10 November 2017

VOLEX plc

Half year results for the 26 weeks ended 1 October 2017

'Best first half operating profit performance for 5 years'

Volex plc ('Volex'), the global provider of cable assemblies, today announces its interim results for the 26 weeks to 1 October 2017 ('H1 FY2018').

Financial Summary	26 weeks to 1 October 2017	26 weeks to 2 October 2016	% Change
Revenue	**$161.4m**	**$166.1m**	(2.8%)
Underlying* operating profit / (loss)	**$5.5m**	**$4.3m**	26.8%
Statutory operating profit / (loss)	**$5.1m**	**($4.6m)**	Nm
Underlying* profit / (loss) before tax	**$4.5m**	**$3.3m**	37.6%
Statutory profit / (loss) before tax	**$4.2m**	**($5.6m)**	Nm
Basic earnings / (loss) per share	**3.9c**	**(7.5c)**	Nm
Underlying diluted earnings / (loss) per share	**4.3c**	**2.5c**	72.0%
Cash generated by / (used by) operations	**($0.4m)**	**$11.3m**	Nm
Net cash	**$5.8m**	**$5.2m**	12.2%

* Before non-recurring items and share-based payments

Financial highlights

- A statutory operating profit of $5.1 million is the best result in the past 5 years, reflecting an improved underlying operating performance and an absence of one-off restructuring costs.
- Group revenue is down by $4.6 million on the prior period primarily as a result of a further $11.0 million decline in our largest Power customer's revenues.
- Revenue from other customers increased by 4.8% with the Cable Assemblies division showing a 8.0% revenue increase.
- Underlying operating profit is up 26.8% on H1 FY2017 despite the overall Group reduction in sales.
- A statutory profit before tax of $4.2m and a reduced effective tax rate of 14.8% yields a basic EPS of 3.9c
- Despite investment in inventory of $5.3m over the period, the Group remains in a net cash position of $5.8 million.
- Refinancing completed in June 2017 with facility reduced from $45 million to $30 million following significant cash generation over the past 18 months.
- Intention to move to AIM in order to have greater flexibility to pursue growth and partnership opportunities

Nat Rothschild, Executive Chairman, said:

"I am pleased to report that the Group has returned to profitability. The restructuring activities taken in previous periods have allowed the Group to operate more efficiently and we are now seeing growth from both new and existing customers as we diversify our revenues.

We have enjoyed a particularly strong six months in our Cable Assemblies division which has seen revenue increase by 8% in comparison to the prior year. When we strip-out the Cable Assemblies revenue contribution from our largest Power customer and our largest European telecoms customer, both of which have continued their decline, the remainder of the Cable Assemblies revenue grew by 20%. This growth has been driven across all sectors with our North American logistics business proving exceptionally buoyant.

As reported in July, this growth continues to present operational challenges at our facility in Mexico as we invest in additional staff and raw materials to cope with the increase in demand. However, operational efficiency initiatives executed in prior periods have allowed the Cable Assemblies division to maintain overall margins despite significant labour cost inflation and inefficiencies caused by expansion.

The Power Cords division's revenue continued its decline, down 10% on the prior year, with the division's largest customer's Power revenue down by 25%. We believe that this customer's revenue has now stabilised as new products move into commercial production in the second half. The division's decline had been previously forecast and hence the restructuring activities taken in the prior year had been focused on this division. As a result, despite the lost revenue, gross margin and operating profit are significantly ahead of the prior year, despite the reduction in sales. In addition, our previously announced joint venture agreement with a Taiwanese manufacturer, producing competitively priced Volex-branded AC raw cables, began commercial production in the period and we hope to see margin benefit from this during the next year.

We are encouraged by the progress made in the first half of the year and the improvement in profitability. We expect competition to remain tough in the second half and cost inflation to continue in both raw materials and labour rates. However, with a strong sales pipeline and our optimised cost base following last year's restructuring, we are optimistic about the prospects of the business in the second half."

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Volex plc

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RESULTS FOR THE 26 WEEKS ENDED 1 OCTOBER 2017

Introduction

The Board is pleased to report its results for the half year to 1 October 2017 which has seen the Group record its strongest first half profit performance in five years. Whilst total Group revenue fell by 2.8%, the revenue from our higher margin Cable Assemblies division actually grew by 8.0% with growth spread across many accounts. This move towards our higher margin business, the impact of cost reduction measures taken in previous periods and favourable movements in foreign exchange resulted in not only an increase in underlying operating profit to $5.5m (H1 FY2017: $4.3m) but also an increase in statutory operating profit to $5.1m (H1 FY2017: loss of $4.6m).

The Group revenue reduction of $4.6 million to $161.4 million was primarily as a result of a continued decline in revenues from our largest Power customer and our largest European telecoms customer. Excluding these two customers, total revenue was up by $8.9m (7.3%) on the prior period. Whilst this growth was principally from a number of existing customers, we did add a new account with revenue in excess of $1 million during the period. As previously noted, the lead time for on-boarding new accounts is 12 to 18 months and therefore we expect to see further benefit from the new sales strategy (announced in the last annual report) over the next twelve months. We believe the revenue from our largest Power customer has now stabilised with an upturn in revenue expected as new product developments move into commercial production.

In light of the anticipated decline in revenue, a number of actions were taken in the prior year to align the cost base with future performance. These actions coupled with a reduced depreciation charge following the prior year impairment of assets and a favourable movement in the Chinese Renminbi to US Dollar exchange rate have helped improve the gross margin from 16.9% to 17.9% in the period.

Underlying operating expenditure was down $0.3 million on the prior period to $23.4 million leading to an underlying operating profit of $5.5 million, up 26.8% on the prior period. With no repeat of the large scale restructuring programmes that took place in the prior year nor any further plant and machinery impairments, non-recurring charges are $nil in the period (H1 FY2017: $8.7 million) resulting in a statutory operating profit of $5.1 million (H1 FY2017: a loss of $4.6 million)

During the period, Volex invested $0.3 million in return for a 26.1% shareholding in Kepler SignalTek Limited (‘KST’), a manufacturer of medical, high-frequency data transmission and specialist industrial cable assemblies. KST is currently in the start-up phase but once commercial production is underway, these cables will provide Volex with an enhanced specialist cable assemblies product offering.

In June 2017, the Group successfully completed the refinancing of its senior credit facility with the facility reducing from $45 million to $30 million in light of the recent success in cash generation.

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

Trading performance

Power Cords Division

$'000	26 weeks ended 1 October 2017	26 weeks ended 2 October 2016	52 weeks ended 2 April 2017
Specified customers*	**23,307**	31,212	53,892
Other customers	**67,221**	69,191	134,364
Revenue	**90,528**	100,403	188,256
Underlying gross profit	**14,030**	14,234	27,523
Underlying gross margin	***15.5%***	*14.2%*	*14.6%*
Operating costs	**(11,327)**	(12,765)	(24,295)
Underlying operating profit	**2,703**	1,469	3,228
Underlying operating margin	***3.0%***	*1.5%*	*1.7%*

*Largest Power customer and largest European Telecoms customer

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 and vacuum cleaners.

The Power Cords division revenue for H1 FY2018 was $90.5 million, down 9.8% on the prior period. The division's largest customer continued its decline with revenue down 25.3% on the prior year. As previously highlighted, this customer had announced that its newly designed laptop range was to be sold with a USB-C charger rather than a traditional power cord. We believe that revenues with this customer have now stabilised with new products moving from the development phase to commercial production over the coming months. We also expect stronger sales of our historic duck head range as the power requirements of several of our customer's key products increase. Away from the division's largest customer, the global PC market continues to shrink with global shipments in the period April to September 2017 down 4% on the corresponding period in the prior year whilst the printer and PC peripherals market is largely flat. As a consequence we saw a reduction in sales to OEM's associated with these markets.

Helping offset the decline in sales to Volex's traditional markets, the Group began power cord production for one of the world's leading electric vehicle manufacturers. Having been in discussion and development with this customer for more than twelve months, the Group is thrilled to see commercial production finally commence and expect this account to become a significant multi-million dollar account over the coming years. Production of these power cords is from our largest factory in China which is set to become a market leading facility in the manufacture of high power electric vehicle cords.

With Volex's traditional PC and peripherals markets set to continue their decline, competition here will only intensify. Therefore it is vitally important, if the Power Cords division is to turnaround its recent performance, for it to seek out new end markets that value Volex's expert knowledge in the manufacture of high power distribution cables and its reputation for quality and safety.

The underlying Power Cords gross profit has reduced to $14.0 million from $14.2 million in H1 FY2017, representing a gross margin of 15.5% (H1 FY2017: 14.2%). The principal reasons for the margin improvement include:

- A reduced cost base following the restructuring activities that took place in the prior year. These activities included downsizing our factory footprint, closing a number of warehousing hubs and transferring production to lower cost factories

- A reduced plant and machinery depreciation charge following the $12.5 million impairment charge taken in the prior year.
- A stronger US Dollar versus the Chinese Renminbi helping reduce the cost of our Chinese direct labour.

Offsetting the above has been an increase in the cost of many of our raw materials. Copper is a significant component within our power cables and the spot price has increased by approximately 22% year on year. The impact of this raw material cost increase has largely been mitigated through customer price increases and an active commodity hedging policy. We expect to see further raw material pricing pressure in the second half of the year.

During the period, our previously announced joint venture agreement with a Taiwanese manufacturer, producing competitively priced Volex-branded AC raw cables, began commercial production. By period end, Volex had consumed 760km of this cable reflecting approx. 1.0% of the period's cable demand. This is forecast to grow over the coming years.

Operating costs have reduced by $1.4 million to $11.3 million following the cost reduction actions taken in FY2017 principally with respect to headcount, reduced office rental and sales hub costs and lower depreciation.

As a consequence of the above, underlying operating profit for H1 FY2018 was $2.7 million, up 84.0% on the prior period.

Cable Assemblies Division

$'000	26 weeks ended 1 October 2017	26 weeks ended 2 October 2016	52 weeks ended 2 April 2017
Specified customers*	**6,389**	12,057	21,296
Other customers	**64,532**	53,637	110,032
Revenue	**70,921**	65,694	131,328
Underlying gross profit	**14,841**	13,788	27,936
Underlying gross margin	***20.9%***	*21.0%*	*21.3%*
Operating costs	**(9,596)**	(8,976)	(17,408)
Underlying operating profit	**5,245**	4,812	10,528
Underlying operating margin	***7.4%***	*7.3%*	*8.0%*

*Largest Power customer and largest European Telecoms customer

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 FY2018 was $70.9 million, up 8.0% on the prior period. Stripping out the revenue decline observed from our largest Power customer (to whom we also sell internal harnesses) and our largest European telecoms customer (that continues to see its market share decline), revenue was up 20.3%. This increase was spread over multiple customers, across many sectors. Our leading North American logistics customer recovered strongly as the revenue cycle turned in Volex's favour with a doubling of sales. A number of customers operating in the healthcare and robotics space also posted high double digit revenue growth and a well-known online retailer is set to become a significant new account for the division.

The underlying gross profit has increased to $14.8 million from $13.8 million, representing a gross margin of 20.9% (H1 FY2017: 21.0%). During the period, the division has suffered significant labour cost increases in Mexico and certain operational difficulties as the Mexico facility has expanded to meet the sales growth. These adverse movements, however, have largely been offset by a change in the product mix during the period to higher margin product and the absence of our loss making Brazil facility closed in the prior year.

Operating costs have increased by $0.6 million to $9.6 million primarily due to foreign exchange losses arising from the movement in the Mexican Peso versus the US Dollar. In the prior year, in the run up to the US presidential election the US Dollar strengthened against the Peso making the Peso payables cheaper, however, in the current year the reverse has happened with the Peso rebounding.

As a result of the above, underlying divisional operating profit for the period increased from $4.8 million in H1 FY2017 to $5.2 million in H1 FY2018.

Non-recurring items and share-based payments

No non-recurring charges have been recognised in H1 FY2018.

The non-recurring charge of $8.7 million in the prior period comprised of a $6.2 million non-cash impairment charge against Power Cords assets, a $1.1 million charge in relation to the closure of our Brazil operations, $0.5 million of severance payments arising from the downsizing of functions and facilities across the Group, $0.6 million of one-off consultancy costs in relation to manufacturing optimisation and a $0.3 million charge in relation to the sub-let of an onerous lease in North America.

The share-based payments expense of $0.4 million in the period is $0.2 million up on the prior period due to the issue of new employee share option awards.

Tax

The Group incurred a tax charge of $0.7 million (H1 FY2017: $1.1 million) representing an underlying effective tax rate of 14.8% (H1 FY2017: 32.4%), consistent with our expectation of the underlying ETR for the full year. The reduction in the ETR reflects the tax effects of structural changes made within the Group.

Half year position and cash flows

Balance sheet and refinancing

Net assets as at H1 FY2018 are $48.5 million, up $2.2 million from the prior year end.

Included within this is a $5.6 million increase in inventory to $41.6 million. This increase is partly due to a stock build in advance of Golden Week and the closure of our Chinese factories, partly in preparation for a strong third quarter and partly to support our largest customer who requested an expansion of the supplier managed owned inventory programme.

During the period the Group invested $0.3 million in acquiring 26.1% of the share capital of Kepler SignalTek Limited ('KST'), a Hong Kong company manufacturing medical, high-frequency data transmission and specialist industrial cable assemblies. This investment is being treated as an associate in the Group accounts and as such the accounts reflect 26.1% of the start-up costs incurred by KST post investment. As a result, at period end the carrying value of the associate has been reduced to $0.2 million.

The Group was in a net cash position of $5.8 million at H1 FY2018, $5.5 million lower than at the prior year end. This cash outflow has principally funded the increase in inventory noted above.

As reported in the year end accounts, in June 2017 the Group obtained a one year extension on its senior credit facility which now runs to June 2019. As part of the refinancing, the available facility was reduced from $45 million to $30 million, reflecting the Group's success in recent years to generate cash. $0.5 million of costs were incurred in arranging this extension, all of which have been capitalised and are being amortised over the period of the facility.

Cash flows

The underlying business consumed $1.6 million of cash through its operating activities (H1 FY2017: generated $13.3 million), largely as a result of the stock build noted above. In addition, a further $0.6 million (H1 FY2017: $4.2 million) of non-recurring operational cash spend was incurred, largely in payment of severance fees accrued at prior year end.

$1.1 million of capital expenditure was incurred on tooling and machinery throughout the Group, a similar level to the prior year. This low level of capital expenditure in comparison to the long term average for the Group reflects the joint investment arrangements now agreed with many of our customers in advance of entering into significant new product lines.

Proposed move to AIM

The Board is continuously reviewing its available options to ensure Volex meets its long-term strategic goal of being a more diversified and stable business. These options may include acquisitions, divestments, strategic partnerships as well as investment in organic growth. In the highly competitive markets Volex operates, Volex must be lean and agile, operating with a low cost base and quick to react to opportunities.

Given this strategic intent, and given the Company's current size and market capitalisation, the Board has considered whether it is still appropriate for the Company's Ordinary Shares to be admitted to trading on the Main Market and has concluded that Volex would benefit from a move to AIM.

Outlook

Volex's core markets are expected to remain highly competitive in the near term. Second half revenues are forecast to be at a similar level to that achieved in the first half with the strong sales pipeline helping off-set the traditional seasonality seen in the business.

Cost inflation in both raw materials and labour rates is expected to continue and where we are unable to pass these increases onto our customers, we will look to improve factory operational efficiency further, particularly in our Mexico facility. We will continue to monitor closely the cost base of the Group and where necessary will take further cost reduction actions.

Given the strong sales pipeline and the optimised cost base following last year's restructuring, we are confident in delivering a trading performance for the full year in line with the Board's expectations.

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 FY2017 Annual Report and Accounts on pages 20 to 23, 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;
- Supplier dependency;
- Quality and product failure;
- Product development;
- Key personnel retention;
- Breach of financial covenants and liquidity;
- Copper price volatility;
- Foreign exchange rate movements; and
- Compliance with legislation and regulations.

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 2017 that could have a material effect on the financial position or performance of the Group in the current period.

Nathaniel Rothschild
Executive Chairman
10 November 2017

Daren Morris
Group Chief Financial Officer
10 November 2017

Unaudited consolidated income statement

For the 26 weeks ended 1 October 2017 (26 weeks ended 2 October 2016)

	Notes	26 weeks ended 1 October 2017 Before non-recurring items and share-based payments $'000	Non-recurring items and share-based payments $'000	Total $'000	26 weeks ended 2 October 2016 Before non-recurring items and share-based payments $'000	Non-recurring items and share-based payments $'000	Total $'000
Revenue	2	**161,449**	**-**	**161,449**	166,097	-	166,097
Cost of sales		**(132,578)**	**-**	**(132,578)**	(138,075)	(6,966)	(145,041)
Gross profit		**28,871**	**-**	**28,871**	28,022	(6,966)	21,056
Operating expenses		**(23,407)**	**(388)**	**(23,795)**	(23,714)	(1,945)	(25,659)
Operating profit/(loss)	2	**5,464**	**(388)**	**5,076**	4,308	(8,911)	(4,603)
Share of net profit/(loss) from associates	7	**(52)**	**-**	**(52)**	-	-	-
Finance income		**8**	**-**	**8**	11	-	11
Finance costs		**(873)**	**-**	**(873)**	(1,014)	-	(1,014)
Profit/(loss) on ordinary activities before taxation		**4,547**	**(388)**	**4,159**	3,305	(8,911)	(5,606)
Taxation	4	**(674)**	**-**	**(674)**	(1,072)	-	(1,072)
Profit/(loss) for the period attributable to the owners of the parent		**3,873**	**(388)**	**3,485**	2,233	(8,911)	(6,678)
Earnings/(loss) per share (cents)							
Basic	5	**4.4**		**3.9**	2.5		(7.5)
Diluted	5	**4.3**		**3.8**	2.5		(7.5)

	Notes	52 weeks ended 2 April 2017 Before non-recurring items and share-based payments $'000	Non-recurring items and share based payments $'000	Total $'000
Revenue	2	319,584	-	319,584
Cost of sales		(264,125)	(13,112)	(277,237)
Gross profit		55,459	(13,112)	42,347
Operating expenses		(46,380)	(2,588)	(48,968)
Operating profit/(loss)	2	9,079	(15,700)	(6,621)
Finance income		19	-	19
Finance costs		(1,898)	-	(1,898)
Profit/(loss) on ordinary activities before taxation		7,200	(15,700)	(8,500)
Taxation	4	1,238	214	1,452
Profit/(loss) for the period attributable to the owners of the parent		8,438	(15,486)	(7,048)
Earnings/(loss) per share (cents)				
Basic	5	9.5		(7.9)
Diluted	5	9.5		(7.9)

Unaudited consolidated statement of comprehensive income

For the 26 weeks ended 1 October 2017 (26 weeks ended 2 October 2016)

	26 weeks to 1 October 2017 $'000	26 weeks to 2 October 2016 $'000	(Audited) 52 weeks to 2 April 2017 $'000
Profit/(loss) for the period	**3,485**	(6,678)	(7,048)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on defined benefit pension schemes	**617**	(1,767)	(2,143)
Tax relating to items that will not be reclassified	-	-	-
	617	(1,767)	(2,143)
Items that may be reclassified subsequently to profit or loss:			
Gain/(loss) on hedge of net investment taken to equity	-	(292)	(350)
Gain/(loss) arising on cash flow hedges during the period	**253**	105	317
Exchange gain/(loss) on translation of foreign operations	**(2,485)**	2,366	3,743
Tax relating to items that may be reclassified	-	-	-
	(2,232)	2,179	3,710
Other comprehensive income/(loss) for the period	**(1,615)**	412	1,567
Total comprehensive income/(loss) for the period	**1,870**	(6,266)	(5,481)

Unaudited consolidated statement of financial position

As at 1 October 2017 (2 October 2016)

	Note	**1 October 2017 $'000**	2 October 2016 $'000	(Audited) 2 April 2017 $'000
Non-current assets				
Goodwill		**2,584**	2,512	2,414
Other intangible assets		**544**	692	593
Property, plant and equipment		**17,709**	24,763	18,085
Investments in associates	7	**248**	-	-
Other receivables		**759**	1,007	843
Derivative financial instruments		**-**	-	22
Deferred tax asset		**2,955**	821	2,948
		24,799	29,795	24,905
Current assets				
Inventories		**41,628**	39,989	36,040
Trade receivables		**60,030**	55,267	53,448
Other receivables		**8,091**	6,663	7,703
Current tax assets		**178**	619	505
Derivative financial instruments		**688**	106	380
Cash and bank balances	8	**23,464**	33,432	29,565
		134,079	136,076	127,641
Total assets		**158,878**	165,871	152,546
Current liabilities				
Borrowings	8	**1,003**	-	-
Trade payables		**54,953**	56,956	51,156
Other payables		**27,211**	21,516	24,993
Current tax liabilities		**4,579**	5,765	5,346
Retirement benefit obligation		**770**	748	719
Provisions		**362**	1,227	358
		88,878	86,212	82,572
Net current assets		**45,201**	49,864	45,069
Non-current liabilities				
Borrowings	8	**16,667**	28,270	18,230
Other payables		**463**	419	432
Deferred tax liabilities		**1,326**	1,955	1,239
Retirement benefit obligation		**2,971**	3,772	3,682
Provisions		**85**	-	84
		21,512	34,416	23,667
Total liabilities		**110,390**	120,628	106,239
Net assets		**48,488**	45,243	46,307
Equity attributable to owners of the parent				
Share capital		**39,755**	39,755	39,755
Share premium account		**7,122**	7,122	7,122
Non-distributable reserve		**2,455**	2,455	2,455
Hedging and translation reserve		**(6,486)**	(5,785)	(4,254)
Own shares		**(867)**	(867)	(867)
Retained earnings		**6,509**	2,563	2,096
Total equity		**48,488**	45,243	46,307

Unaudited Consolidated Statement of Changes in Equity

For the 26 weeks ended 1 October 2017 (26 weeks ended 2 October 2016)

	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 3 April 2016	**39,755**	**7,122**	**2,455**	**(7,964)**	**(867)**	**10,851**	**51,352**
Profit for the period attributable to the owners of the parent	-	-	-	-	-	(6,678)	(6,678)
Other comprehensive income/ (loss) for the period	-	-	-	2,179	-	(1,767)	412
Total comprehensive income/ (loss) for the period	-	-	-	2,179	-	(8,445)	(6,266)
Reserve entry for share option charges/(credit)	-	-	-	-	-	157	157
Balance at 2 October 2016	**39,755**	**7,122**	**2,455**	**(5,785)**	**(867)**	**2,563**	**45,243**
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**

Unaudited consolidated statement of cash flows

For the 26 weeks ended 1 October 2017 (26 weeks ended 2 October 2016)

	Notes	26 weeks to 1 October 2017 $'000	26 weeks to 2 October 2016 $'000	(Audited) 52 weeks to 2 April 2017 $'000
Profit/(loss) for the period		**3,485**	(6,678)	(7,048)
Adjustments for:				
Finance income		**(8)**	(11)	(19)
Finance costs		**873**	1,014	1,898
Income tax expense		**674**	1,072	(1,452)
Share of net proft/(loss) from associates		**52**	-	-
Depreciation of property, plant and equipment		**1,546**	2,830	4,927
Impairment of property, plant and equipment		**-**	6,593	12,491
Amortisation of intangible assets		**59**	355	441
Loss on disposal of property, plant and equipment		**8**	5	61
Share option charge/(credit)		**388**	170	468
Effects of foreign exchange rate changes		**-**	279	407
Increase/(decrease) in provisions		**(382)**	(2,664)	(3,837)
Operating cash flow before movements in working capital		**6,695**	2,965	8,337
(Increase)/decrease in inventories		**(5,279)**	1,653	5,382
(Increase)/decrease in receivables		**(6,130)**	2,137	2,376
Increase/(decrease) in payables		**4,310**	4,566	3,070
Movement in working capital		**(7,099)**	8,356	10,828
Cash generated by operations		**(404)**	11,321	19,165
Cash generated by operations before non-recurring items		**147**	15,510	24,906
Cash utilised by non-recurring items		**(551)**	(4,189)	(5,741)
Taxation paid		**(1,227)**	(1,606)	(2,102)
Interest paid		**(483)**	(607)	(1,166)
Net cash generated from/(used in) operating activities		**(2,114)**	9,108	15,897
Cash flow from investing activities				
Interest received		**8**	11	19
Proceeds on disposal property, plant and equipment		**11**	99	201
Purchases of property, plant and equipment		**(1,051)**	(1,031)	(2,464)
Purchases of intangible assets		**(2)**	(76)	(68)
Investments in associates		**(300)**	-	-
Net cash generated from/(used in) investing activities		**(1,334)**	(997)	(2,312)
Cash flow before financing activities		**(3,448)**	8,111	13,585
Cash generated/(used) before non-recurring items		**(2,897)**	12,300	19,326
Cash utilised in respect of non-recurring items		**(551)**	(4,189)	(5,741)
Cash flow from financing activities				
Repayment of borrowings		**(3,000)**	-	(9,240)
Refinancing costs paid		**(494)**	(552)	(582)
New bank loans raised		**-**	-	-
Net cash generated from/(used in) financing activities	8	**(3,494)**	(552)	(9,822)
Net increase/(decrease) in cash and cash equivalents		**(6,942)**	7,559	3,763
Cash and cash equivalents at beginning of period	8	**29,565**	25,574	25,574
Effect of foreign exchange rate changes		**(162)**	299	228
Cash and cash equivalents at end of period	8	**22,461**	33,432	29,565

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 2 April 2017, 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 1 October 2017 and the 26 weeks ended 2 October 2016 ('H1 FY2017') has not been reviewed by the auditors. The financial information for the 52 weeks ended 2 April 2017 ('FY 2017') is extracted and abridged from the Group's full accounts for that year. The statutory accounts for FY 2017 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 10 November 2017.

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 2 April 2017 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.

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 committed senior credit facility for the foreseeable future and should comply with associated 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. 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. Following the investment in Kepler Signaltek Limited during the period the company has an associate investment. In line with IAS28 '*Investments in Associates and Joint Ventures*' the company uses the equity method of accounting for associates.

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 2 April 2017. There are no standards, amendments to standards or interpretations that are both mandatory for the first time for the financial year ending 1 April 2018 and expected to have a material impact on the Group's results.

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 and floor cleaning equipment.
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 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.

	26 weeks to 1 October 2017		26 weeks to 2 October 2016	
	Revenue $'000	**Profit/(loss) $'000**	Revenue $'000	Profit/(loss) $'000
Power Cords	**90,528**	**2,703**	100,403	1,469
Cable Assemblies	**70,921**	**5,245**	65,694	4,812
Unallocated central costs (excluding share-based payments)		**(2,484)**		(1,973)
Divisional results before share-based payments and non-recurring items	**161,449**	**5,464**	166,097	4,308
Non-recurring items		**-**		(8,741)
Share-based payments		**(388)**		(170)
Operating profit/(loss)		**5,076**		(4,603)
Share of net profit/(loss) from associates		**(52)**		-
Finance income		**8**		11
Finance costs		**(873)**		(1,014)
Profit/(loss) before tax		**4,159**		(5,606)
Tax		**(674)**		(1,072)
Profit/(loss) after tax		**3,485**		(6,678)

2. Business and geographical segments (continued)

	(Audited) 52 weeks to 2 April 2017 Revenue $'000	(Audited) 52 weeks to 2 April 2017 Profit/(loss) $'000
Power Cords	188,256	3,228
Cable Assemblies	131,328	10,528
Unallocated central costs (excluding share-based payments)	-	(4,677)
Divisional results before share-based payments and non-recurring items	319,584	9,079
Non-recurring items		(15,232)
Share-based payments		(468)
Operating profit/(loss)		(6,621)
Finance income		19
Finance costs		(1,898)
Profit/(loss) before tax		(8,500)
Tax		1,452
Profit/(loss) after tax		(7,048)

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

The non-recurring items charge within operating profit for the period was $nil (H1 FY2017: $8,741,000, FY2017: $15,232,000) was split $nil (H1 FY2017: $6,485,000, FY2017: $12,740,000) to Power Cords, $nil (H1 FY2017: $1,616,000, FY2017: $1,754,000) to Cable Assemblies and $nil (H1 FY2017: $640,000, FY2017: $738,000) to Central.

Other segmental information

	External revenue			Non-current assets (excluding deferred tax assets)		
	26 weeks to 1 October 2017 $'000	26 weeks to 2 October 2016 $'000	(Audited) 52 weeks to 2 April 2017 $'000	**26 weeks to 1 October 2017 $'000**	26 weeks to 2 October 2016 $'000	(Audited) 52 weeks to 2 April 2017 $'000
Geographical segments						
Asia (excluding India)	**88,758**	96,773	182,079	**16,562**	23,764	16,914
North America	**45,040**	39,503	78,084	**1,048**	1,202	1,090
Europe	**25,512**	25,878	52,752	**3,440**	3,136	3,179
India	**2,139**	2,360	4,929	**794**	857	774
South America	**-**	1,583	1,740	**-**	15	-
	161,449	166,097	319,584	**21,844**	28,974	21,957

3. Non-recurring items and share-based payments

	26 weeks to 1 October 2017 $'000	26 weeks to 2 October 2016 $'000	(Audited) 52 weeks to 2 April 2017 $'000
Impairment	**-**	6,166	12,491
Restructuring costs	**-**	1,636	1,656
Manufacturing optimisation consultancy	**-**	621	815
Movement in onerous lease provision	**-**	318	270
Total non-recurring items	**-**	8,741	15,232
Share-based payments (credit) / charge	**388**	170	468
Non-recurring items and share-based payments	**388**	8,911	15,700

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.

During H1 FY2018, the Group has not recorded any non-recurring charges.

In the prior year, following a downturn in Power revenue (particularly with the Group's largest customer), a full review of the Group's cost base was performed. As a result of this, the largest Power factory was downsized with one of the three available buildings returned to the landlord. This resulted in impairment of the associated fit-out costs. Further the number of production lines running in the remaining two buildings was reduced resulting in the impairment of the redundant plant, machinery and tooling. Finally, given the reduced sales from the largest customer and the already thin margins, the forecast profitability from the continuing lines was assessed and deemed insufficient to support the associated fixed asset cost base. As a consequence, an impairment charge of $11,987,000 (H1 FY2017: $6,166,000) was recorded in the Power Cords division. In addition during FY2017 the Cable Assemblies division recorded a $491,000 impairment charge following the closure of Volex Do Brasil Ltda.

During the prior year, the Group also incurred $1,656,000 (H1 FY2017: $1,636,000) of restructuring spend in response to the reduced revenues. The non-recurring cost included the departure of the Head of Engineering and an operational element relating to the reduction of direct and indirect manufacturing headcount in a number of factories, the removal of certain middle-management roles and redundancies associated with the closure of our Brazil, Ireland, Austin and Jakarta operations.

Following his appointment in November 2016, the Executive Chairman sought to address the production issues facing our factories across the globe in order to make them more cost competitive. To support the management function, an external manufacturing consultancy was employed on a fixed term contract of 9 months, to advise on manufacturing best practice and implementation. This contract expired in December 2016 at a cost of $815,000 (H1 FY2017: $621,000).

During FY2017 the Group incurred an onerous lease charge of $270,000 primarily in relation to the sub-let of a property in North America. The sub-lease was for the full head lease term and mirrored the head lease clauses with the exception of an initial quarter rent free period.

The Group has a share based payment charge of $388,000 in H1 FY2018 (H1 FY2017: charge of $170,000, FY2017: charge of $468,000). The increase reflects the cost of employee share options granted during FY2017.

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 1 October 2017 $'000**	26 weeks to 2 October 2016 $'000	52 weeks to 2 April 2017 $'000
Earnings/(loss) for the purpose of basic earnings per share	**3,485**	(6,678)	(7,048)
Adjustments for:			
Non-recurring items	**-**	8,741	15,232
Share based payments charge/(credit)	**388**	170	468
Tax effect of above adjustments	**-**	-	(214)
Underlying earnings	**3,873**	2,333	8,438

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	**88,956,532**	88,956,532	88,956,532
Effect of dilutive potential ordinary shares – share options	**1,874,381**	38,862	281,330
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**90,830,913**	88,995,394	89,237,862

Basic earnings/(loss) per share	**Cents**	Cents	Cents
Basic earnings/(loss) per share from continuing operations	**3.9**	(7.5)	(7.9)
Adjustments for:			
Non-recurring items	**-**	9.8	17.1
Share based payments charge/(credit)	**0.5**	0.2	0.5
Tax effect of above adjustments	**-**	-	(0.2)
Underlying basic earnings per share	**4.4**	2.5	9.5

Diluted earnings/(loss) per share			
Diluted earnings/(loss) per share	**3.8**	(7.5)	(7.9)
Adjustments for:			
Non-recurring items	**-**	9.8	17.1
Share based payments charge/(credit)	**0.5**	0.2	0.5
Tax effect of above adjustments	**-**	-	(0.2)
Underlying diluted earnings per share	**4.3**	2.5	9.5

The underlying earnings per share has been calculated on the basis of continuing activities before non-recurring 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. Own shares

	26 weeks to 1 October 2017 $'000	26 weeks to 2 October 2016 $'000	(Audited) 52 weeks to 2 April 2017 $'000
At the start and end of the period	**867**	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.

The number of ordinary shares held by the Volex Group plc Employee Share Trust at 1 October 2017 was 1,295,361 (H1 FY2017: 1,295,361, FY2017: 1,295,361).

7. Investments in associates

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

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

	As at 1 October 2017 $'000
Current assets	**788**
Non-current assets	**199**
Current liabilities	**(38)**
Non-current liabilities	**-**
Net assets	**949**

	26 weeks to 1 October 2017 $'000
Revenue	**-**
Profit/(loss) for the period	**(201)**
Other comprehensive income for the period	**-**
Total comprehensive income for the period	**(201)**

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

	As at 1 October 2017 $'000
Net assets of the associate	**949**
Proportion of the Group	**26.09%**
Carrying amount of the Group's interest in Kepler SignalTel Limited	**248**

8. Analysis of net debt

	2 April 2017 $'000	Cash flow $'000	Exchange movement $'000	Other non-cash changes $'000	**1 October 2017 $'000**
Cash and cash equivalents	29,565	(6,942)	(162)	-	**22,461**
Bank loans	(18,720)	3,000	(1,636)	-	**(17,356)**
Debt issue costs	490	494	44	(339)	**689**
Net debt	11,335	(3,448)	(1,754)	(339)	**5,794**

	1 October 2017 $'000	2 October 2016 $'000	(Audited) 2 April 2017 $'000
Cash and bank balances	**23,464**	33,432	29,565
Overdrafts (included in short term borrowings)	**(1,003)**	-	-
Cash and cash equivalents	**22,461**	33,432	29,565

9. 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.

In April 2018 the company made a $300,000 investment in Kepler Signaltek Limited in return for 26.09% of the voting shares. The venture is equity accounted for as an associate. Other than the initial investment, there have been no further transactions with the associate during the period.

10. 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.