likely to have a significant impact on the Group with the transition work currently on going.

2. Business and geographical segments

Business segments

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 products which the Group supplies. In addition to the operating divisions, a Central division exists to capture all of the corporate costs incurred in supporting the operations.

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

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

2. Business and geographical segments (continued)

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

	26 weeks to 30 September 2018		26 weeks to 1 October 2017 (restated)	
	Revenue $'000	**Profit/(loss) $'000**	Revenue $'000	Profit/(loss) $'000
Power Cords	**104,235**	**8,064**	100,536	4,925
Cable Assemblies	**78,192**	**5,248**	60,913	3,023
Unallocated central costs (excluding share-based payments)		**(3,427)**		(2,484)
Divisional results before share-based payments and adjusting items	**182,427**	**9,885**	161,449	5,464
Adjusting items		**(3,329)**		-
Share-based payments		**(832)**		(388)
Operating profit		**5,724**		5,076
Share of net profit from associates		**(210)**		(52)
Finance income		**42**		8
Finance costs		**(703)**		(873)
Profit before tax		**4,853**		4,159
Tax		**(1,540)**		(674)
Profit after tax		**3,313**		3,485

	52 weeks to 1 April 2018 (restated and unaudited)	
	Revenue $'000	Profit/(loss) $'000
Power Cords	203,569	12,112
Cable Assemblies	118,808	3,522
Unallocated central costs (excluding share-based payments)	-	(4,177)
Divisional results before share-based payments and Adjusting items	322,377	11,457
Adjusting items		(1,552)
Share-based payments		(1,132)
Operating profit		8,773
Share of net profit/(loss) from associates		(192)
Finance income		20
Finance costs		(1,606)
Profit before tax		6,995
Tax		(3,070)
Profit after tax		3,925

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

The adjusting items charge within operating profit for the period of $3,329,000 (H1 FY2018: $nil, FY2018: $1,552,000) was split $1,889,000 (H1 FY2018: $nil, FY2018: $628,000) to Power Cords, $1,440,000 (H1 FY2018: $nil, FY2018: $305,000) to Cable Assemblies and $nil (H1 FY2018: $nil, FY2018: $738,000) to Central.

2. Business and geographical segments (continued)

Other segmental information

	External revenue			Non-current assets (excluding deferred tax assets)		
	26 weeks to 30 September 2018 $'000	26 weeks to 1 October 2017 $'000	(Audited) 52 weeks to 1 April 2018 $'000	**26 weeks to 30 September 2018 $'000**	26 weeks to 1 October 2017 $'000	(Audited) 52 weeks to 1 April 2018 $'000
Geographical segments						
Asia (excluding India)	**86,744**	88,758	175,266	**16,953**	16,562	16,525
North America	**58,325**	45,040	90,421	**2,125**	1,048	1,088
Europe	**35,238**	25,512	51,959	**17,052**	3,440	3,899
India	**2,120**	2,139	4,731	**492**	794	811
	182,427	161,449	322,377	**36,622**	21,844	22,323

3. Adjusting items and share-based payments

	26 weeks to 30 September 2018 $'000	26 weeks to 1 October 2017 $'000	(Audited) 52 weeks to 1 April 2018 $'000
Restructuring costs	**1,939**	-	860
Acquisition costs	**824**	-	135
Amortisation of acquired intangibles	**566**	-	-
Transition to AIM	**-**	-	513
Impairment of Goodwill	**-**	-	74
Movement in onerous lease provision	**-**	-	(30)
Total adjusting items	**3,329**	-	1,552
Adjusting items tax expenses	**(88)**	-	1,551
Total adjusting items	**3,241**	-	3,103
Share-based payments (credit) / charge	**832**	388	1,132
Adjusting items and share-based payments	**4,073**	388	4,235

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

The adjusting items and share-based payments are included under the statutory classification appropriate to their nature but are separately disclosed on the face of the income statement to assist in understanding the underlying financial performance of the Group.

During H1 FY2019, the Group incurred $1,939,000 (H1 FY2018: $nil, FY2018: $860,000) of restructuring costs. Following a further decline in revenue with the Power division's largest customer, further restructuring costs of $1,469,000 were incurred at our Shenzhen factory, primarily in relation to severance costs. In addition, during the period the decision was taken to close the Indian factory. As part of this closure, Volex has incurred $685,000 of closure costs principally in relation to severance fees, retention bonuses paid to several key staff (in order that they remain and work on an orderly closure of the factory) and the write off of assets no longer deemed recoverable. Off-setting these two charges was a $265,000 credit resulting from the release of a provision made several years ago for minimum order quantity commitments that have now become time barred.

3. Adjusting items (continued)

During FY2018, the Group incurred $860,000 of restructuring spend following the down-sizing of an Asian factory, the down-sizing of the European and South Korean sales teams and the restructuring of the Singapore regional head office.

Acquisition related costs of $824,000 (FY2018: $135,000) are split between $590,000 for Silcotec and $234,000 for MC Electronics. These costs cover legal fees associated with the transactions and post-acquisition remuneration charges linked to the retention of key staff.

Associated with the acquisitions, the Group has recognised certain intangible assets including non-compete agreements, customer relationships and order backlogs. As at 30 September 2018, the attributed values of these intangibles are provisional. The amortisation of these intangibles is non-cash and totals $566,000 for the period, split $393,000 for Silcotec and $173,000 for MC Electronics.

During FY2018, the Group incurred $513,000 of professional and administrative fees in transitioning from the Main Market of the London Stock Exchange to AIM whilst continued poor performance at the Group's Indian operations resulted in a $74,000 impairment of associated goodwill.

4. Tax charge

The Group tax charge for the period is based on the forecast tax charge for the year as a whole and has been influenced by the differing tax rates in the UK and the various overseas countries in which the Group operates.

5. Earnings per ordinary share

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

Earnings/(loss)	**26 weeks to 30 September 2018 $'000**	26 weeks to 1 October 2017 $'000	52 weeks to 1 April 2018 $'000
Earnings/(loss) for the purpose of basic earnings per share	**3,313**	3,485	3,925
Adjustments for:			
Adjusting items	**3,329**	-	1,552
Share based payments charge/(credit)	**832**	388	1,132
Tax effect of above adjustments and other adjusting item tax movements	**(88)**	-	1,551
Underlying earnings	**7,386**	3,873	8,160

Weighted average number of ordinary shares	No. shares	No. shares	No. shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	**123,824,603**	88,956,532	88,956,532
Effect of dilutive potential ordinary shares – share options	**3,503,812**	1,874,381	3,162,104
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**127,328,415**	90,830,913	92,118,636

Basic earnings/(loss) per share	**Cents**	Cents	Cents
Basic earnings/(loss) per share from continuing operations	**2.7**	3.9	4.4
Adjustments for:			
Adjusting items	**2.7**	-	1.7
Share based payments charge/(credit)	**0.7**	0.5	1.3
Tax effect of above adjustments and other adjusting items tax movements	**(0.1)**	-	1.8
Underlying basic earnings per share	**6.0**	4.4	9.2

5. Earnings per ordinary share (continued)

Diluted earnings/(loss) per share	**26 weeks to 30 September 2018 $'000**	26 weeks to 1 October 2017 $'000	52 weeks to 1 April 2018 $'000
Diluted earnings/(loss) per share	**2.6**	3.8	4.3
Adjustments for:			
Adjusting items	**2.6**	-	1.7
Share based payments charge/(credit)	**0.7**	0.5	1.2
Tax effect of above adjustments and other adjusting items tax movements	**(0.1)**	-	1.7
Underlying diluted earnings per share	**5.8**	4.3	8.9

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

6. Share capital

	26 weeks to 30 September 2018 $'000	26 weeks to 1 October 2017 $'000	(Audited) 52 weeks to 1 April 2018 $'000
Issued and fully paid:			
145,243,917 (FY2018: 90,251,892) Ordinary shares of 25p each	**58,111**	39,755	39,755

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

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

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

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

7. Own shares

	26 weeks to 30 September 2018 $'000	26 weeks to 1 October 2017 $'000	(Audited) 52 weeks to 1 April 2018 $'000
At the start of the period	**867**	867	867
Disposed of in the period on exercise of options	**(75)**	-	-
At end of the period	**792**	867	867

The own shares reserve represents the cost of shares in the Company held by the Volex Group plc Employee Share Trust to satisfy future share option exercises under the Group's share option schemes.

On the 7 September 2018, the Trust sold 136,083 shares to satisfy the exercise of share options. The number of ordinary shares held by the Volex Group plc Employee Share Trust at 30 September 2018 was 1,159,278 (H1 FY2018: 1,295,361, FY2018: 1,295,361).

8. Analysis of net funds

	1 April 2018 $'000	Cash flow $'000	Exchange movement $'000	Other non-cash changes $'000	**30 September 2018 $'000**
Cash and cash equivalents	22,981	1,988	(322)	-	**24,647**
Bank loans	(13,550)	12,825	725	-	**-**
Debt issue costs	517	-	(31)	(197)	**289**
Net funds	9,948	14,813	372	(197)	**24,936**

	30 September 2018 $'000	1 October 2017 $'000	(Audited) 1 April 2018 $'000
Cash and bank balances	**24,647**	23,464	24,830
Overdrafts (included in short term borrowings)	**-**	(1,003)	(1,849)
Cash and cash equivalents	**24,647**	22,461	22,981

The carrying amount of the Group's financial assets and liabilities are generally the same as their fair value.

9. Acquisitions

MC Electronics LLC

On 30 April the Group acquired 100% of the units of MC Electronics LLC, a North-American based manufacturer of customised complex medical and industrial cables, wire harnesses and electro-mechanical assemblies for medical and industrial applications. The acquisition expands the Group's presence in the Cable Assembly market and brings new customer relationships to Volex as well as providing an opportunity to integrate the Group's North American operations to improve profitability and competitiveness.

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

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

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

The contingent consideration is dependent upon certain revenue targets being met post-acquisition, the outcome of a specific legal case and the recovery of certain historic tax overpayments. The fair value above has been based on the probable outcome of each based upon the information available at 30 September 2018. As more information comes to light, the fair value will be adjusted.

9. Acquisitions (continued)

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

	Fair Value $'000
Identifiable intangible assets	**500**
Property, plant and equipment	**448**
Deferred taxes	**313**
Inventories	**3,842**
Trade receivables	**1,959**
Trade payables	**(2,372)**
Other debtors and creditors	**119**
Cash & overdrafts	**(134)**
Provisions	**(983)**
Total identifiable assets	**3,692**
Goodwill	337
Consideration	**4,029**

An exercise has been conducted to assess the provisional fair value of assets and liabilities assumed. This exercise identified a $700,000 write down on inventory for non-moving stock and a $485,000 onerous lease provision adjustment to the initial book value. The intangible assets acquired as part of the acquisition relate to customer relationships and order backlogs.

The fair value adjustments are provisional and will be finalised within 12 months of the acquisition date. Any resulting changes in the fair values will have an impact on the acquisition accounting and will result in a reallocation between the assets and goodwill and a possible adjustment to the amortisation charge shown in the income statement.

The provisional goodwill balance recognised above includes certain intangible assets that cannot be separately identifiable and measured due to their nature. This includes control over the acquired business, the skills and experience of the assembled workforce and the anticipated synergies arising on integration.

In H1 FY2019, MC Electronics contributed $7,988,000 to Group revenue and $485,000 to adjusted operating profit. Associated acquisition costs of $234,000 and intangible asset amortisation of $173,000 have both been expensed as adjusting items in the period.

Silcotec Europe Limited

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

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

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

9. Acquisitions (continued)

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

The contingent consideration is dependent upon certain revenue targets being met post-acquisition.

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

	Fair value $'000
Identifiable intangible assets	5,626
Property, plant and equipment	3,585
Inventories	4,701
Trade payables	(1,599)
Other debtors and creditors	(758)
Cash	161
Loans	(2,332)
Total identifiable assets	**9,384**
Goodwill	4,809
Consideration	**14,193**

An exercise has been conducted to assess the provisional fair value of assets and liabilities assumed. This exercise identified a $700,000 increase to the book value of the Slovakian factory (land and freehold held by Silcotec) with the valuation provided by an independent surveyor. The intangible assets acquired as part of the acquisition relate to customer relationships and a non-compete agreement.

The fair value adjustments are provisional and will be finalised within 12 months of the acquisition date. Any resulting changes in the fair values will have an impact on the acquisition accounting and will result in a reallocation between the assets and goodwill and a possible adjustment to the amortisation charge shown in the P+L.

The provisional goodwill balance recognised above includes certain intangible assets that cannot be separately identifiable and measured due to their nature. This includes control over the acquired business, the skills and experience of the assembled workforce and the anticipated synergies arising on integration.

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

In H1 FY2019, Silcotec Europe contributed $7,353,000 to Group revenue and $1,291,000 to adjusted operating profit. Associated acquisition costs of $590,000 and intangible asset amortisation of $393,000 have both been expensed as adjusting items in the period.

Net cash outflow on acquisitions	**$'000**
Cash consideration	
- MC Electronics	435
- Silcotec Europe	8,990
Less: cash and cash equivalent balances acquired	
- MC Electronics	134
- Silcotec Europe	(161)
Net cash outflow	**9,398**

10. Related parties

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The Group has a 26.09% interest in Kepler SignalTek Limited which is accounted for as an associate. During H1 FY2019 the Group invested a further $1,000,000 in 10% cumulative preference shares in Kepler SignalTek. During the period the Group accrued financial income of $38,000 on the preference shares (FY2018: $8,000). The balance due from the associate as at the period end date was $1,445,000 (H1 FY2018: nil, FY2018: $408,000).

The Group also has a 43% interest in Volex-Jem Co. Ltd. During the period the Group purchased $2,552,000 (H1 FY2018: nil, FY2018: $1,738,000) materials from Volex – Jem Cable Precision (Dongguan) Co., Limited an entity controlled by Volex-Jem Co. Ltd. The balance due to the associates as at the period end was $1,316,000 (H1 FY2018: nil, FY2018: $1,403,000).

On the 5 June 2018 Nat Rothschild subscribed to 11,654,538 shares at £0.75 per share as part of the share placing.

Further share transactions with directors have occurred during the period in line with share awards outstanding at the prior year end and as disclosed in the annual accounts for FY2018 and in line with the director shareholding notices disclosed on the Volex website (www.volex.com).

11. 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.

12. Prior period adjustment

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

	26 weeks to 1 October 2017 (as previously reported)		26 weeks to 1 October 2017 (restated)	
	Revenue $'000	Profit/(loss) $'000	Revenue $'000	Profit/(loss) $'000
Power Cords	90,528	2,703	100,536	4,925
Cable Assemblies	70,921	5,245	60,913	3,023
Unallocated central costs (excluding share-based payments)	-	(2,484)		(2,484)
Divisional results before share-based payments and adjusting items	161,449	5,464	161,449	5,464

12. Prior period adjustment (continued)

	52 weeks to 1 April 2018 (as previously reported & audited)		52 weeks to 1 April 2018 (restated and unaudited)	
	Revenue $'000	**Profit/(loss) $'000**	**Revenue $'000**	**Profit/(loss) $'000**
Power Cords	181,170	6,825	203,569	12,112
Cable Assemblies	141,207	8,809	118,808	3,522
Unallocated central costs (excluding share-based payments)	-	(4,177)	-	(4,177)
Divisional results before share-based payments and Adjusting items	322,377	11,457	322,377	11,457