18 June 2020

Volex plc

Preliminary Announcement of the Group Results
for the 53 weeks ended 5 April 2020

'Results in line with expectations, exceptional cash generation;
investing for growth despite Covid-19'

Volex plc ('Volex'), a global provider of integrated manufacturing services and power products, today announces its preliminary results for the 53 weeks ended 5 April 2020 ('FY2020').

Financial Highlights	53 weeks to 5 April 2020	Year on year change	52 weeks to 31 March 2019
Revenue	**$391.4m**	**5.2%**	$372.1m
Underlying* operating profit	**$31.6m**	**46.3%**	$21.6m
Statutory operating profit	**$17.1m**	**31.5%**	$13.0m
Underlying* profit before tax	**$30.4m**	**50.5%**	$20.2m
Statutory profit before tax	**$15.9m**	**37.1%**	$11.6m
Statutory profit after tax	**$14.7m**	**59.8%**	$9.2m
Basic earnings per share	**9.9c**	**43.5%**	6.9c
Underlying diluted earnings per share	**17.3c**	**36.2%**	12.7c
Net cash (before lease liabilities)	**$31.6m**	**53.4%**	$20.6m
Net cash	**$21.2m**	**2.9%**	$20.6m

* Before adjusting items and share-based payments charge (see note 3 for more details)

Summary

- Underlying operating profit increased by 46.3% to $31.6 million
- Revenue growth of 5.2%
- Statutory profit after tax increased by 59.8% to $14.7 million
- Exceptional cash generation with underlying free cash flow of $48.8 million
- Net cash excluding lease liabilities of $31.6 million as at the year end
- Gross margin has improved to 23.2% in FY2020 from 19.8% in FY2019

Dividend

Following approval by shareholders at the AGM on 30 July 2020, the final dividend of 2.0p per ordinary share will be paid on 7 August 2020 to those shareholders on the register on 17 July 2020.

The Executive Chairman of Volex, Nat Rothschild, commented:

'Volex's strategy over the past five years to diversify our customer base and geographic footprint has resulted in a resilient business with a renewed reputation for quality and reliability. FY2020 has been another transformative year. We have strengthened our position, expanded our business, built a strong platform for growth and made two further acquisitions.

Volex has demonstrated effective management during the Covid-19 pandemic, minimised disruption to our business and continued to supply and support our customers. We are grateful to all our employees for their outstanding efforts.

Our strategy to reposition the Group over the last five years has improved its resilience and, in particular, our diversified customer base has mitigated the worst effects of Covid-19. This, coupled with our early action in China to keep our sites operational, has enabled us to weather the subsequent global spread of the virus.

Acquisitions are a key element of our overall growth strategy. The combination of a strong balance sheet and low interest rates provides an opportunity to increase scale, customer reach and capability. We are continuing to develop our acquisition pipeline.

Volex is in a strong position and well placed to withstand any further downturns and maintain our dividend, whilst being able to pursue the opportunities that are presenting themselves and to create value for our shareholders.'

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Definitions

The Group presents some significant items separately to provide clarity on the underlying performance of the business. This includes significant one-off costs such as restructuring and acquisition related costs, the non-cash amortisation of intangible assets acquired as part of business combinations, and share-based payments. Further detail on adjusting items is provided in Note 3.

Underlying operating profit is operating profit before adjusting items and share-based payment expense.

Underlying free cash flow is net cash flow before financing activities excluding cash flows associated with the acquisitions of businesses and cash utilised in respect of adjusting items.

Net cash (before lease liabilities) represents cash and cash equivalents, less bank loans and debt issue costs, but excluding lease liabilities. This measure has been used to aid comparability with the equivalent figure from the previous year following the adoption of IFRS 16 which brings certain lease liabilities onto the balance sheet for FY2020.

Forward looking statements

Certain statements in this announcement are forward-looking statements which are based on Volex's expectations, intentions and projections regarding its future operating performance and objectives, anticipated events or trends and other matters that are not historical facts. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'could', 'may', 'should', 'expects', 'believes', 'intends', 'plans', 'targets', 'goal' or 'estimates'. By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. Factors that could cause or contribute to such differences include, by way of example only and not limited to, general economic conditions, currency fluctuations, competitive factors, the loss of one of our major customers, failure of one or more major suppliers and changes in raw materials or labour costs among other risks. Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements speak only as of the date of such statements and, except as required by applicable law, Volex undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Market Abuse Regulation

This announcement is released by Volex plc and contains inside information for the purposes of the Market Abuse Regulation (EU) 596/2014 ('MAR') and is disclosed in accordance with the Company's obligations under Article 17 of MAR.

Executive Chairman's Statement

The year ended 5 April 2020 ('FY2020') has been another transformative year. We have strengthened our position, expanded our business, built a strong platform for growth and made two further acquisitions.

The acquisition of Ta Hsing continues our journey from an assembler of power cords to a vertically integrated power products company with extensive technological knowledge in the markets we serve. The acquisition of Servatron is in line with our strategy to become a global leader in integrated manufacturing services.

Across both divisions we added new customers and invested in operations to improve our profit margins. These actions meant that we ended the year with both our operating profit and cash reserves at a 10-year high, despite having invested $30.5 million of cash in acquisitions and capital expenditure during the year.

In January 2020, the global Coronavirus outbreak presented us with new and significant challenges. Following an extended production site closure over the Chinese New Year period as a result of the outbreak, our local teams worked tirelessly with the local authorities, customers and suppliers to safely reopen our sites and resume the delivery of critical products to our customers. Our other sites across the world were able to plan and prepare for a global spread of the virus, and as a result we have kept our business running, our employees safe and supported our customers with minimal disruptions.

The Coronavirus outbreak will clearly have an adverse impact on the global economy, which we are unable to influence. However, we can take steps to ensure that Volex is in the best possible position to continue to make progress in more uncertain economic times.

Our strategic goals are clear and remain unchanged. We aim to continue to improve our cost position in the manufacture of power products and to develop our presence in value-added segments of the power market such as electric vehicles. In Integrated Manufacturing Services we continue to benefit from the need of our global customers to outsource both simple and highly complex cable assemblies, PCBAs and fully integrated box builds to a stable partner with a truly global manufacturing footprint. By targeting both organic growth and strategic acquisitions we see the opportunity to move further up the value chain and to increase our levels of vertical integration.

As we increase our scale and technical capabilities through continued development and innovation, we are accessing higher-value opportunities in our core medical, data centre and industrial end markets, where barriers to entry and profit margins are higher.

Recent Performance

Revenue for FY2020 was $391.4 million, an increase of 5.2% over the prior year.

In Integrated Manufacturing Services, which is now the larger of our two divisions, we saw growth across all our main market segments of data centre connectivity, medical and industrial equipment. Demand from customers in our largest geographic market, North America, was particularly strong during the period, as we were able to utilise non-China production to support tariff-free supply. Going forward we expect continued growth in Integrated Manufacturing Services as we acquire new customers that seek exposure to a global partner like Volex. We are already seeing the benefits that scale can bring through our recent acquisitions of MC Electronics, Silcotec and Servatron, and are working with customers on a number of new development projects as a direct result of these acquisitions.

In Power Products, our revenue reduced as we took the decision to lessen exposure to lower-margin business, and instead focus on higher-margin customers and products. This resulted in an overall improvement in profitability and provides us with funds to invest in new production capacity outside of China and to continue our success in the electric vehicle segment. We continue to see more opportunities in electric vehicles for Volex and expect a number of new vehicle programmes to launch in the coming year supported by Volex technology.

We were particularly pleased with the improvement in gross margin during the year from 19.8% to 23.2% despite continued cost inflation and competitive pressures on pricing. The improvement in gross margin occurred across both our operating divisions and is a result of the hard work by management to rationalise our production site and office footprint, and a continuous focus on improving profitability across all of our locations, product lines and customers.

Underlying operating expenses at $59.0 million increased by 13.7% year on year. This was due to the acquisitions made during the year and also as a result of our strong financial performance triggering increased bonus payments for our staff.

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

Overall underlying operating profit for the year was $31.6 million, up 46.3% from $21.6 million in the prior year.

Acquisitions

Achieving growth through acquisition is part of our DNA. We have made two successful acquisitions during the year, which have added new customers, capability and geographic presence to the Group.

In June 2019 we acquired Ta Hsing, with manufacturing facilities in Shenzhen, China. Ta Hsing provides Volex with power cables and is part of our strategy to increase vertical integration in the power division.

In July 2019 we acquired Servatron, a US-based manufacturer of complex printed circuit boards and complete sub-assembly solutions for the industrial, medical and aerospace markets.

We continue to evaluate acquisition targets, in line with our stated strategy, across both divisions. Our priorities are to continue to reduce cost and increase vertical integration in our power division, and to improve our technological capability and product offering in complex sub-assemblies to support medical and high-speed data centre customers.

We have been very pleased with all five companies that we have acquired over the past two years and going forward we expect to continue to acquire well-run, high-quality businesses.

Financial Flexibility

We ended FY2020 with a net cash balance before lease liabilities of $31.6 million. As a global group we rely on a portion of this cash to support ongoing working capital fluctuations and capital investment. However, a substantial proportion of this cash is available to continue to grow Volex through acquisitions and allow us to increase our profitability and further diversify our revenue mix.

In addition, we have a $30 million committed revolving credit facility, which is currently undrawn, to provide further financial flexibility as required.

People

Our recent success can be attributed to the skill and dedication of all of our 6,000 employees across the globe. On behalf of our Board and our shareholders, I would like to thank all our employees for all of their hard work and dedication.

We recognise the need to invest in and to motivate our people. Over the past 12 months we have taken steps to improve our internal communication, improve safety and working conditions in our sites and reintroduce performance management and career planning for our managers.

We are very fortunate to have a team which has a deep understanding of our business and our customers' requirements. Volex's success depends on our ability to deliver complex products, of high quality, on time and at a competitive cost. We achieve this for hundreds of customers across our 14 production sites, 24 hours a day, seven days a week.

Outlook

Through this period of unprecedented uncertainty, Volex has implemented a series of plans and actions set to protect the safety and health of our employees and wider communities, at the same time as reducing our costs and protecting our cash flows. We entered this period with a very strong balance sheet and ample liquidity. The Group has continued to generate strong cash flows in the first two months of our financial year. We are continuing to invest back into the business for future growth and margin enhancement.

As anticipated in the 16 April 2020 announcement, our 'essential' business status has allowed Volex to keep operating throughout the period, supporting our customers' requirements. Despite experiencing labour shortages caused by compliance with local government restrictions, such as employee shielding and self-isolation, the overall situation is now improving as these government restrictions ease, with all Volex facilities open, and the number of employees in self-isolation reducing.

Unaudited revenue for the four months ended May 2020 was $126.2 million, 4% ahead of the same period a year earlier. During this period, the business has performed ahead of expectations, although we are now seeing areas of weakness primarily in the medical equipment installation sector, as hospitals around the world remain closed for non-critical medical procedures. In our electric vehicle business, after weakness in March and April due to customer factory closures, we are starting to see a recovery. Our consumer and data centre businesses continue to perform well.

However, the duration and breadth of the market disruption arising from this situation remains unclear and therefore we do not believe it is appropriate to provide financial guidance for the current year at this early stage. We remain optimistic for our business prospects over the medium term and consider that our focus on the high-quality growth markets of medical, electric vehicle and high-speed data centre products, combined with our strong funnel of design wins in our Integrated Manufacturing Services division, will allow us to grow and prosper in the years to come.

Nathaniel Rothschild

Executive Chairman

Review of FY2020 Performance

Volex is a leading integrated manufacturing specialist for performance-critical applications and supplier of power products. We serve a diverse range of markets and customers, with particular expertise in cable assemblies, higher-level assemblies, data-centre products, electric vehicles and consumer electronics.

We are headquartered in the UK but operate from 14 manufacturing locations and employ over 6,000 staff across 20 countries. Our products are sold through our own global sales force and through distributors to Original Equipment Manufacturers ('OEMs') and Electronic Manufacturing Services companies.

Our products and services are integral to the increasingly sophisticated digital world in which we live, providing power and connectivity for everyday items to complex machinery.

			FY2020			**FY2019**
$'000	**Before adjusting items and share based payments**	**Adjusting items and share based payments**	**Total**	**Before adjusting items and share based payments**	**Adjusting items and share based payments**	**Total**
Revenue						
Power Products	**171,008**	**-**	**171,008**	198,885	-	198,885
IMS	**220,346**	**-**	**220,346**	173,219	-	173,219
	391,354	**-**	**391,354**	**372,104**	**-**	**372,104**
Gross profit						
Power Products	**35,860**		**35,860**	36,377		36,377
IMS	**54,801**	**-**	**54,801**	37,141	-	37,141
	90,661	**-**	**90,661**	**73,518**	**-**	**73,518**
Gross margin	***23.2%***		***23.2%***	*19.8%*		*19.8%*
Operating profit						
Power Products	**14,053**	**(58)**	**13,995**	13,229	(1,672)	11,557
IMS	**23,341**	**(5,750)**	**17,681**	13,473	(3,589)	9,884
Central costs	**(5,764)**	**-**	**(5,764)**	(5,096)	(965)	(6,061)
Share-based payments expense	**-**	**(8,737)**	**(8,737)**	-	(2,388)	(2,388)
	31,630	**(14,545)**	**17,085**	**21,606**	**(8,614)**	**12,992**
Operating margin	**8.1%**		**4.4%**	5.8%		3.5%
Share of net loss of associates	**-**	**-**	**-**	(210)	-	(210)
Net finance costs	**(1,224)**	**-**	**(1,224)**	(1,147)	-	(1,147)
Taxation	**(3,504)**	**2,339**	**(1,165)**	(2,650)	221	(2,429)
Profit after tax	**26,902**	**(12,206)**	**14,696**	**17,599**	**(8,393)**	**9,206**

Due to the different market environments and technical product requirements, the Group reports under a two-divisional structure: the Power Products division and the Integrated Manufacturing Services (IMS) division.

Integrated Manufacturing Services Division

$'000	**53 weeks ending 5 April 2020**	52 weeks ending 31 March 2019
Revenue	**220,346**	173,219
Underlying* gross profit	**54,801**	37,141
Underlying* gross margin	**24.9%**	21.4%
Operating costs	**(31,460)**	(23,668)
Underlying* operating profit	**23,431**	13,473
Underlying* operating margin	**10.6%**	7.8%
Operating profit	**17,681**	9,884

* Before adjusting items and share-based payments charge.

Our Integrated Manufacturing Services business delivers technically sophisticated manufacturing solutions designed to satisfy customer requirements. Our manufacturing approach can cope with a large variety of products in varying volumes, from a handful of pieces up to thousands of units. Across our sites we use a wide variety of manufacturing techniques and controls to ensure that every single item is of the highest quality and able to pass rigorous testing. All of this enables Volex to hit challenging deadlines supporting our customers' integrated supply chains on a global basis.

Integrated Manufacturing Services' products include bespoke high-performance cabling solutions designed to transmit power and data in accordance with a customer's technical requirements in medical and industrial applications. This segment also builds partial and full electro-mechanical assemblies which may include multiple elements of hardware, printed circuit boards and bespoke cabinets, all fully commissioned and tested in-house by Volex personnel. The Integrated Manufacturing Services division also includes the production of high-speed copper cables that transmit data at extremely high speeds and with low error rates. These products are used extensively in communications networks and data centre environments. Other production is centred around 10 locations: two in Asia, four across Europe and four in North America. This distribution reflects the spread of our customers and each site has specialist capabilities to support local demands. Our global footprint allows manufacturing to be conducted in the most appropriate site depending on the customer's requirements.

Revenue for FY2020 was up $47.1 million to $220.3 million (FY2019: $173.2 million). Gross profit increased to $54.8 million (FY2019: $37.1 million) representing a gross margin improvement of 350 basis points to 24.9% (FY2019: 21.4%). The growth includes the impact of the acquisition of Servatron and the fact that FY2020 includes a full year of the three acquisitions made in FY2019. The margin improvement is caused by the product mix and the efficiency improvements implemented during the year.

The medical sector has been strong in FY2020. Volex makes many connectivity solutions which are critical to the operation of diagnostic imaging and therapeutic machines. Our products are used within a wide variety of applications including robotic surgery, patient imaging and ventilators. Technological advances in the treatment of serious diseases are encouraging healthcare operators to invest in new equipment to improve patient outcomes. What is particularly encouraging about the growth in this market is that stringent regulatory approval processes mean Volex solutions are usually specified into the customer's design for the life of the product, which may extend over many years.

Data centre capacity is continuing to expand rapidly to fulfil demand for cloud computing and storage. This is contributing to increased demand for the very high-specification copper data cables that we produce in our specialist facilities in Suzhou, China, and Batam, Indonesia. The majority of the market demand for these cables is in the US and new production lines have been opened at our site in Indonesia to help mitigate any effects of US tariffs.

Our industrial and technology clients continue to exploit opportunities for innovation in their specialist markets. This is seen through an increased demand for products that support energy efficiency and miniaturisation. As solutions are driven more by digital communications there are fewer requirements for legacy radio-frequency connectors, and we have seen a corresponding decline in sales.

Volex has responded to trends in the market by implementing improvements in manufacturing processes and production configuration. This has included distributing high-speed cable production and complex cable harness manufacture between sites to give customers additional flexibility and local support and to maximise the use of resources.

The Integrated Manufacturing Services division has expanded significantly through acquisition over the last two years with three acquisitions in FY2019 and the acquisition of Servatron in FY2020. The results in FY2020 include a full year of each of the prior year acquisitions and benefit from the inclusion of Servatron from August 2019. Servatron was an important step in our stated aim of broadening the capabilities of the Group through the introduction of PCB and higher-level assemblies. This creates opportunities for the cross-selling of new competencies into existing customers as well as growing Servatron's own strategic customer base on a global footprint.

Just over half of the customers for our Integrated Manufacturing Services business are in the medical and healthcare industry. Although there has been some disruption to the medical systems installation business recently due to the inability to access hospitals at the current time, generally demand for medical products is less cyclical than for industrial products. This market is relatively fragmented and there is an opportunity for customers to aggregate their requirements with larger, global suppliers like Volex who can offer high levels of customer service and consistent, on-time delivery. The majority of the Group's customers strive for growth through continual technological innovation. Volex's ability to successfully partner with these organisations through the product life cycle, from initial development and subsequent optimisation, is a key value driver.

The Integrated Manufacturing Services division is emerging as a world-class manufacturing business with a strong suite of capabilities and a relentless focus on quality. The recent acquisitions have created additional opportunities for cross sales and profitable growth.

Power Products Division

$'000	**53 weeks ending 5 April 2020**	52 weeks ending 31 March 2019
Revenue	**171,008**	198,885
Underlying* gross profit	**35,860**	36,377
Underlying* gross margin	**21.0%**	18.3%
Operating costs	**(21,807)**	(23,148)
Underlying* operating profit	**14,053**	13,229
Underlying* operating margin	**8.2%**	6.7%
Operating profit	**13,995**	11,557

* Before adjusting items and share-based payments charge.

Volex manufactures power cords and other power products for some of the biggest brands in the world. Products vary in complexity and are designed to meet specific customer requirements. This can include specialist cosmetic features for use in high-end domestic applications or technical capabilities allowing deployment in challenging environments. Volex has safety approvals covering every major market which simplifies the procurement process for international manufacturers. The Group has the scale to meet the demands of the largest customers in the market, who demand regular product improvements and price reductions over the product life cycle.

Customers are supported by a dedicated engineering team based in Singapore and China who have deep experience in designing and optimising components to meet demanding technical requirements. The Group has manufacturing facilities in China, Indonesia and Vietnam that support our global sales team and customer base. Our global presence is a differentiator from our fragmented China-based competition. Production is allocated to particular plants based on their strengths, customer proximity and supply-chain availability.

The competitive landscape for Power Products is changing as energy efficiency and battery technology change the power requirements of some products. The development of battery technology has also had a huge impact in the automotive sector, and high-current power cords with numerous safety features are an important element of the new generation of electric and plug-in hybrid vehicles.

Revenue in the Power Products division declined by $27.9 million to $171.0 million (FY2019: $198.9 million). Gross profit reduced slightly to $35.9 million (FY2019: $36.4 million) with a gross margin improvement of 270 basis points to 21.0% (FY2019: 18.3%). This reflects a deliberate shift in the product and customer mix away from low-margin customers, combined with improvements in efficiency and the further implementation of automated lines. Volex has reduced its business in low-margin commodity power cords in order to free up resources for new and higher-margin customers.

Volex continues to adapt to the trends in the power cords sector. Premium manufacturers often have specific requirements about the appearance and aesthetics of the power cords that are deployed with their products. This is in addition to robust safety and quality requirements. Volex has efficient production facilities that can meet customer demands and has also created a range of high-quality power cords designed to be manufactured for maximum value. Electric vehicles represent an opportunity for Volex to deploy its expertise in handling mains voltage in challenging environments in an automotive context.

Volex has always stood for high quality and solid engineering. This is borne out through positive feedback from customers who are looking for a trouble-free solution that will be reliable and durable. As the complexity of global supply chains has increased and manufacturers look for opportunities to improve efficiencies, Volex has been able to support them by making things easy for customers through the use of vendor-managed inventory associated with just-in-time manufacturing. Value for money is critically important in this sector, which is achieved through a deep knowledge of the best manufacturing approach and leveraging a significant and global supply chain to drive down raw material costs.

During the year Volex acquired a Chinese cable extrusion business, Ta Hsing. The business was well known to Volex as an important and long-standing supplier. This acquisition has given Volex greater control over its supply chain for a critical input to the manufacturing process for power cords. It also creates opportunities to reduce the overall costs of products and to deliver better value to customers and therefore receive increased business volumes. A process is underway to migrate key customers onto Volex-produced and branded cables, which will reduce reliance on external suppliers over time.

There has been a focus on eliminating low-margin business during the year. Although revenues for the Power Products segment are lower than the prior year, profitability is up by 150 basis points. This approach is part of a clear strategy to focus on cash generation and higher-value-added opportunities. This has included work to improve space utilisation in the south China sites, which has reduced overhead costs.

In FY2020 the Group won a number of significant new customer projects. These were for customers in the consumer electronics and electric vehicle markets. This demonstrates the strength of our commercial proposition, which combines value for money with quality and customer service.

Towards the end of the financial year, two of our Power Product sites were closed temporarily in response to the outbreak of Covid-19 in China. Although this closure resulted in a reduction in production capacity, the impact on sales was minimised because during this period customers continued to access vendor-managed inventory held at hub locations. In addition, the sites had built up buffer stocks of finished goods and raw materials to account for the planned Lunar New Year holiday, which reduced the impact of supply-chain disruption. The revenue impact of the Covid-19 closures in the last quarter of FY2020 in Power Products is estimated to be $8.0 million.

There will be a number of areas of focus in the next financial year all aimed at improving profitability and cash generation. This will include steps to move more customers onto cables produced using Volex's cable extrusion capabilities. High-volume customers will be offered the opportunity to move to a new range of products which are designed to be manufactured more efficiently on automated production lines, offering better value.

The Power Products division will maintain a robust approach to preserve margins, working with customers to reduce material costs and improve efficiency through automation. The division continues to generate strong cash flows for the Group with a sales team focused on the types of business with the greatest fit and the best margins. Going forward, the highly fragmented market offers selective growth opportunities to Volex as the only major western listed company with a global sales and engineering force located in Europe and North America. There is also the potential for accretive and margin-enhancing acquisitions which could unlock significant value

Financial Review

	53 weeks to 5 April 2020		52 weeks to 31 March 2019	
	Revenue $'000	**Profit/(loss) $'000**	Revenue $'000	Profit/(loss) $'000
Power Products division	**171,008**	**14,053**	198,885	13,229
Integrated Manufacturing Services division	**220,346**	**23,341**	173,219	13,473
Unallocated central costs	**–**	**(5,764)**		(5,096)
Divisional underlying results	**391,354**	**31,630**	372,104	21,606
Adjusting operating items		**(5,808)**		(6,226)
Share-based payments		**(8,737)**		(2,388)
Operating profit		**17,085**		12,992
Share of loss from associate and JVs		**–**		(210)
Net finance costs		**(1,224)**		(1,147)
Profit before taxation		**15,861**		11,635
Taxation		**(1,165)**		(2,429)
Profit after taxation		**14,696**		9,206
Basic earnings per share:				
Statutory		**9.9 cents**		6.9 cents
Underlying*		**18.2 cents**		13.1 cents

* Before adjusting items and share-based payments charge.

Trading performance

FY2020 has delivered growth in revenue and improvement in profitability. Revenue is up by 5.2% to $391.4 million (FY2019: $372.1 million). This has been achieved at the same time as significant increases in both adjusted operating profit and profit before tax.

During the year, the Group made two acquisitions. Servatron is a US-based electronic manufacturing services business with a strong customer base and significant expertise in PCB assembly, complex testing requirements and the delivery of complete assemblies. The business has a manufacturing site in Spokane, Washington, with the majority of customers based in North America. During the year, Servatron contributed $26.4 million to Group revenues.

The second acquisition was a cable extrusion company based in south China. This operation was previously a significant cable supplier to Volex. Acquiring this business provides the Group with greater control over a significant element of the Power Products supply chain while also offering opportunities to improve profit margins through vertical integration. Although most of the output of the acquired business was to the Group, there are some remaining external sales which contributed $1.6 million to Group revenues during the year.

The Group has a strong balance sheet and significant undrawn committed facilities. In the current low interest rate environment, this offers significant opportunities for further earnings-enhancing acquisitions. The Board has adopted a strategy that anticipates revenues growing to over $650 million in the next few years with an adjusted operating margin of 10%. Part of this growth will come from organic improvements in our existing business, but the larger proportion will come via selective bolt-on acquisitions.

Revenue in Integrated Manufacturing Services increased by $47.1 million to $220.3 million (FY2019: $173.2 million). This included revenues from Servatron and a full year of revenue from the three acquisitions that were completed in FY2019. The high-level trends in this segment were a year-on-year increase in medical and high-speed copper data cable sales and a reduction in sales to legacy telecommunications customers.

The increased demand in medical reflects a market sector that has performed strongly in recent years as new therapeutic and diagnostic technology drives demand for more advanced equipment from healthcare providers. The market in high-speed copper data cables is driven by both new data centres and the upgrade of existing facilities to provide increased bandwidth for customers. The fall in telecommunications revenues was expected as the new generation of base stations uses a different technical architecture which is less dependent on radio frequency connectors and cables supplied by Volex.

Power Products revenue fell by $27.9 million to $171.0 million (FY2019: $198.9 million). The strategy for FY2020 was to reduce levels of lower-margin power cord sales with the intention of improving profitability. The effectiveness of this strategy is demonstrated by the improvement in gross margin of 270bps to 21.0% (FY2019: 18.3%). Despite the fall in revenue, underlying operating profit for the division increased by $0.9 million to $14.1 million (FY2019: $13.2 million).

There were some significant new customer programmes in the Power Products segment during the year including some automotive electric vehicle projects. The division is fortunate to have a wide variety of customers, and recent efforts to balance the customer portfolio have reduced any reliance on individual contracts.

Underlying operating expenses have increased by $7.1 million to $59.0 million (FY2019: $51.9 million). Most of the increase is a result of the acquisitions but there were also uplifts in performance-related remuneration, reflecting the strong performance and profitability seen across the entire Group. During the year certain costs were incurred related to the reconfiguration of operations within production sites and transfers between sites to optimise production costs. These costs have been included within operating costs.

The Group aims to manage operations as efficiently as possible, and management are continually challenged to take out any costs that are not adding value. This has resulted in operating costs which are competitive in the context of the global operations and structure. Production sites have relatively low management overheads, which does require some costs in the centre, but this represents the most efficient way of running this organisation. Although it is more demanding to operate any business profitably and deliver growth when the economic conditions are challenging, the Group has a great track record in reducing costs and optimising the operating model.

Underlying operating profit (which is stated before adjusting items such as the amortisation of acquired intangibles and also before the charge for share-based payments) has increased by $10.0 million to $31.6 million (FY2019: $21.6 million). Statutory operating profit is up by $4.1 million to $17.1 million (FY2019: $13.0 million).

Adjusting items and share-based payments

The Group presents some significant items separately to provide clarity on the underlying performance of the business. This includes significant one-off costs such as restructuring and acquisition related costs, the non-cash amortisation of intangible assets acquired as part of business combinations, and share-based payments, as well as the associated tax.

Costs of $0.2 million (FY2019: $1.8 million) were incurred in connection with the acquisitions that took place during the year. These costs are modest because the Group uses its own experts and in-depth understanding of the sector to conduct detailed due diligence on acquisition targets, minimising external fees. Incremental improvements in the operating efficiency of the business have been achieved during the year without incurring material restructuring costs, and the costs associated with these improvements have been included within underlying operating profit. As a result, restructuring costs were nil (FY2019: $1.9 million).

Amortisation of acquired intangibles has increased to $5.7 million (FY2019: $2.0 million) because the results include a full year of amortisation for the prior-year acquisitions and also the impact of the acquisitions made during the year. The Group has recognised two classes of separately identifiable intangible assets, which are customer relationships and the acquired open order book. The open order book is amortised over a period of less than one year, so the level of amortisation is higher in the first year following acquisition in comparison to subsequent years. Customer relationship intangible assets are generally amortised over a period of between four and five years.

Share-based payments include awards made to incentivise senior management as well as awards granted to the senior management of acquired companies. These awards form an important part of the negotiation of consideration in an acquisition situation and are used to reduce the cash consideration and as an incentivisation and retention tool. In accordance with IFRS, where these awards have included any ongoing performance features, they must be recognised in the income statement rather than as part of the cost of acquisition.

During the year, the charge recognised through the income statement for share-based payment awards comprises $2.4 million (FY2019: $1.7 million) in respect of senior management, $5.6 million (FY2019: $ 0.3 million) in respect of acquired businesses and $0.7 million (FY2019: $0.4 million) for associated payroll taxes.

Finance costs

The Group has maintained cash balances throughout the year and the revolving credit facility has been undrawn except for a short period when it was utilised to support the acquisition of Servatron. Finance costs include a commitment fee in respect of the revolving credit facility and the amortisation of the arrangement fee incurred when the facility was renewed. For FY2020 the Group has adopted IFRS 16 Leases, which means a financing element is calculated for operating leases and reflected in the income statement as a finance cost. Because the Group has taken the modified retrospective approach, there is no adjustment to the comparative figure. This has resulted in an increase in net financing costs in FY2020 of $0.4 million. Overall net financing costs have increased to $1.2 million (FY2019: $1.1 million).

Foreign exchange

Most sales are in US dollars, with limited sales in other currencies including euros and British pounds sterling. Most purchases of raw materials are denominated in US dollars but costs such as rent, utilities and salaries are paid in local currencies. This creates some exposure to movements in foreign exchange, some of which is hedged. Foreign exchange gains recognised in the income statement for the period were $0.4 million (FY2019: $0.4 million).

Tax

The Group incurred a tax charge of $1.2 million (FY2019: $2.4 million) representing an effective tax rate (ETR) of 7.3% (FY2019: 20.9%). The underlying tax charge of $3.5 million (FY2019: $2.6 million) represents an ETR of 11.5% (FY2019: 13.1%).

The underlying tax charge of $3.5 million (FY2019: $2.6 million) comprises an underlying current tax charge of $7.7 million (FY2019: $3.4 million) and an underlying deferred tax credit of $4.2 million (FY2019: credit of $0.8 million).

The underlying current tax charge is calculated by reference to the taxable profits in each individual entity and the local statutory tax rates. Where tax losses are available, these have been used to the fullest extent possible to reduce the taxable profit.

The Group operates in a number of different tax jurisdictions and is subject to periodic tax audits by local tax authorities in relation to corporate tax and transfer pricing. As at 5 April 2020, the Group has net current tax liabilities of $6.2 million (FY2019: $4.9 million) which include $7.9 million (FY2019: $2.6 million) of uncertain tax provisions.

A deferred tax credit of $5.1 million (FY2019: $0.8 million) arose due to an increase in the deferred tax asset recognised on trading losses and short-term timing items due to the utilisation of losses based on future forecast taxable profits in certain regions. At the reporting date the Group has recognised a deferred tax asset of $9.0 million (FY2019: $4.3 million), of which $4.5 million (FY2019: $3.4 million) relates to tax losses, $3.9m (FY2019: $nil) to short term timing items and $0.6m (FY2019: $0.6m) to intangible assets.

Earnings per share

Basic earnings per share for FY2020 was 9.9 cents (FY2019: 6.9 cents), reflecting improved performance in FY2020. The underlying fully diluted earnings per share was 17.3 cents (FY2019: 12.7 cents).

Cash flow

Cash flow has improved significantly from the previous year as a result of the higher operating profit and improvements in working capital. Operating cash flow before movements in working capital has increased by $16.6 million to $37.7 million (FY2019: $21.2 million), which reflects the strong growth in operating profit.

Working capital improved by $19.6 million, which compares to an adverse movement of $24.7 million in FY2019.

The inflow comprises:

- an increase in inventory leading to a cash outflow of $2.9 million (FY2019: inflow of $0.6 million). This change is driven by higher volumes of Integrated Manufacturing Services activity, which requires more inventory than Power Products;
- a decrease in receivables leading to a cash inflow of $20.5 million (FY2019: outflow of $10.2 million). This decrease is partially due to the timing of the year end, which was on 5 April, meaning greater opportunities to collect March end-of-month customer receipts. In addition, the change in product mix from Power Products to Integrated Manufacturing Services has had a positive impact on the receivables profile; and
- an inflow related to payables of $2.0 million (FY2019: outflow of $15.1 million). This was a result of the timing of the year end which resulted in the receipt of deliveries from suppliers for an additional week.

Net financing outflows were $10.5 million (FY2019: inflow of $32.8 million). This year, this included the interim dividend payment of $2.0 million (FY2019: $nil) and also the additional interest expense as a result of the adoption of IFRS 16 and due to the finance leases that were acquired with Servatron. As part of the extension and enhancement of the Group's revolving credit facility, legal costs and arrangement fees of $0.7 million (FY2019: $nil) were incurred during the year. These amounts will be spread over three years in the income statement.

Capital expenditure increased to $5.0 million from $3.3 million in FY2019. During the year, the Group has continued to invest in automation to deliver efficiency in the Power Products segment. An investment of $0.8 million was made during the year to secure additional land adjacent to the Group's production site in Batam, Indonesia, to allow for expansion. There will be further expenditure in FY2021 to support the build and fit-out of the additional manufacturing capacity.

Free cash flow increased by $58.3 million to $47.4 million (FY2019: cash outflow of $10.9 million). Free cash flow represents net cash flows before financing activities excluding the net outflow from the acquisition of subsidiaries. This was a significant improvement caused by the increase in operating profit and the improvement in working capital.

Total cash expenditure on acquisitions (net of cash acquired) was $25.6 million (FY2019: $23.8 million) including $2.9 million (FY2019: $nil) in respect of contingent consideration. The Group is expecting to make payments of $4.0 million in FY2021 in relation to contingent consideration for acquisitions made in FY2020 and previous years.

The cash outflow associated with the settlement of awards under share-based payment arrangements was $4.6 million (FY2019: $1.0 million) including the purchase of shares to be held in trust to fulfil exercises in future periods.

IFRS 16 Leases

The Group implemented IFRS 16 Leases with effect from 1 April 2019. On adoption of the new standard, the Group recognised $3.5 million of right-of-use assets, $2.1 million investment in finance leases and $5.8 million of lease liabilities. The impact on the income statement in the year has been to increase underlying operating profit by $0.6 million and net interest expense by $0.4 million. Comparative information for the prior year has not been restated.

Net cash and dividends

The Group has maintained a net cash position throughout the year. At the end of FY2019 the net cash balance stood at $20.6 million. At the end of FY2020 cash stood at $31.6 million excluding lease liabilities and $21.2 million including lease liabilities.

The Group paid an interim dividend of 1.0 pence per share in February 2020. A final dividend of 2.0 pence per share will be recommended to shareholders at the Annual General Meeting, which reflects the robust financial position of the Group.

Banking facilities, going concern and covenants

In July 2019, the Group extended its $30 million revolving credit facility ('RCF') for three years on improved terms. The key terms of the extension were: a 40 basis point reduction in the non-utilisation fee and a 70 basis point reduction in interest-rate margin; fewer restrictions in key operational covenants; and a $10 million uncommitted 'accordion' feature to provide further capacity, up to a total RCF limit of $40 million, for potential future acquisitions to support the Group's strategy.

This facility is provided by a syndicate of two banks (Lloyds Bank plc and HSBC UK Bank plc) and was undrawn at the year end.

The key terms of the facility are:

- available until 23 July 2022;
- no scheduled amortisation; and
- interest cover and total debt to EBITDA leverage covenants.

As at 5 April 2020, the RCF was undrawn (FY2019: undrawn) with $nil drawn under the cash pool (FY2019: $0.3 million). After accounting for guarantees and letters of credit, the remaining headroom as at 5 April 2020 was $29.7 million (FY2019: $29.1 million). Under the terms of the facility the two covenant tests above must be performed at each quarter-end date. Throughout FY2020 all covenants were met.

The Group prepared forward-looking financial forecasts as part of its strategic and financial planning process, incorporating profit, cash and covenant measures. In assessing the ability of the Group to continue on a going concern basis, the financial forecasts are sensitised using scenarios that take into account the principal risks and uncertainties identified by management. For FY2020, as a result of the increased pressures on the global economy as a result of the COVID-19 pandemic, we conducted additional financial stress testing and sensitivity analysis, considering revenues at risk as well as the impact of our response plan to the crisis. The Group's forecasts show that the Group should continue to operate in compliance with its banking facilities for a period of at least one year from the date of this report. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Financial instruments and cash flow hedge accounting

For most products in our Power Products division, the price of copper has an impact on the cost of key raw materials. This risk is minimised by passing the variability in cost through to the end customer in the majority of cases. Where the customer contract does not provide for the pass-through of risk, the Group enters into forward contracts to mitigate the Group's exposure to copper price volatility.

The forward contracts act as an economic hedge against the impact of copper price movements. They meet the hedge accounting requirements of IFRS 9 and therefore are accounted for as cash flow hedges of forecast future purchases of copper. As at 5 April 2020, a financial liability of $0.3 million (FY2019: financial asset of $0.2 million) has been recognised in respect of the fair value of open copper contracts with a corresponding $0.3 million debit recognised in reserves. This debit is retained in reserves until such time as the forecast copper consumption takes place, at which point it will be recycled through the income statement.

A credit of $0.1 million has been recognised in cost of sales for FY2020 (FY2019: credit of $0.1 million) in respect of copper hedging contracts that closed out during the period. This credit has arisen since the average London Metal Exchange copper price in the period has been above the contracted price.

Defined benefit pension schemes

The Group's net pension deficit under IAS 19 as at 5 April 2020 was $3.5 million (FY2019: $2.4 million). The increase is primarily due to recognising an overseas unfunded retirement benefit obligation within this balance this year rather than within other liabilities, to reflect the substance of the arrangement.

Covid-19

The Covid-19 pandemic has had an impact on all of the Group's operating locations and the surrounding communities. From the outset, the guiding principle has been to protect the health and well-being of our workforce by implementing sensible precautions at every site. During FY2020, the initial impact was at our Chinese sites when local authorities extended the Lunar New Year holiday to prevent the spread of the virus. Each site worked swiftly to implement new procedures to protect our staff allowing the sites to reopen. Immediately after production recommenced the sites were operating at reduced capacity to allow time for the health prevention measures to be embedded and because many staff were in locations subject to travel restrictions. Capacity increased during February and production returned to normal levels in March.

It is estimated that the reduced production in quarter 4 of FY2020 resulted in a reduction in revenue of $8.0 million. The impact of the disruption was minimised for a number of reasons. The sites in China built additional stocks of raw materials and finished goods in preparation for the Lunar New Year holiday. This enabled many customers to continue to pull inventory from hub locations during the site closures. The raw materials allowed production to recommence despite some short-term issues in the production supply chains. The hard work and flexibility of our employees was also central to our ability to get back to work quickly.

Moving into FY2021 the Group has implemented measures at all sites to lessen the risk of transmission of Covid-19 within the work environment. Production for some customers is being transferred to ensure there are geographically diverse locations. It has been clear since the beginning of the Covid-19 disruption that communication with customers is critical to prioritising supply and ensuring the continuity of deliveries. This is a strength of the Group and something that will continue.

Many of the Group’s facilities supply essential components into the medical and healthcare markets. In most locations there are provisions in place to allow such production to continue during periods of restricted movement. All our sites with medical output are closely engaged with customers and local authorities to ensure that this critical activity can continue in a safe way when restrictions on non-essential activity are in place.

It is anticipated that there will be some impact on demand in FY2021 caused by Covid-19-related disruption. It is difficult to forecast the timing and amount of this impact. The Group is fortunate to have a strong and diverse business. The medical market, which makes up half of our output in Integrated Manufacturing Services, tends to be less cyclical than other sectors. The Group has a robust business which is well funded and capable of adapting to changing levels of demand.

Daren Morris

Chief Financial Officer

Consolidated Income Statement

For the 53 weeks ended 5 April 2020 (52 weeks ended 31 March 2019)

		2020			2019		
	Notes	**Before adjusting items and share-based payments $'000**	**Adjusting items and share-based payments (Note 3) $'000**	**Total $'000**	Before adjusting items and share-based payments $'000	Adjusting items and share-based payments (Note 3) $'000	Total $'000
Revenue	2	**391,354**	**–**	**391,354**	372,104	–	372,104
Cost of sales		**(300,693)**	**–**	**(300,693)**	(298,586)	–	(298,586)
Gross profit		**90,661**	**–**	**90,661**	73,518	–	73,518
Operating expenses		**(59,031)**	**(14,545)**	**(73,576)**	(51,912)	(8,614)	(60,526)
Operating profit / (loss)	2	**31,630**	**(14,545)**	**17,085**	21,606	(8,614)	12,992
Share of net loss from associates		**–**	**–**	**–**	(210)	–	(210)
Finance income		**328**	**–**	**328**	129	–	129
Finance costs		**(1,552)**	**–**	**(1,552)**	(1,276)	–	(1,276)
Profit / (loss) on ordinary activities before taxation		**30,406**	**(14,545)**	**15,861**	20,249	(8,614)	11,635
Taxation	4	**(3,504)**	**2,339**	**(1,165)**	(2,650)	221	(2,429)
Profit / (loss) for the period attributable to the owners of the parent		**26,902**	**(12,206)**	**14,696**	17,599	(8,393)	9,206
Earnings per share (cents)							
Basic	5	**18.2**		**9.9**	13.1		6.9
Diluted	5	**17.3**		**9.5**	12.7		6.7

Consolidated Statement of Comprehensive Income		
For the 53 weeks ended 5 April 2020 (52 weeks ended 31 March 2019)		
	2020	2019
	$'000	$'000
Profit for the period	**14,696**	9,206
Items that will not be reclassified subsequently to profit or loss		
Actuarial (loss)/gain on defined benefit pension schemes	**(1,343)**	305
	(1,343)	305
Items that may be reclassified subsequently to profit or loss		
(Loss)/gain arising on cash flow hedges during the period	**(2,266)**	180
Exchange gain on translation of foreign operations	**151**	579
	(2,115)	759
Other comprehensive (loss)/income for the period	**(3,458)**	1,064
Total comprehensive income for the period attributable to the owners of the parent	**11,238**	10,270

Consolidated Statement of Financial Position			
		2020	2019
As at 5 April 2020 (31 March 2019)	Notes	**$’000**	$’000
Non-current assets			
Goodwill		**25,760**	17,531
Other intangible assets		**15,537**	11,115
Property, plant and equipment		**21,565**	20,420
Right-of-use asset		**8,345**	–
Interests in associates and joint ventures		**–**	–
Other receivables		**4,488**	2,704
Deferred tax asset		**8,955**	4,271
		84,650	56,041
Current assets			
Inventories		**57,995**	49,122
Trade receivables		**56,382**	71,307
Other receivables		**7,987**	8,448
Current tax assets		**2,154**	1,092
Derivative financial instruments		**-**	374
Cash and bank balances	8	**32,305**	20,913
		156,823	151,256
Total assets		**241,473**	207,297
Current liabilities			
Borrowings	8	**225**	320
Lease liabilities		**3,498**	–
Trade payables		**39,653**	45,863
Other payables		**38,453**	30,212
Current tax liabilities		**8,384**	4,811
Retirement benefit obligation		**982**	975
Provisions	9	**834**	1,121
Derivative financial instruments		**1,819**	–
		93,848	83,302
Net current assets		**62,975**	67,954
Non-current liabilities			
Other payables		**570**	988
Non-current tax liabilities		–	1,134
Deferred tax liabilities		**6,130**	4,447
Retirement benefit obligation		**2,492**	1,460
Non-current lease liabilities		**7,385**	–
Provisions	9	**516**	318
		17,093	8,347
Total liabilities		**110,941**	91,649
Net assets		**130,532**	115,648
Equity attributable to owners of the parent			
Share capital	11	**60,189**	58,792
Share premium account		**46,414**	44,532
Non-distributable reserves		**2,455**	2,455
Hedging and translation reserve		**(9,506)**	(7,391)
Own shares	12	**(1,024)**	(1,890)
Retained earnings		**32,004**	19,150
Total equity		**130,532**	115,648

Consolidated Statement of Changes in Equity

For the 53 weeks ended 5 April 2020 (52 weeks ended 31 March 2019)

	Share capital	Share premium account	Non-distributable reserves	Hedging and translation reserve	Own shares	Retained earnings	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 April 2018	**39,755**	**7,122**	**2,455**	**(8,150)**	**(867)**	**7,829**	**48,144**
Profit for the period attributable to the owners of the parent	–	–	–	–	–	9,206	9,206
Other comprehensive income for the period	–	–	–	759	–	305	1,064
Total comprehensive income for the period	–	–	–	759	–	9,511	10,270
Share issue	18,886	37,410	–	–	–	–	56,296
Exercise of deferred bonus shares	151	–	–	–	–	(151)	–
Own shares sold/(utilised) in the period	–	–	–	–	75	(31)	44
Own shares purchased in the period	–	–	–	–	(1,098)	–	(1,098)
Credit to equity for equity-settled share-based payments	–	–	–	–	–	1,992	1,992
Balance at 31 March 2019	**58,792**	**44,532**	**2,455**	**(7,391)**	**(1,890)**	**19,150**	**115,648**
Profit for the period attributable to the owners of the parent	–	–	–	–	–	14,696	14,696
Other comprehensive expense for the period	–	–	–	(2,115)	–	(1,343)	(3,458)
Total comprehensive (expense)/income for the period	–	–	–	(2,115)	–	13,353	11,238
Share issue	1,315	1,882	–	–	–	–	3,197
Exercise of deferred bonus shares	82	–	–	–	–	(82)	–
Own shares sold/(utilised) in the period	–	–	–	–	2,630	(6,514)	(3,884)
Own shares purchased in the period	–	–	–	–	(1,764)	–	(1,764)
Dividend	–	–	–	–	–	(1,956)	(1,956)
Credit to equity for equity-settled share-based payments	–	–	–	–	–	8,053	8,053
Balance at 5 April 2020	**60,189**	**46,414**	**2,455**	**(9,506)**	**(1,024)**	**32,004**	**130,532**

Consolidated Statement of Cash Flows

For the 53 weeks ended 5 April 2020 (52 weeks ended 31 March 2019)

	Notes	2020 $'000	Restated 2019 $'000
Net cash generated from/(used in) operating activities	7	**51,735**	(6,743)
Cash flow generated from/(used in) investing activities			
Interest received		**22**	11
Acquisition of businesses, net of cash acquired		**(22,701)**	(23,843)
Contingent consideration for businesses acquired		**(2,850)**	–
Proceeds on disposal of intangible assets, property, plant and equipment		**564**	512
Purchases of property, plant and equipment		**(4,910)**	(3,180)
Purchases of intangible assets		**(40)**	(163)
Purchase of preference shares		**–**	(1,300)
Proceeds from the repayment of preference shares		**25**	–
Net cash used in investing activities		**(29,890)**	(27,963)
Cash flows before financing activities		**21,845**	(34,706)
Cash generated/(used) before adjusting items		**23,251**	(31,434)
Cash utilised in respect of adjusting items		**(1,406)**	(3,272)
Cash flow (used in)/generated from financing activities			
Dividend paid		**(1,956)**	–
Net purchase of shares for share schemes		**(4,634)**	(1,023)
Refinancing costs paid		**(659)**	–
New bank loans raised		**7,000**	–
Repayment of borrowings		**(7,056)**	(12,826)
Proceeds on issue of shares		**–**	46,685
Interest element of lease payments		**(553)**	–
Receipt from lease debtor		**499**	–
Capital element of lease payments		**(3,150)**	–
Net cash (used in)/generated from financing activities		**(10,509)**	32,836
Net increase/(decrease) in cash and cash equivalents		**11,336**	(1,870)
Cash and cash equivalents at beginning of period		**20,593**	22,981
Effect of foreign exchange rate changes		**(280)**	(518)
Cash and cash equivalents at end of period	8	**31,649**	20,593

Restatement: The net purchase of shares for share schemes has been reclassified in the prior year from investing to financing activities to reflect the nature of the transactions. See note 7 for further details.

1 Basis of preparation

The preliminary announcement for the 53 weeks ended 5 April 2020 has been prepared in accordance with the accounting policies as disclosed in Volex plc's Annual Report and Accounts 2019, as updated to take effect of any new accounting standards applicable for the period as set out in Volex plc's Interim Statement 2020.

The annual financial information presented in this preliminary announcement is based on, and is consistent with, that in the Group's audited financial statements for the 53 weeks ended 5 April 2020, and those financial statements will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The independent auditors' report on those financial statements is unqualified and does not contain any statement under section 498 (2) or 498 (3) of the Companies Act 2006.

Information in this preliminary announcement does not constitute statutory accounts of the Group within the meaning of section 434 of the Companies Act 2006. The full financial statements for the Group for the 52 weeks ended 31 March 2019 have been delivered to the Registrar of Companies. The independent auditors' report on those financial statements was unqualified and did not contain a statement under section 498 (2) or 498 (3) of the Companies Act 2006.

Going concern

The Group prepared forward-looking financial forecasts as part of its strategic and financial planning process, incorporating profit, cash and covenant measures. In assessing the ability of the Group to continue on a going concern basis, the financial forecasts are sensitised using scenarios that take into account the principal risks and uncertainties set out in the Annual Report. For FY2020, as a result of the increased pressures on the global economy as a result of the COVID-19 pandemic, we conducted additional financial stress testing and sensitivity analysis, considering revenues at risk as well as the impact of our response plan to the crisis. The Group's forecasts show that the Group should continue to operate in compliance with its banking facilities for a period of at least one year from the date of this report. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

This preliminary announcement was approved by the Board of Directors on 18 June 2020.

2 Business and geographical segments

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

Power Products	The sale and manufacture of power cords, duck heads and related products that are sold to manufacturers of a broad range of electrical and electronic devices and appliances. Volex products are used in laptops, PCs, tablets, printers, TVs, games consoles, power tools, kitchen appliances and electric and autonomous vehicles.
Integrated Manufacturing Services	The sale and manufacture of a broad range of higher-level assemblies and connectors (ranging from high-speed copper cables to complex multi-branch high reliability systems) that transfer electronic, radio-frequency and optical data.
Central	Corporate costs that are not directly attributable to the manufacture and sale of the Group's products but which support the Group in its operations. Included within this division are the costs incurred by the executive management team and the corporate head office.

The Board believes that the segmentation of the Group based upon product characteristics allows it to best understand the Group's performance and profitability. The Group consider the executive members of the Company's Board and the Chief Operating Officer to be the chief operating decision makers. The following is an analysis of the Group's revenues and results by reportable segment.

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	53 weeks to 5 April 2020		52 weeks to 31 March 2019	
	Revenue $'000	**Profit/(loss) $'000**	Revenue $'000	Profit/(loss) $'000
Power Products	**171,008**	**14,053**	198,885	13,229
Integrated Manufacturing Services	**220,346**	**23,341**	173,219	13,473
Unallocated Central costs	**–**	**(5,764)**	–	(5,096)
Divisional results before share-based payments and adjusting items	**391,354**	**31,630**	372,104	21,606
Adjusting operating items		**(5,808)**		(6,226)
Share-based payment charge		**(8,737)**		(2,388)
Operating profit		**17,085**		12,992
Share of net loss from associates and joint ventures		**–**		(210)
Finance income		**328**		129
Finance costs		**(1,552)**		(1,276)
Profit before taxation		**15,861**		11,635
Taxation		**(1,165)**		(2,429)
Profit after taxation		**14,696**		9,206

2 Business and geographical segments (continued)

Charges for share-based payments and adjusting items have not been allocated to divisions as management report and analyse division profitability at the level shown above. The accounting policies of the reportable segments are in accordance with the Group's accounting policies.

Geographical segments

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

	Revenue		Non-Current Assets	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Asia (excluding India)	**140,133**	164,343	**21,469**	16,618
North America	**145,081**	119,623	**25,826**	2,067
Europe	**106,140**	85,883	**28,400**	33,083
India	**–**	2,255	**–**	2
	391,354	372,104	**75,695**	51,770

3 Adjusting items and share-based payments

	2020	2019
	$'000	$'000
Restructuring costs	**–**	1,942
Acquisition costs	**156**	1,821
Amortisation of acquired intangibles	**5,652**	1,983
Pension past service costs	**–**	480
Total adjusting operating items	**5,808**	6,226
Share-based payments	**8,737**	2,388
Total adjusting items and share-based payments before tax	**14,545**	8,614
Tax effect of adjusting items and share-based payments (note 4)	**(2,339)**	(221)
Total adjusting items and share-based payments after tax	**12,206**	8,393

Adjusting items include costs that are one-off in nature and significant (such as restructuring costs, impairment charges or acquisition-related costs) as well as 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.

3 Adjusting items and share-based payments (continued)

During the current year, the Group has not incurred any restructuring costs (2019: $1,942,000). In the prior year, the Group incurred $1,942,000 of restructuring spend following the downsizing of an Asian factory, the closure of the Indian factory and a review of the organisational structure that resulted in the redundancy of some senior roles. These amounts were partially offset by the release of a provision made some years ago which was no longer required.

Acquisition related costs of $156,000 (2019: $1,821,000) are split between $98,000 for Servatron Inc and $58,000 for Ta Hsing Industries Limited. These costs are in respect of legal fees associated with the transactions.

Associated with the acquisitions, the Group has recognised certain intangible assets including customer relationships and customer order backlogs. The amortisation of these intangibles is non-cash and totals $5,652,000 (2019: $1,983,000) for the period, split $2,747,000 (2019: $nil) for Servatron Inc, $1,357,000 (2019: $980,000) for Silcotec Europe Limited, $106,000 (2019: $251,000) for MC Electronics LLC and $1,442,000 (2019: $752,000) for GTK (Holdco) Limited.

In the prior year the Group recognised a one-off pension past service cost of $480,000 as a result of Guaranteed Minimum Pension (GMP) equalisation following a legal judgement requiring all pension schemes conduct an equalisation of male and female members' benefits for the effect of unequal GMPs.

4 Taxation

			2020			2019
	Before adjusting items $'000	**Adjusting items and share-based payments $'000**	**Total $'000**	Before adjusting items $'000	Adjusting items and share-based payments $'000	Total $'000
Current tax – expense for the period	**(9,525)**	**907**	**(8,618)**	(4,241)	(74)	(4,315)
Current tax – adjustment in respect of previous periods	**663**	**–**	**663**	709	–	709
Current tax – impact of S965 on deferred foreign income	**1,134**	**–**	**1,134**	108	–	108
Total current tax	**(7,728)**	**907**	**(6,821)**	(3,424)	(74)	(3,498)
Deferred tax – credit for the period	**5,061**	**1,432**	**6,493**	1,211	295	1,506
Deferred tax – adjustment in respect of previous periods	**(837)**	**–**	**(837)**	(437)	–	(437)
Total deferred tax (note 21)	**4,224**	**1,432**	**5,656**	774	295	1,069
Income tax expense	**(3,504)**	**2,339**	**(1,165)**	(2,650)	221	(2,429)

UK corporation tax is calculated at 19% (2019: 19%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

4 Taxation (continued)

The Group recognises provisions for uncertain tax positions when the Group has a present obligation as a result of a past event and management judge that it is probable that there will be a future outflow within the Group to settle the obligation. Uncertain tax positions are assessed and measured within the jurisdictions that we operate in using the best estimate of the most likely outcome. It is inevitable that the Group will be subject to routine tax audits or be in ongoing disputes with tax authorities in the multiple jurisdictions it operates within.

5 Earnings per ordinary share

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

Earnings	**2020** **$'000**	2019 $'000
Profit for the purpose of basic and diluted earnings per share being net profit attributable to equity holders of the parent	**14,696**	9,206
Adjustments for:		
Adjusting items	**5,808**	6,226
Share-based payments charge	**8,737**	2,388
Tax effect of adjusting items and share-based payments	**(2,339)**	(221)
Underlying earnings	**26,902**	17,599

	No. shares	No. shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	**148,057,993**	134,382,209
Effect of dilutive potential ordinary shares / share options	**7,339,875**	3,892,712
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**155,397,868**	138,274,921

Basic earnings per share	**2020** **Cents**	2019 Cents
Basic earnings per share	**9.9**	6.9
Adjustments for:		
Adjusting items	**3.9**	4.6
Share-based payments charge	**6.0**	1.8
Tax effect of adjusting items and share-based payments	**(1.6)**	(0.2)
Underlying basic earnings per share	**18.2**	13.1

5 Earnings per ordinary share (continued)

Diluted earnings per share	**2020** **Cents**	2019 Cents
Diluted earnings per share	**9.5**	6.7
Adjustments for:		
Adjusting items	**3.7**	4.5
Share-based payments charge	**5.6**	1.7
Tax effect of adjusting items and share-based payments	**(1.5)**	(0.2)
Underlying diluted earnings per share	**17.3**	12.7

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

6 Bank facilities

During the 53 weeks ended 5 April 2020 the Group utilised a multi-currency combined revolving overdraft and guarantee facility. The syndicate at year end comprises Lloyds Bank plc and HSBC UK Bank plc. During the year the $30m facility was extended for 3 years. The new facility includes an additional $10 million uncommitted 'accordion' feature to provide further capacity for potential future acquisitions. The amount available under the facility at 5 April 2020 was $30,000,000 (2019: $30,000,000). The facility is secured by fixed and floating charges over the assets of certain Group companies.

The terms of the facility require the Group to perform quarterly financial covenant calculations with respect to leverage (adjusted total debt to adjusted rolling 12-month EBITDA) and interest cover (adjusted rolling 12-month EBITDA to adjusted rolling 12-month interest). Breach of these covenants could result in cancellation of the facility. The Group was compliant with these covenants during the period and remains compliant in the period subsequent to the period end.

7 Notes to cash flow statement

	2020 $'000	2019 $'000
Profit for the period	**14,696**	9,206
Adjustments for:		
Finance income	**(328)**	(129)
Finance costs	**1,552**	1,276
Income tax expense	**1,165**	2,429
Share of net loss from associates	**–**	210
Depreciation on property, plant and equipment	**3,643**	3,318
Depreciation on right-of-use assets	**2,714**	–
Impairment of right-of-use assets	**65**	–
Amortisation of intangible assets	**5,749**	2,451
Loss on disposal of property, plant and equipment	**838**	324
Share-based payment charge	**8,737**	2,388
(Decrease)/increase in provisions	**(1,090)**	(390)
Effects of foreign exchange rate changes	**5**	67
Operating cash flow before movement in working capital	**37,746**	21,150
(Increase)/decrease in inventories	**(2,943)**	606
Decrease/(increase)in receivables	**20,499**	(10,196)
Increase/(decrease) in payables	**2,041**	(15,068)
Movement in working capital	**19,597**	(24,658)
Cash generated from / (used in) operations	**57,343**	(3,508)
Cash generated from / (used in) operations before adjusting items	**58,749**	(236)
Cash utilised by adjusting items	**(1,406)**	(3,272)
Taxation paid	**(5,135)**	(2,501)
Interest paid	**(473)**	(734)
Net cash generated from / (used in) operating activities	**51,735**	(6,743)

Restatement: The Group purchases its own shares through its employee benefit trust in order to settle share-based payment transactions. In the previous period, the Group incurred a cash outflow of $1,023,000 associated with the purchase of shares by the employee benefit trust. This outflow was included within investing activities in the statement of cash flows. The cash outflow should have been reported within financing activities. The Group has restated the previous period to correct for this error. The impact of this correction on the 52 weeks ended 31 March 2019 is to increase net cash used in investing activities and cash flows before financing activities by $1,023,000 and to decrease net cash generated from financing activities by $1,023,000. The correction of the classification of the cash outflow for the 52 weeks ended 31 March 2019 had no effect on the Group's profit after tax, consolidated statement of financial position or the Group's basic and diluted earnings per share.

8 Analysis of net funds

	Cash and cash equivalents $'000	Bank loans $'000	Lease liabilities $'000	Debt issue costs $'000	Total $'000
At 1 April 2018	22,981	(13,550)	–	517	9,948
Cash flow	(1,870)	12,826	–	–	10,956
Exchange differences	(518)	724	–	(33)	173
Amortisation of debt issue costs	–	–	–	(387)	(387)
At 31 March 2019	20,593	–	–	97	20,690
IFRS 16 Transition	**–**	**–**	**(5,777)**	**–**	**(5,777)**
Adjusted balance at 1 April 2019	**20,593**	**–**	**(5,777)**	**97**	**(14,913)**
Business combination	**(5,771)**	**(135)**	**(4,380)**	**–**	**(10,286)**
Cash flow	**17,107**	**56**	**3,703**	**659**	**21,525**
New leases entered into during the year	**–**	**–**	**(4,445)**	**–**	**(4,445)**
Lease interest	**–**	**–**	**(553)**	**–**	**(553)**
Exchange differences	**(280)**	**–**	**569**	**(8)**	**(285)**
Amortisation of debt issue costs	**–**	**–**	**–**	**(238)**	**(238)**
At 5 April 2020	**31,649**	**(79)**	**(10,883)**	**510**	**21,197**

Debt issue costs relate to bank facility arrangement fees.

Analysis of cash and cash equivalents:	**2020 $'000**	2019 $'000
Cash and bank balances	**32,305**	20,913
Bank overdrafts	**(656)**	(320)
Cash and cash equivalents	**31,649**	20,593

9 Provisions

	Property $'000	Corporate restructuring $'000	Other $'000	Total $'000
At 1 April 2018	20	65	292	377
Acquired through business combination	485	–	500	985
Charge in the period	52	–	126	178
Utilisation of provision	(146)	–	(7)	(153)
Unwinding of discount	76	–	–	76
Exchange differences	–	(2)	(22)	(24)
At 31 March 2019	487	63	889	1,439
Reclassification for lease liabilities (IFRS 16)	**(248)**	**–**	**–**	**(248)**
Adjusted balance at 1 April 2019	**239**	**63**	**889**	**1,191**
Charge in the period	**63**	**–**	**405**	**468**
Utilisation of provision	**–**	**–**	**(276)**	**(276)**
Exchange differences	**(5)**	**(7)**	**(21)**	**(33)**
At 5 April 2020	**297**	**56**	**997**	**1,350**
Less: included in current liabilities	**148**	**56**	**630**	**834**
Non-current liabilities	**149**	**–**	**367**	**516**

Property provisions

During the prior year the Group recognised an onerous lease provision of $485,000 relating to surplus property leased by MC Electronics LLC identified on acquisition. This provision was being released evenly over the remaining term of the lease. Upon the adoption of IFRS 16 ('Leases') the Group has used the practical expedient to allow the closing provision of $248,000 to be offset against the right-of-use asset on transition.

Other

Other provisions include the Directors' best estimate, based upon past experience, of the Group's liability under specific product warranties and legal claims. The timing of the cash outflows with respect to these claims is uncertain.

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

10 Reconciliation of operating profit to underlying EBITDA (earnings before interest, tax, depreciation, amortisation, adjusting items and share-based payments)

	2020	2019
	$'000	$'000
Operating profit	**17,085**	12,992
Add back:		
Adjusting operating items	**5,808**	6,226
Share-based payment charge	**8,737**	2,388
Underlying operating profit	**31,630**	21,606
Depreciation of property, plant and equipment	**3,643**	3,318
Depreciation of right-of-use assets	**2,714**	–
Impairment of right-of-use assets	**65**	–
Amortisation of intangible assets not acquired in a business combination	**97**	468
Underlying EBITDA	**38,149**	25,392

11 Share capital

Group	**Number of Shares**	**Par Value $'000**	**Share Premium $'000**	**Total $'000**
At 1 April 2018	90,251,892	39,755	7,122	46,877
Acquisition of MC Electronics LLC	3,000,000	1,052	2,126	3,178
Placing	48,000,000	15,980	31,944	47,924
Acquisition of Silcotec Europe Limited	3,521,437	1,173	1,626	2,799
Issue of deferred bonus shares	470,588	151	–	151
Acquisition of GTK (Holdco) Limited	2,124,016	681	1,714	2,395
At 31 March 2019	147,367,933	58,792	44,532	103,324
Acquisition of Servatron	2,233,712	692	1,882	2,574
Issue of deferred bonus shares	266,794	82	–	82
Acquisition of Servatron – contingent consideration	1,481,239	473	–	473
Options exercised	469,084	150	–	150
At 5 April 2020	151,818,762	60,189	46,414	106,603

11 Share capital (continued)

During the current and prior year the Group issued shares to satisfy the requirement of share awards, deferred bonus awards and fund acquisitions. During the current year the movements were as follows:

- Issued 2,233,712 shares as part of the initial consideration for the acquisition of Servatron.
- Issued 266,794 shares under the 2018 deferred share bonus plan.
- Issued 1,481,239 shares to the former owners of Servatron as the business met the required operating profit targets set out in the acquisition agreement.
- Issued 469,084 shares under the share incentive scheme agreed as part of the acquisition of Servatron.

The prior year movements were:

- Issued 3,000,000 shares as part of the acquisition of MC Electronics LLC.
- Issued 48,000,000 ordinary shares at a price of 75 pence per share.
- Issued 3,521,437 shares as part of the acquisition of Silcotec Europe Limited.
- Issued 470,588 shares under the 2017 deferred share bonus plan.
- Issued 2,124,016 ordinary shares as part of the acquisition of GTK (Holdco) Limited.

12 Own shares and non-distributable reserves

Own shares	**2020 $'000**	2019 $'000
At the beginning of the period	**1,890**	867
Sale of shares	**(2,630)**	(75)
Purchase of shares	**1,764**	1,098
At end of the period	**1,024**	1,890

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

The number of Ordinary shares held by the Volex Group plc Employee Share Trust at 5 April 2020 was 456,576 (2019: 2,159,277). The market value of the shares as at 5 April 2020 was $592,000 (2019: $2,614,000).

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

12 Own shares and non-distributable reserves (continued)

During the year 2,652,701 (2019: 136,083) shares were utilised on the exercise of share awards. During the year the Company purchased 950,000 shares (2019: 1,000,000) at a cost of $1,764,000 ($1,098,000).

In December 2013, the Volex Group plc Employee Share Trust sold 3,378,582 shares at £1.16 per share to the open market. The average price of shares held by the Trust at the time was £0.70 with a number of the shares having been issued by Volex plc to the Trust at nominal value. In accordance with the Accounting Standards, the difference between the sales price of £1.16 and the average share price of £0.70 was recorded as a non-distributable reserve, giving rise to the $2,455,000 non-distributable reserve balance.

13 Business combinations

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

Servatron Inc

On 31 July 2019 Volex plc completed the acquisition of Servatron Inc ('Servatron'), a North American-based manufacturer of printed circuit board assemblies ('PCBA'), box builds and complete sub-assembly solutions. Servatron's business is a complementary fit with Volex's strategy to maintain and build leading positions in niche sectors with structural growth drivers and defensive characteristics. Servatron adds complementary technologies including PCBA manufacturing, state-of-the-art test capabilities, and higher-level system integration.

Combining complex-assemblies expertise and R&D skills will drive revenues for the Group and strengthen its footprint in North America. The acquisition provides the opportunity to increase organic growth through value-added services for existing cable harness customers and incorporates a skilled local workforce and management team into the business.

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	13,355
Ordinary shares issued	2,574
Contingent consideration	3,230
Total purchase consideration	**19,159**

The fair value of the 2,233,712 shares issued as part of the consideration was based on the published closing share price on 31 July 2019, the last trading date preceding the share issue of £0.93.

13 Business combinations (continued)

The contingent consideration is dependent upon certain EBITDA targets being met post-acquisition during the 2019 and 2020 calendar years. The fair value above has been based on the probable outcome of each based upon the information available at 5 April 2020.

As part of the acquisition it was agreed that 3,000,000 share options would be granted to incentivise and retain key local management. The options are dependent upon Servatron achieving certain profit and employment targets. As these options are conditional on continued employment, these are accounted for as a post-acquisition expense.

Servatron exceeded the 2019 EBITDA targets and as such the first instalments of the contingent consideration and first tranche of share options vested in early 2020.

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

	Provisional Fair Value $'000
Identifiable intangible assets	10,500
Other intangibles	49
Right-of-use assets	3,464
Property, plant and equipment	889
Inventories	5,483
Trade receivables	5,019
Trade payables	(1,040)
Other debtors and creditors	(2,483)
Overdraft	(3,677)
Bank loan	(135)
Deferred taxes	(2,464)
Lease liabilities	(4,009)
Total identifiable assets	**11,596**
Goodwill	7,563
Consideration	**19,159**

An exercise has been conducted to assess the provisional fair value of assets and liabilities acquired. This exercise identified customer relationships and order backlog intangible assets.

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 identified and measured due to their nature. This includes control over the acquired business, the skills and experience of the assembled workforce, and the anticipated synergies arising on integration.

13 Business combinations (continued)

In FY2020, Servatron contributed $26,376,000 to Group revenue and $2,621,000 to adjusted operating profit. Associated acquisition costs of $98,000 and intangible asset amortisation of $2,747,000 have both been expensed as adjusting items in the period. If Servatron had been acquired at the beginning of the year, it would have contributed estimated revenues of $41,248,000 and estimated operating profit of $3,746,000 to the results of the Group.

Ta Hsing Industries Limited

On 26 June 2019 the Group completed the acquisition of Ta Hsing Industries Limited ('Ta Hsing'), a supplier of power cables to the Power Products division. Ta Hsing has a manufacturing site in Shenzhen, in the People's Republic of China, and is headquartered in Hong Kong. The acquisition allows Volex to vertically integrate the in-house production of PVC resin and cable extrusion capabilities, while also expanding the design and manufacturing capability. The acquisition also brings a small number of new 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	3,575
Contingent consideration	1,822
Total purchase consideration	**5,397**

The contingent consideration is payable in three instalments across the calendar years 2020 and 2021. The consideration has been measured at fair value based on the probable outcome of each based upon the information available at 5 April 2020. The instalments are dependent upon a new lease agreement being obtained for the primary manufacturing site and warranty claims.

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

	Provisional Fair value **$'000**
Property, plant and equipment	584
Right-of-use asset	379
Inventories	1,370
Trade receivables	5,472
Trade payables	(694)
Other debtors and creditors	(663)
Cash and cash equivalent	854
Short term bank loan	(2,948)
Lease liabilities	(379)
Deferred taxes	(146)
Total identifiable assets	**3,829**
Goodwill	1,568
Consideration	**5,397**

13 Business combinations (continued)

An exercise has been conducted to assess the provisional fair value of assets and liabilities assumed. This exercise included an independent external valuation of the machinery located in the Shenzhen facility. Following this review, a $574,000 increase to the book value of the property, plant and equipment was recorded. Since Volex was Ta Hsing's largest customer, the Group has not recognised an intangible associated with the customer relationship or open order book that Ta Hsing had with Volex at the acquisition date due to the definition of an asset not being met, as no future economic benefits will be derived from outside the Group.

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.

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

Immediately after the acquisition, the Group funded Ta Hsing with $2,948,000 in order that it could pay off its external loan. This funding has been recorded as an intercompany balance between Volex Cables (HK) Limited and Ta Hsing and therefore has been excluded from the consideration paid.

In FY2020, Ta Hsing contributed $1,618,000 to the Group’s external revenue and $335,000 to adjusted operating profit. Associated acquisition costs of $58,000 have been expensed as adjusting items in the period. If Ta Hsing had been acquired at the beginning of the year, it would have contributed estimated revenues of $3,104,000 and estimated operating profit of $529,000 to the results of the Group.

Net cash outflow on acquisitions	**$’000**
Cash consideration	
- Servatron	13,355
- Ta Hsing	3,575
Total cash consideration	**16,930**
Add: overdraft and short-term debt liabilities acquired	
- Servatron	3,677
- Ta Hsing	2,094
Net cash outflow	**22,701**

Payment of contingent consideration	
– Servatron	1,728
– Silcotec Europe	1,122
Net cash outflow	**2,850**

14 Events after balance sheet date

There are no disclosable events after the balance sheet date.