13 June 2019

Volex plc

Preliminary Announcement of the Group Results
for the 52 weeks ended 31 March 2019

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

Volex plc ('Volex'), a global provider of power and data cabling solutions, today announces its preliminary results for the 52 weeks ended 31 March 2019 ('FY2019').

Financial Highlights	**52 weeks to 31 March 2019**	**Year on year change**	52 weeks to 1 April 2018
Revenue	**$372.1m**	**15.4%**	$322.4m
Underlying* operating profit	**$21.6m**	**87.8%**	$11.5m
Statutory operating profit	**$13.0m**	**47.7%**	$8.8m
Underlying* profit before tax	**$20.2m**	**108.2%**	$9.7m
Statutory profit before tax	**$11.6m**	**65.7%**	$7.0m
Statutory profit after tax	**$9.2m**	**135.9%**	$3.9m
Basic earnings per share	**6.9c**	**56.8%**	4.4c
Underlying diluted earnings per share	**12.7c**	**42.7%**	8.9c
Net cash (note 8)	**$20.6m**	**108.1%**	$9.9m

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

Summary

- Revenue growth of 15.4% including $44.8 million contribution from acquisitions
- Underlying operating profit increased by 87.8% to $21.6 million
- Statutory profit after tax increased by 135.9% to $9.2 million
- Net cash of $20.6 million as at the year end
- Gross margin has improved to 19.8% in FY2019 from 17.4% in FY2018

Management expects to announce the reinstatement of a dividend at the time of the interim results in November 2019.

The Executive Chairman of Volex, Nat Rothschild, commented:

"Over the past year we have continued to deliver on our stated strategy to refresh our customer base and grow our business with both new and existing customers. This has resulted in a significant increase in profitability at Volex, and our group is now in a much stronger position than it has been for many years.

We have made three successful acquisitions during the year, which have added new customers, capability and geographic presence to the Cable Assemblies division. As we build scale in this division we believe that we have the capability to be a trusted global partner to our customers.

Cost inflation continues to be a common theme across all of the countries in which we operate and we are continuing to invest in automation across the group to mitigate this inflation. In addition, the effect of US import tariffs on Chinese production has resulted in Volex moving certain production capacity to alternative locations outside of China, which has resulted in additional administrative and investment costs for the group. In spite of these headwinds we have significantly improved our profitability in our core business, and I am pleased to report an 87.8% increase in our underlying operating profit.

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

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

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

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

Recent performance

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

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

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

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

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

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

Acquisitions

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

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

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

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

Financial Flexibility

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

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

People

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

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

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

Outlook

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

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

Nathaniel Rothschild

Executive Chairman

Review of FY2019 Performance

Volex is a leading global supplier of power cords and cable assembly solutions, servicing a diverse range of markets and customers, including consumer electronics, medical equipment, data centres, telecommunications, industrial robotics and the automotive industry. Our products are sold through our own global sales force and through distributors to Original Equipment Manufacturers and Electronic Manufacturing Services companies.

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

$'000	FY2019			FY2018		
	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 Cords	198,885	-	198,885	203,569	-	203,569
Cable Assemblies	173,219	-	173,219	118,808	-	118,808
	372,104	**-**	**372,104**	**322,377**	**-**	**322,377**
Gross profit						
Power Cords	36,377		36,377	33,877	(146)	33,731
Cable Assemblies	37,141	-	37,141	22,112	-	22,112
	73,518	**-**	**73,518**	**55,989**	**(146)**	**55,843**
Gross margin	*19.8%*		*19.8%*	*17.4%*		*17.3%*
Operating profit						
Power Cords	13,229	(1,672)	11,557	12,112	(628)	11,484
Cable Assemblies	13,473	(3,589)	9,884	3,522	(305)	3,217
Central costs	(5,096)	(965)	(6,061)	(4,177)	(619)	(4,796)
Share-based payments expense	-	(2,388)	(2,388)	-	(1,132)	(1,132)
	21,606	**(8,614)**	**12,992**	**11,457**	**(2,684)**	**8,773**
Operating margin	5.8%		3.5%	3.6%		2.7%
Share of net loss of associates	(210)	-	(210)	(192)	-	(192)
Net finance costs	(1,147)	-	(1,147)	(1,586)	-	(1,586)
Taxation	(2,650)	221	(2,429)	(1,519)	(1,551)	(3,070)
Profit after tax	**17,599**	**(8,393)**	**9,206**	**8,160**	**(4,235)**	**3,925**

Due to the different market environments and technical product requirements, the Group reports under a two-divisional structure: the Power Cords division and the Cable Assemblies division.

Power Cords Division

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

* Before adjusting items and share-based payments charge.

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

Volex designs and manufactures power cords, duck heads and related products that are sold to manufacturers of a broad range of electrical and electronic devices and appliances. Volex products are used in laptops, PCs, tablets, printers, TVs, games consoles, power tools, kitchen appliances, vacuum cleaners and electric vehicles. Volex is one of the world's largest global power cable suppliers. Our global presence differentiates us from our fragmented China-based competition, and is increasingly important as companies look to source products from outside of China.

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

The Power Cords division's key manufacturing facilities are located in South-East China, Indonesia and Vietnam. However, all the Group's facilities throughout the world can be utilised to manufacture power cord products if required. With the key raw materials produced in China, our manufacturing tends to be concentrated in the two South-East China factories.

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

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

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

Gross margin has been improved by the removal of negative margin products from our portfolio and improvements in productivity and scrap rates following the roll-out of Kaizen manufacturing initiatives. Negative margins have now been eliminated and the focus has shifted to understanding and correcting product cost or selling price, where margins are particularly low. We review our prices each quarter to ensure that acceptable levels of profitability are maintained.

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

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

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

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

Cable Assemblies Division

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

* Before adjusting items and share-based payments charge.

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

Volex designs and manufactures a broad range of cables and connectors (ranging from high-speed copper and fibre optic cables to complex customised optical cable assemblies) that transfer electronic, radio-frequency and optical data. Volex products are used in a variety of applications including data networking equipment, data centres, wireless base stations and cell site installations, mobile computing devices, medical equipment, factory automation, vehicle telematics, agricultural equipment and alternative energy generation.

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

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

- High-speed – primarily copper, but also optical, passive and active cabling solutions that transmit data at rapid rates. High-speed products are used extensively in telecom and data centre environments.
- Interconnect – bespoke cabling solutions designed to transmit data and DC power in the most effective means for our customers' needs. Volex competes by producing highly engineered, high-performance, application-specific cables, in close collaboration with its customers.

Revenue for FY2019 was $173.2 million, up 45.8% on the prior year. This includes revenue of $44.8 million from the three acquisitions, all of which are reported within the Cable Assemblies division. Excluding the acquisitions, revenue increased by $9.6 million, an improvement of 8.1% on the prior year. This increase arose principally from the high-speed interconnect solutions and healthcare sectors, with a large online retailer providing significant growth in the period. However, that growth has been partially offset by the decline seen from a key US transportation and telematics customer.

As we have noted previously, demand from this customer is cyclical and after a year of high demand, this year Volex is seeing reduced activity.

Underlying gross profit improved by $15.0 million, which included $12.1 million from the three acquisitions. The $2.9 million organic improvement includes the benefit of selected price increases agreed in the second half of FY2019 and a resolution of certain operational issues that had a negative impact on the performance of the Tijuana facility in the prior year. This improvement represents an increase in the gross margin (excluding acquisitions) from 18.6% in FY2018 to 19.6% in FY2019. The acquisitions improve the margins further as a result of the contribution from higher-margin products, delivering a blended margin of 21.4%.

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

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

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

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

Financial Review

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

Trading performance

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

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

Group revenue increased by 1.5% excluding the impact of acquisitions (the 'traditional' Group), from $322.4 million in FY2018 to $327.3 million in FY2019. The like-for-like growth was driven by a strong sales performance in the Cable Assemblies division, where revenue increased by 8.1%, from $118.8 million in FY2018 to $128.4 million. Power Cords revenue fell by 2.3%, from $203.6 million to $198.9 million. It is important to note in Power Cords, that revenue from our historically largest customer continued to decline from $48.6 million to $27.8 million. Excluding this customer, the remaining Power Cords revenue increased by 10.3%.

We were able to drive revenue growth in areas where we have invested in compelling solutions and are able to deliver high-quality products for technically demanding applications. This included strong growth in Cable Assemblies for healthcare products and high-speed cables for deployment in data centres and a continuation in Power Cords of our push into the promising electric vehicle segment.

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

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

Adjusting operating items and share-based payments

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

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

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

As a result of the three acquisitions during the year, we incurred legal charges and some additional costs to ensure the retention of certain key individuals who are critical to the ultimate integration of the acquired businesses and their continued successful operation immediately following the transaction. In total, these costs came to $1.8 million in the period. The Group also recognise $2.0 million of amortisation expense associated with intangible assets recognised on acquisition.

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

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

Share of net loss from associates

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

With KST in its start-up phase, it has generated losses in the period to 31 March 2019. As a result, the equity element of the investment has been equity accounted to nil. The business has made good progress in its objectives and is working with a solid list of customers on several promising projects. The current trading performance is in line with expectations for a business at this point in its lifecycle, and management are confident that it has the opportunity to develop successfully in the future.

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

Net finance costs

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

Refinancing

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

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

Tax

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

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

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

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

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

The adjusted tax credit of $0.2 million (FY2018: charge of $1.6 million) arises mainly on the amortisation charge on acquisitions. In 2018 the adjusted tax charge of $1.8 million on the new US tax legislation was off-set by a $0.2 million tax credit arising from the adjusted operating items.

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

Earnings per share

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

Cash flow and net debt

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

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

• a reduction in inventory leading to a cash inflow of $0.6 million (FY2018 outflow of $4.0 million). This improvement is due to tighter controls on inventory in key factories.

• an increase in receivables leading to a cash outflow of $10.2 million (FY2018: $1.7 million). This increase is due to the increased level of trade, the acquisitions of GTK and MC Electronics plus the fact that the Silcotec business was acquired without any trade receivables. The cash collection of invoices raised prior to the acquisition date was left with the seller, with Volex responsible only for cash collection on sales post-acquisition. At year-end, Silcotec trade debtors totalled $4.8 million.

• an outflow related to payables of $15.1 million (FY2018: $1.5 million inflow). Following the equity raise the Group decided to take advantage of prompt payment discounts offered by several key suppliers in order to improve margins, resulting in a reduction in payables.

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

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

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

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

Banking facilities, covenants and going concern

During the year, the Group had access to a $30 million multi-currency combined revolving credit, overdraft and guarantee facility ('RCF'). This facility was provided by a syndicate of two banks (Lloyds Banking Group plc and HSBC Bank plc), and was undrawn at year end.

The key terms of the facility were as follows:

- Available until 30 June 2019;
- No scheduled facility amortisation; and
- Interest cover and total debt: EBITDA leverage covenants.

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

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

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

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least 12 months from year end. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Financial instruments and cash flow hedge accounting

The Group enters into contracts with financial institutions which are linked to the average copper price as published by the London Metal Exchange ('LME'). The purpose of these contracts is to mitigate the Group's exposure to copper price volatility observed in the Group's cost of sales.

These contracts act as an economic hedge against the impact of copper price movements. They meet the hedge accounting requirements of IFRS 9 and therefore are accounted for as cash flow hedges of forecast future purchases of copper. As at 31 March 2019, a financial asset of $0.1 million (FY2018: $0.2 million) has been recognised in respect of the fair value of open copper contracts with a corresponding $0.1 million credit recognised in reserves. This credit is retained in reserves until such time as the forecast copper consumption takes place at which point it will be recycled through the income statement.

A credit of $0.1 million has been recognised in cost of sales in FY2019 (FY2018: credit of $0.8 million) in respect of copper hedging contracts that closed out during the period. This credit has arisen since the average LME copper price in the period has been above the contracted price.

Defined benefit pension schemes

The Group’s net pension deficit under IAS 19 as at 31 March 2019 was $2.4 million (FY2018: $3.3 million). The decrease is primarily due to the $0.9 million pension contributions made by the Company during the period.

UK referendum on EU membership

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

Consolidated Income Statement

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

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

Consolidated Statement of Comprehensive Income		
For the 52 weeks ended 31 March 2019 (52 weeks ended 1 April 2018)		
	2019	2018
	$’000	$’000
Profit for the period	**9,206**	3,925
Items that will not be reclassified subsequently to profit or loss		
Actuarial gain on defined benefit pension schemes	**305**	870
	305	870
Items that may be reclassified subsequently to profit or loss		
Gain / (loss) arising on cash flow hedges during the period	**180**	(265)
Exchange gain / (loss) on translation of foreign operations	**579**	(3,631)
	759	(3,896)
Other comprehensive income / (loss) for the period	**1,064**	(3,026)
Total comprehensive income for the period attributable to the owners of the parent	**10,270**	899

Consolidated Statement of Financial Position			
		2019	2018
As at 31 March 2019 (1 April 2018)	Notes	**$'000**	$'000
Non-current assets			
Goodwill		**17,531**	2,633
Other intangible assets		**11,115**	498
Property, plant and equipment		**20,420**	17,406
Interests in associates and joint ventures		**–**	226
Other receivables		**2,704**	1,560
Deferred tax asset		**4,271**	2,283
		56,041	24,606
Current assets			
Inventories		**49,122**	40,686
Trade receivables		**71,307**	56,199
Other receivables		**8,448**	7,376
Current tax assets		**1,092**	948
Derivative financial instruments		**374**	192
Cash and bank balances	8	**20,913**	24,830
		151,256	130,231
Total assets		**207,297**	154,837
Current liabilities			
Borrowings	8	**320**	1,849
Trade payables		**45,863**	54,181
Other payables		**30,212**	25,576
Current tax liabilities		**4,811**	4,030
Retirement benefit obligation		**975**	947
Provisions	9	**1,121**	292
		83,302	86,875
Net current assets / (liabilities)		**67,954**	43,356
Non-current liabilities			
Borrowings	8	**–**	13,033
Other payables		**988**	1,080
Deferred tax liabilities		**4,447**	2,008
Non current tax liabilities		**1,134**	1,242
Retirement benefit obligation		**1,460**	2,370
Provisions	9	**318**	85
		8,347	19,818
Total liabilities		**91,649**	106,693
Net assets		**115,648**	48,144
Equity attributable to owners of the parent			
Share capital	11	**58,792**	39,755
Share premium account		**44,532**	7,122
Non-distributable reserves		**2,455**	2,455
Hedging and translation reserve		**(7,391)**	(8,150)
Own shares	12	**(1,890)**	(867)
Retained earnings		**19,150**	7,829
Total equity		**115,648**	48,144

Consolidated Statement of Changes in Equity

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

	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 2 April 2017	**39,755**	**7,122**	**2,455**	**(4,254)**	**(867)**	**2,096**	**46,307**
Profit / (loss) for the period attributable to the owners of the parent	–	–	–	–	–	3,925	3,925
Other comprehensive income / (loss) for the period	–	–	–	(3,896)	–	870	(3,026)
Total comprehensive income / (loss) for the period	–	–	–	(3,896)	–	4,795	899
Credit to equity for equity-settled share-based payments	–	–	–	–	–	938	938
Balance at 1 April 2018	**39,755**	**7,122**	**2,455**	**(8,150)**	**(867)**	**7,829**	**48,144**
Profit / (loss) for the period attributable to the owners of the parent	–	–	–	–	–	9,206	9,206
Other comprehensive income / (loss) for the period	–	–	–	759	–	305	1,064
Total comprehensive income / (loss) 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**

Consolidated Statement of Cash Flows			
For the 52 weeks ended 31 March 2019 (52 weeks ended 1 April 2018)			
	Notes	**2019** **$'000**	2018 $'000
Net cash generated from / (used in) operating activities	7	**(6,743)**	4,893
Cash flow generated from / (used in) investing activities			
Interest received		**11**	12
Acquisition of businesses, net of cash acquired		**(23,843)**	–
Proceeds on disposal of intangible assets, property, plant & equipment		**512**	44
Purchases of property, plant & equipment		**(3,180)**	(2,436)
Purchases of intangible assets		**(163)**	(2)
Acquisition of own shares (net of funds received on option exercise)		**(1,023)**	–
Purchase of Preference shares		**(1,300)**	(400)
Investment in associates		**–**	(400)
Net cash generated / (used in) investing activities		**(28,986)**	(3,182)
Cash flows before financing activities		**(35,729)**	1,711
Cash generated / (used) before adjusting items		**(32,457)**	2,735
Cash utilised in respect of adjusting items		**(3,272)**	(1,024)
Cash flow generated from / (used in) financing activities			
Refinancing costs paid		**–**	(496)
Repayment of borrowings	8	**(12,826)**	(7,285)
Proceeds on issue of shares		**46,685**	–
Net cash generated from / (used) in financing activities		**33,859**	(7,781)
Net increase / (decrease) in cash and cash equivalents		**(1,870)**	(6,070)
Cash and cash equivalents at beginning of period	8	**22,981**	29,565
Effect of foreign exchange rate changes	8	**(518)**	(514)
Cash and cash equivalents at end of period	8	**20,593**	22,981

1. Basis of preparation

The preliminary announcement for the 52 weeks ended 31 March 2019 has been prepared in accordance with the accounting policies as disclosed in Volex plc's Annual Report and Accounts 2018, as updated to take effect of any new accounting standards applicable for the period as set out in Volex plc's Interim Statement 2019.

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 52 weeks ended 31 March 2019, 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 1 April 2018 have been delivered to the Registrar of Companies. The independent auditor's 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 has raised £36.0 million in equity proceeds during the year. After deducting issue costs and conversion into US Dollars, the net funds raised totalled $46.7 million. An element of this funding has been used to deleverage the balance sheet and fund the acquisitions that took place during the year. The remaining funds will be available for future accretive M&A transactions, investment in automation and general working capital requirements.

The Group's forecast and projections, taking reasonable account of possible changes in trading performance, show that the Group should operate within the level of the proposed facility for the period in which the facility is available and should comply with the revised covenants over this period. Given the above equity raise, the Directors believe that on expiry of the facility on 30 June 2019, sufficient funds will be available such that the facility can be repaid and the Group can continue its normal operations.

The Board is therefore confident that the combination of the above facility and the cash on hand at the end of the year provides adequate liquidity headroom for the successful execution of the Group's operations.

This preliminary announcement was approved by the Board of Directors on 12 June 2019.

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

The Board believes that the segmentation of the Group based upon product characteristics allows it to best understand the Group's performance and profitability. The Group considers the executive members of the Company's Board and the Chief Operating Officer to be the chief operating decision-makers.

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

2. Business and geographical segments (continued)

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

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	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Asia (excluding India)	**164,343**	175,266	**16,618**	16,525
North America	**119,623**	90,421	**2,067**	1,088
Europe	**85,883**	51,959	**33,083**	3,899
India	**2,255**	4,731	**2**	811
South America	**–**	–	**–**	–
	372,104	322,377	**51,770**	22,323

3. Adjusting items and share-based payments

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

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

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

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

3. Adjusting items and share-based payments (continued)

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

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

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

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

4. Taxation

	2019			2018		
	Before adjusting items $'000	**Adjusting items $'000**	**Total $'000**	Before adjusting items $'000	Adjusting items $'000	Total $'000
Current tax – expense for the period	**(4,241)**	**(74)**	**(4,315)**	(441)	255	(186)
Current tax – adjustment in respect of previous periods	**709**	–	**709**	(236)	–	(236)
Current tax – impact of $965 on deferred foreign income	**108**	–	**108**	–	(1,349)	(1,349)
Total current tax	**(3,424)**	**(74)**	**(3,498)**	(677)	(1,094)	(1,771)
Deferred tax – origination and reversal of temporary differences	**1,211**	**295**	**1,506**	(842)	(457)	(1,299)
Deferred tax – adjustment in respect of previous periods	**(437)**	–	**(437)**	–	–	–
Total deferred tax	**774**	**295**	**1,069**	(842)	(457)	(1,299)
Income tax expense	**(2,650)**	**221**	**(2,429)**	(1,519)	(1,551)	(3,070)

The adjusting items income tax expense of $1,551,000 in 2018 comprised the tax credit arising on the adjusting items of $255,000 offset by the implementation cost of the US Tax Cuts and Jobs Act 2017. This Act reduced the US tax rate from 34% to 21%. As a result, the deferred tax asset recognised on US tax losses in 2018 reduced by $457,000.

The US Tax Cuts and Jobs Act 2017 imposed a tax liability on US deferred foreign income under S965 of the internal revenue code. In accordance with the new tax legislation, in 2018 the Group recognised a liability of $1,349,000. This liability will be paid over 8 instalments through to 2025 in accordance with the payment arrangements set out in the new section. As a consequence, $1,134,000 (2018: $1,242,000) of this tax liability is recognised in non-current liabilities.

5. Earnings per ordinary share

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

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

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

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

5. Earnings per ordinary share (continued)

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

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

6. Bank facilities

During the 52 weeks ended 31 March 2019 the Group utilised a multi-currency combined revolving overdraft and guarantee facility. The facility expiry date is 30 June 2019. The amount available under the facility at 31 March 2019 was $30,000,000 (2018: $30,000,000). The facility was secured by fixed and floating charges over the assets of certain Group companies.

The terms of the facility 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.

7. **Notes to cash flow statement**

	2019 $'000	2018 $'000
Profit for the period	**9,206**	3,925
Adjustments for:		
Finance income	**(129)**	(20)
Finance costs	**1,276**	1,606
Income tax expense	**2,429**	3,070
Share of net loss from associates	**210**	192
Depreciation on property, plant and equipment	**3,318**	3,095
Amortisation of intangible assets	**2,451**	115
Impairment loss	**–**	74
Loss on disposal of property, plant and equipment	**324**	89
Share option payment charge	**2,388**	1,132
Decrease / (increase) in provisions	**(390)**	(810)
Effects of foreign exchange rate changes	**67**	–
Operating cash flow before movement in working capital	**21,150**	12,468
Decrease / (increase) in inventories	**606**	(3,974)
Decrease / (increase) in receivables	**(10,196)**	(1,661)
(Decrease) / increase in payables	**(15,068)**	1,508
Movement in working capital	**(24,658)**	(4,127)
Cash generated from / (used in) operations	**(3,508)**	8,341
Cash generated from / (used in) operations before adjusting items	**(236)**	9,365
Cash utilised by adjusting items	**(3,272)**	(1,024)
Taxation paid	**(2,501)**	(2,469)
Interest paid	**(734)**	(979)
Net cash generated from / (used in) operating activities	**(6,743)**	4,893

8. Analysis of net funds

	Cash and cash equivalents $'000	Bank loans $'000	Debt issue costs $'000	Total $'000
At 2 April 2017	**29,565**	**(18,720)**	**490**	**11,335**
Cash flow	(6,070)	7,285	496	1,711
Exchange differences	(514)	(2,115)	69	(2,560)
Other non-cash changes	–	–	(538)	(538)
At 1 April 2018	**22,981**	**(13,550)**	**517**	**9,948**
Cash flow	**(1,870)**	**12,826**	**–**	**10,956**
Exchange differences	**(518)**	**724**	**(33)**	**173**
Other non-cash changes	**–**	**–**	**(387)**	**(387)**
At 31 March 2019	**20,593**	**–**	**97**	**20,690**

Debt issue costs relate to bank facility arrangement fees.

Analysis of cash and cash equivalents:	**2019 $'000**	2018 $'000
Cash and bank balances	**20,913**	24,830
Bank overdrafts	**(320)**	(1,849)
Cash and cash equivalents	**20,593**	22,981

9. Provisions

	Property $'000	Corporate restructuring $'000	Other $'000	Total $'000
At 2 April 2017	52	64	326	442
Charge / (credit) in the period	(34)	–	–	(34)
Utilisation of provision	1	–	(64)	(63)
Unwinding of discount	–	–	–	–
Exchange differences	1	1	30	32
At 1 April 2018	20	65	292	377
Acquired through business combination	**485**	**–**	**500**	**985**
Charge / (credit) in the period	**52**	**–**	**126**	**178**
Utilisation of provision	**(146)**	**–**	**(7)**	**(153)**
Unwinding of discount	**76**	**–**	**–**	**76**
Exchange differences	**–**	**(2)**	**(22)**	**(24)**
At 31 March 2019	**487**	**63**	**889**	**1,439**
Less: included in current liabilities	**232**	**–**	**889**	**1,121**
Non-current liabilities	**255**	**63**	**–**	**318**

Property provisions

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

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

Other

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

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

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

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

11. **Share Capital**

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

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

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

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

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

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

12. Own shares and non-distributable reserves

Own shares	**2019 $'000**	2018 $'000
At the beginning of the period	**867**	867
Sale of shares	**(75)**	–
Purchase of shares	**1,098**	–
At end of the period	**1,890**	867

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

The number of Ordinary shares held by the Volex Group plc Employee Share Trust at 31 March 2019 was 2,159,277 (2018: 1,295,360). The market value of the shares as at 31 March 2019 was $2,614,000 (2018: $1,160,000).

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

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

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

13. Business Combinations

In the first 12 months following acquisition, 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. None of the goodwill recognised is expected to be deductible for income tax purposes.

MC Electronics LLC

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

13. Business Combinations (continued)

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

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

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

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

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

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

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

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

13. Business Combinations (continued)

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

Silcotec Europe Limited

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

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

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

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

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

13. Business Combinations (continued)

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

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

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

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

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

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

13. Business Combinations (continued)

GTK (Holdco) Limited

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

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

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

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

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

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

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

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

13. **Business Combinations (continued)**

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

14. **Events after balance sheet date**

There are no disclosable events after the balance sheet date.