18 June 2018

Volex plc

Preliminary Announcement of the Group Results
for the Financial Year ended 1 April 2018

'Best financial performance in 5 years together with two strategic acquisitions and a capital raise post year-end, leaves Volex strongly positioned for future growth'

Volex plc ('Volex'), a global provider of power and data cabling solutions, today announces its preliminary results for the 52 weeks ended 1 April 2018 ('FY2018').

Financial Highlights	**52 weeks to 1 April 2018**	52 weeks to 2 April 2017
Revenue	**$322.4m**	$319.6m
Underlying* operating profit / (loss)	**$11.5m**	$9.1m
Statutory operating profit / (loss)	**$8.8m**	$(6.6)m
Underlying* profit / (loss) before tax	**$9.7m**	$7.2m
Statutory profit / (loss) before tax	**$7.0m**	$(8.5)m
Statutory profit / (loss) after tax	**$3.9m**	$(7.0)m
Basic earnings / (loss) per share	**4.4c**	(7.9c)
Underlying diluted earnings / (loss) per share	**8.9c**	9.5c
Net cash / (debt)	**$9.9m**	$11.3m

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

Summary

- Modest revenue growth of 0.9% in year. Excluding the decline in revenue from the Group's largest Power Cords customer, revenue grew by 4.7%. Growth driven by a number of new and existing OEM's in the Cable Assemblies division and a new market leading electric vehicle manufacturer in the Power Cords division;
- Underlying operating profit increased by 26.2% to $11.5m due to the full year impact of cost saving initiatives taken in the prior year;
- Non-recurring operating costs of $1.6m were recognised in the year for certain restructuring activities and professional fees in relation to corporate / M&A activity;
- First statutory profit after tax recorded since FY2012;
- Net cash of $9.9m recorded at year end, slightly down on prior year due to investment in inventory;
- Group completed its move from the Main Market of the London Stock Exchange to trading on AIM; and
- Post year-end, the Group has completed an equity raise of £36 million and the acquisition of two smaller competitors in the Cable Assemblies sector. Residual cash will be used to deleverage the balance sheet, for future investment into automation and to fund future targeted M&A activity.

Management is confident about the future prospects of the group and expects to make continued progress in the coming year.

The Executive Chairman of Volex, Nat Rothschild, commented:

"I am hugely encouraged by the performance of Volex over the past 12 months. The return to top line growth, albeit modest, validates the new sales strategy with the growth coming from both new and existing customers, most notably a well-known manufacturer of electric vehicles which has scaled from a standing start in the prior year to a multi-million dollar account.

We continue to see significant cost inflation in both raw materials and labour rates as well as adverse movements in foreign exchange. However, the underlying gross margin has been maintained year on year through improvements in productivity and operational efficiency as well as stringent cost control. As a result, I am pleased to see the Group return to full profitability.

The improved trading position has enabled the Board to consider its longer term strategic objectives and in this regard I am grateful for the support we have received from our shareholders post year end in raising £36 million of equity capital. These funds will be used to strengthen our balance sheet, enable factory automation and for targeted acquisitions. Volex is in a much stronger position now, than it has been for many years.

Whilst our core markets are expected to remain highly competitive in the near term, with an encouraging set of projects in the sales pipeline, we anticipate that our underlying revenues will continue to deliver organic growth in the coming year. Improved operational efficiency, particularly in our Mexican facility, is expected to offset further cost inflation and pressure from foreign exchange rate movements. Given the above, I am confident in Volex's ability to continue to make progress and deliver further value to our shareholders in the year ahead".

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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 FY2018 year has been successful, both operationally and strategically, as we have consolidated the gains we have made on behalf of our shareholders since late 2015. Post year end we have completed two acquisitions, in line with our stated consolidation strategy and we continue to look for growth and margin improvements across both of our divisions against a backdrop of intense competition, cost inflation in both raw materials and labour rates as well as adverse movements in foreign exchange. We have demonstrated modest top line growth and also a return to profitability. As such, we are confident about the future outlook of the Group.

The improved trading position has enabled the Board to consider its longer term strategic objectives and in this regard I am grateful for the support we have received from our shareholders post year end in raising £36.0 million of equity capital. These funds will be used to strengthen our balance sheet, enable factory automation and for targeted acquisitions. Volex is in a much stronger position now, than it has been for many years.

Recent performance

Revenue for FY2018 was $322.4 million up 1% on the prior year. Stripping out the impact of our largest Power Cords customer, which continued its managed decline, revenue was up 5% year on year. This growth came from both new and existing customers within the Cable Assemblies division as we continue to win new accounts and sell into our existing customer base. Revenue from our Power Cords division was down due to the division's largest customer continuing to decline, however, this was partially offset by significant new business from a globally recognised name within the electric vehicle sector.

The underlying gross margin[1] was maintained year on year at 17.4% despite the aforementioned cost inflation and adverse foreign exchange. The decline in revenue from the Power Cord division's largest customer had been forecast and hence the restructuring and optimisation activities taken in the prior year had been focussed on this division. With a reduced cost base, the Power Cords division has seen an improvement in gross margin year on year. Our Cable Assemblies division experienced a reduction in gross margin, as a result of cost inflation, the costs to ramp-up and invest in new business growth and due to operational inefficiencies at our Mexican facility as it struggled to cope with the increase in customer demand.

Underlying operating expenses[2] at $44.5 million are down 4% year on year due to the tight cost control enacted throughout the Group. We continue to monitor closely the cost base of the Group and we expect further cost reduction action as we invest in automation in our production facilities during the coming year.

As a consequence of the above, underlying operating profit[2] for the year was $11.5 million, up 26% from $9.1 million in the prior year.

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[1] Gross margin before non-recurring items

[2] Operating expenses / profit before non-recurring items and share-based payments expense

After non-recurring operating costs of $1.6 million (principally restructuring costs in our Chinese facilities and professional fees associated with strategic initiatives), a share-based payments expense of $1.1 million, financing costs of $1.6 million and a tax charge of $3.1 million (including the impact of US tax changes following the US 'Tax Cuts and Jobs Act of 2017'), the Group has recorded a profit after tax of $3.9 million. The first time a profit after tax has been recognised by the Group since FY2012.

Move to AIM

In January 2018, Volex plc moved from the Main Market of the London Stock Exchange to AIM. The reasons for this were that AIM has the benefit of:

- lower ongoing annual costs;
- simpler administration and regulatory requirements more appropriate for a company of Volex's size; and
- lower transaction costs associated with corporate activity, specifically acquisitions and disposals.

We believe that there exists an opportunity to further consolidate the Cable Assemblies industry, which will help us to diversify our customer base, realise synergy benefits and generate improved returns for our shareholders. Our own turnaround experience since we assumed the leadership of Volex in late 2015, has provided insight into the operational excellence required to optimise returns in an industry that is extremely fragmented and inefficient. We can bring this insight to many of the businesses we wish to acquire.

Our Power Cords business is unique in that it has relationships with many of the leading blue chip customers in the consumer electronics industry who turn to Volex due to our outstanding reputation for engineering expertise and the highest-quality standards in an increasingly commoditised industry. However, we lack vertical integration, which means that it is difficult to compete against low-cost Chinese competitors in the higher-volume segments of the Power Cords market. By moving to AIM, we will have greater flexibility to engage in strategic alternatives that will challenge the status quo and turnaround the perception that our Power Cords business cannot generate returns for our shareholders.

Post year end equity raise and strategic acquisitions

Post year end, we acquired 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.

On 5 June 2018, we completed a £36.0 million capital raise (approx. $48.3 million). $10.9 million of these funds was used in the initial consideration to acquire the trade and assets of Silcotec Europe Limited, a European manufacturer of customised complex medical and industrial cables and sub-assemblies for the medical industry. The remaining proceeds will be applied to de-leverage our balance sheet and will be available for future accretive M&A transactions, investment in automation and for general working capital requirements.

Outlook

Volex’s core markets are expected to remain highly competitive in the near term but we remain focussed on delivering our targets for both the Power Cords and Cable Assemblies divisions. Both businesses occupy market leading positions and are well placed by their unique geographic footprint. With an encouraging set of projects in the sales pipeline, which we believe will offset any further revenue reduction from our largest Power Cords customer, we anticipate that our underlying revenues will continue to deliver organic growth in the coming year.

Cost inflation in both raw materials and labour rates is expected to continue and we expect to experience further pressure from foreign exchange rate movements. Where possible we will look to pass these increases onto our customers. We will also be looking to improve factory operational efficiency further, through automation in our Power Cords division and through resolution of the issues that we are experiencing in our Mexican facility.

Given the above, I am confident in Volex's ability to continue to make progress and deliver further value to our shareholders in the year ahead.

Nathaniel Rothschild

Executive Chairman

Review of FY2018 performance

$'000	FY2018 Before non-recurring items and share based payments	FY2018 Non-recurring items and share based payments	FY2018 Total	FY2017 Before non-recurring items and share based payments	FY2017 Non-recurring items and share based payments	FY2017 Total
Revenue						
Power Cords	181,170	–	181,170	188,256	–	188,256
Cable Assemblies	141,207	–	141,207	131,328	–	131,328
	322,377	–	**322,377**	**319,584**	–	**319,584**
Gross profit						
Power Cords	28,863	(146)	28,717	27,523	(12,303)	15,220
Cable Assemblies	27,126	–	27,126	27,936	(809)	27,127
	55,989	**(146)**	**55,843**	**55,459**	**(13,112)**	**42,347**
Gross margin	*17.4%*		*17.3%*	*17.4%*		*13.3%*
Operating profit						
Power Cords	6,825	(628)	6,197	3,228	(12,740)	(9,512)
Cable Assemblies	8,809	(305)	8,504	10,528	(1,754)	8,774
Central costs	(4,177)	(619)	(4,796)	(4,677)	(738)	(5,415)
Share-based payments expense	-	(1,132)	(1,132)	–	(468)	(468)
	11,457	**(2,684)**	**8,773**	**9,079**	**(15,700)**	**(6,621)**
Operating margin	3.6%		2.7%	2.8%		-2.1%
Share of net profit/(loss) of associates	(192)	–	(192)	–	–	–
Net finance costs	(1,586)	–	(1,586)	(1,879)	–	(1,879)
Taxation	(1,519)	(1,551)	(3,070)	1,238	214	1,452
Profit after tax	**8,160**	**(4,235)**	**3,925**	**8,438**	**(15,486)**	**(7,048)**

Volex has its global headquarters in the UK, operates from eight manufacturing locations and employs approximately 6,500 people across 19 countries. Volex sells its products through its own global sales force and through third-party distributors to Original Equipment Manufacturers (OEMs) and Electronic Manufacturing Services companies.

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. This allows for a better focus on customer relationships as well as enhancing the Group's emphasis upon accountability and profitability.

Power Cords division

$'000	52 weeks ending 1 April 2018	52 weeks ending 2 April 2017
Revenue	181,170	188,256
Underlying* gross profit	28,863	27,523
Underlying gross margin*	15.9%	14.6%
Operating costs	(22,038)	(24,295)
Underlying* operating profit	6,825	3,228
Underlying operating margin*	*3.8%*	*1.7%*

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

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 top two global power cable suppliers with an estimated 7% market share in a fragmented market worth an estimated $2.4bn.

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

The Power Cords division's key manufacturing facilities are located in South-East China and Indonesia. 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 division revenue for FY2018 was $181.2 million, down 3.8% on the prior period.

The division's largest customer continued its decline with revenue down 9.9% on the prior year, in line with the division's forecast. As previously highlighted, this customer began selling its new laptop range with a USB-C charger rather than a traditional power cord, marking a trend in the industry towards product miniaturisation and lower power-consumption, which allows for devices to dispense with a traditional mains power cord charger. The second half of the year saw an improved performance as the relaunch of the customer's TV streaming product proved a commercial success.

Away from the division's largest customer, the global PC market continues to shrink with global shipments in the year down 3% on the prior year, marking the 6th consecutive year of decline. This decline has been attributed to further market cannibalisation by the smartphone. The associated printer and PC peripherals market is largely flat year on year. As a consequence we saw a reduction in sales to OEM's associated with these markets.

Further declines were also observed from customers manufacturing household cleaning appliances. As battery technology has improved, the need for retractable power cables is declining with vacuum manufacturers instead favouring a charging station for their unit. Whilst this charging station still requires a power cable, its greater simplicity and shorter length means that the value of the cable is significantly reduced. However, more than off-setting this decline in FY2018, has been growth within the Cable Assemblies division of internal cable harnesses used within the vacuum cleaners to connect the battery to the motor.

Helping offset the decline in sales to Volex's traditional markets, the Group began power cord production for one of the world's leading electric vehicle manufacturers. The account has already scaled to a multi-million dollar account, sitting within the top 10 customers of the division. We expect further growth in this account in the coming year. Production of these power cords is from our Shenzhen factory in China.

With Volex's traditional PC and peripherals markets set to continue their decline, competition here will only intensify. For Volex to be successful within these markets, it must compete aggressively on price with every dollar saved from the production and procurement processes helping protect already thin margins. However, for significant improvements in the top line, the Power Cords division must seek out new end markets that value Volex's expert knowledge and its reputation for quality and safety.

Despite the lower revenues, the underlying Power Cords gross profit has increased to $28.9 million from $27.5 million in FY2017, representing a gross margin of 15.9% (FY2017: 14.6%). The principal reasons for the margin improvement include:

- Ongoing PVC production transfer from Shenzhen factory to our Zhongshan factory. By placing all PVC production under one roof, Zhongshan benefits from improved productivity rates. Given also the lower labour rates seen in Zhongshan, more lines are set to be transferred in FY2019;
- A reduced cost base following the restructuring activities that took place in the prior year. These activities included downsizing our factory footprint, closing a number of warehousing hubs and transferring production to lower cost factories. Further targeted cost saving initiatives have been carried out in the current year; and
- A reduced plant and machinery depreciation charge following the $12.5 million impairment charge taken in the prior year.

Offsetting the above has been an increase in the cost of many of our raw materials. Copper is a significant component within our power cables and the spot price has increased by approximately 25% year on year. The impact of this raw material cost increase has largely been mitigated through customer price increases and an active commodity hedging policy. We expect to see further raw material pricing pressure in the coming year.

During the period, our previously announced joint venture agreement with a Taiwanese manufacturer, producing competitively priced Volex branded AC raw cables, began commercial production. By period end, Volex had consumed 6,107 km of this cable reflecting approx. 2.2% of the period's cable demand. This is forecast to grow over the coming years as more customer products are qualified using the Volex branded cable.

Operating costs have reduced by $2.3 million to $22.0 million following the cost reduction actions taken in FY2017 principally with respect to headcount, reduced office rental and sales hub costs and lower depreciation.

As a consequence of the above, underlying operating profit for FY2018 was $6.8 million, up $3.6 million on the prior period.

Cable Assemblies division

$'000	52 weeks ending 1 April 2018	52 weeks ending 2 April 2017
Revenue	141,207	131,328
Underlying* gross profit	27,126	27,936
Underlying gross margin*	*19.2%*	*21.3%*
Operating costs	(18,317)	(17,408)
Underlying* operating profit	8,809	10,528
Underlying operating margin*	6.2%	8.0%

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

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

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

- High Speed – primarily copper, but also optical, passive and active cabling solutions that transmit data at rapid rates. High speed products are used extensively in telecom and data centre environments.
- Interconnect – bespoke cabling solutions designed to transmit data 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 FY2018 was $141.2 million, up 7.5% on the prior period. Stripping out the revenue decline observed from our largest Power customer (to whom we also sell internal harnesses) and our largest European telecoms customer (that continues to see its market share decline), revenue was up 17.3%. This increase was spread over multiple customers, across many sectors. Our leading North American logistics customer recovered strongly as the revenue cycle turned in Volex's favour with a 76% increase in sales. A number of customers operating in the healthcare and robotics space also posted high double digit revenue growth reflecting the desire in the marketplace for a cable supplier with strong reliability and quality. Finally a leading manufacturer of domestic appliances showed revenue growth of 50% due to the purchase of internal cable assemblies connecting batteries to motors. Whilst Power Cord revenues were lost, this was more than compensated for in the Cable Assemblies division and shows that Volex can succeed in the wireless world.

Despite the improved revenue performance, the underlying gross profit has decreased to $27.1 million from $27.9 million, representing a gross margin of 19.2% (FY2017: 21.3%). The margins have reduced as a result of the new business growth, with new products starting production with a lower margin until run-rate volumes are reached and our operators learn to manufacture the new product efficiently.

In the second half of the year, the Group has also been hit by significant adverse foreign exchange movements with the US Dollar weakening against most key currencies (Euro, Polish Zloty, Chinese Renminbi). With the division's sales primarily based in USD but with a significant share of the division's raw material purchases made in Euro's and direct labour costs denominated in Polish Zloty, Chinese Renminbi and Mexican Peso, this adverse movement in the US Dollar exchange rate has resulted in an increase in costs and reduction in margin. Further, the division has also suffered significant labour cost increases in Mexico and certain operational difficulties as the Mexico facility has expanded to meet the sales growth.

Operating costs have increased by $0.9 million to $18.3 million primarily due to higher salary costs arising from the adverse exchange rate movements and a foreign exchange loss on Mexican Peso payables (in the prior year, in the run up to the US presidential election the US Dollar strengthened against the Peso making the Peso payables cheaper, however, in the current year the reverse has happened with the Peso rebounding).

As a result of the above, underlying divisional operating profit for the period fell from $10.5 million in FY2017 to $8.8 million in FY2018.

We are working hard to manage the significant increase in new business and expect that margins in the Cable Assemblies division will recover over the next 18 months.

Non-recurring operating items and share-based payments

The Group has incurred non-recurring operating costs of $1.6 million in FY2018 (FY2017: $15.2 million).

Of this $0.9 million (FY2017: $1.7m) related to restructuring costs arising from the down-sizing of our Shenzhen factory in China (in response to falling sales from our largest Power Cords customer), down-sizing of our European and South Korean sales teams and the restructuring of our Singapore regional head office. The prior year cost included closure of our Brazil, Ireland, Austin and Jakarta offices plus the departure of the Head of Engineering.

A further $0.5 million has been incurred in FY2018 on professional and administrative fees associated with the transition from the Main market of the London Stock Exchange to AIM. Given the size and future ambitions of Volex, the Board believes the AIM market better suits Volex with its lower ongoing costs and transaction fees. A further $0.1 million of professional fees were incurred in the work associated with the post year end acquisitions of MC Electronics LLC and the trade and assets of Silcotec Europe Limited.

In the prior year a $12.5 million non-cash impairment charge was taken against the Group's fixed asset base. As a result of the downturn in Power Cord revenue (particularly with the Group's largest customer), significant surplus capacity arose within our Power Cord division with the resultant restructuring leading to the impairment write down. Also expensed in FY2017 was a one-off fixed term manufacturing consultancy spend of $0.8 million.

The cash impact of the above non-recurring operating items is a cash outflow of $1.0 million (FY2017: $5.7 million).

The share-based payments charge in the year was $1.1 million (FY2017: $0.5 million). The doubling of the charge was due to an additional grant being accounted for during the year and fewer senior employees departing.

Share of net profit / (loss) from associates

During the year, the Group invested $0.3 million for a 26.09% interest in Kepler SignalTek ('KST'), a manufacturer of medical, high frequency data transmission and specialist industrial cable assemblies. This product range complements the current Volex Cable Assemblies product offering and it is hoped that through cross-selling, significant benefit will accrue. A further $0.4 million was subsequently invested in 10% cumulative preference shares of KST.

With KST in its start up phase, it has generated losses in the period to 1 April 2018. Volex has taken its 26.09% share of those losses, equating to $0.2 million.

Also in the year, Volex completed its 43% investment in Volex-Jem Co. Ltd, a Taiwanese holding company. Volex's investment took the form of cable certification with sufficient customer cables certified in order that a minimum cable production volume would pass through the joint arrangement, The Taiwanese Holding Company holds a 70% shareholding in a Chinese manufacturing company.

Volex valued its initial investment at $0.1 million, however, the 43% shareholding entitled it to net assets worth $0.3 million. As a result an immediate gain of $0.2m was recognised. This has subsequently been reduced to $nil by year end through recognition of 43% of the loss recognised within the holding company.

Net finance costs

Total net finance costs in FY2018 were $1.6 million (FY2017: $1.9 million) including a $0.1 million debt issue cost write off taken when the banking syndicate (providing the revolving credit facility) reduced from three banks to two. The underlying reduction in net finance costs is due to the lower average net debt level throughout FY2018 in comparison to the prior year.

Refinancing

At the start of the year, the Group successfully completed a one year extension of its senior credit facility, taking the facility expiry out to June 2019. As part of this extension, Clydesdale Bank plc exited the syndicate since the Group no longer aligned with their strategic lending profile. Lloyds Banking Group plc and HSBC Bank plc both retained their positions and credit offering with the size of the facility duly reducing from $45.0 million to $30.0 million.

Tax

The Group incurred a tax charge of $3.1 million (FY2017: credit of $1.5 million) representing an effective tax rate (ETR) of 43.9% (FY2017: 17.1%). The rate was significantly impacted by the adoption of the US 'Tax cuts and Jobs Act 2017' which has resulted in a non-recurring tax expense of $1.8 million in the period. The underlying tax charge of $1.5 million (FY2017: credit of $1.2 million) represents an ETR of 15.7% (FY2017: -17.2%).

The underlying tax charge of $1.5 million comprises an underlying current tax charge of $0.7 million (FY2017: $1.5 million) and an underlying deferred tax charge of $0.8 million (FY2017: credit of $2.7 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. The reduction in the underlying current tax charge follows the restructuring initiatives taken across the Group in the prior year to more fairly distribute profits between Group companies in line with the role that the company plays within the group structure.

The underlying deferred tax charge of $0.8 million arose due to an increase in the deferred tax liability recognised on unremitted earnings and due to reductions in future forecast taxable profits in certain regions where a deferred tax asset had previously been recognised. The prior year credit of $2.7 million had arisen on the recognition of such a deferred tax asset associated with trading losses available for offset against future profits.

The non-recurring tax expense of $1.6 million includes the $1.8 million noted above arising on the new US Tax legislation off-set by a $0.2 million tax credit arising from the non-recurring operating items. The $1.8 million US tax charge comprises of:

- a $0.5 million deferred tax charge arising from the reduction in US corporation tax rates from 34% to 21%. As a result of this reduction, the deferred tax asset recognised on trading losses has decreased. Due to the significant rate reduction, the charge has been treated as non-recurring; and
- a $1.3 million tax charge arising on "deemed dividends". Under the new legislation untaxed reserves held by overseas subsidiaries of US companies became taxable. Based upon the current guidance and interpretations issued by the IRS, the $1.3 million liability is the best current estimate of the amount due. However, given that there are technical questions currently being concluded on by the IRS, this estimate may change. The liability will be updated accordingly in future periods. The liability will be paid in eight instalments over the period to 2025. As such, $1.2 million of the liability has been recognised as long term.

As at the reporting date the Group has recognised a deferred tax asset in relation to tax losses of $1.9 million (FY2017: $2.9 million).

Earnings per share

Basic earnings per share for FY2018 was 4.4 cents compared to a loss per share of 7.9 cents in FY2017 reflecting the improved performance in FY2018 and the impairment charge taken in FY2017. The underlying fully diluted earnings per share was 8.9 cents compared to an earnings per share of 9.5 cents in FY2017.

Cash flow and net debt

Operating cash flow before movements in working capital in FY2018 was an inflow of $12.5 million (FY2017: $8.3 million) with the $4.2 million increase partially explained by the $2.5m surrender premium paid to exit the lease on the old UK headquarters near Manchester in the prior year.

The impact of working capital movements on the cash flow in FY2018 was an outflow of $4.1 million (FY2017: inflow of $10.8 million). As the revenue declined in the prior year, the working capital needed to service the lower level of business reduced leading to the cash inflow. In the current year, with revenue staying at a similar level one would expect there to be little working capital impact, however, the disappointing build up in stock has resulted in the cash outflow.

After aggregate outflows for tax and interest of $3.4 million (FY2017: $3.3 million), the net cash inflow from operating activities was $4.9 million (FY2017: $15.9 million). Of this $5.9 million had been generated from normal trading activity (FY2017: $21.6m) with $1.0 million spent on non-recurring items (FY2017: $5.7 million). These non-recurring items include restructuring fees such as severance payments and professional fees associated with corporate activity.

Capital expenditure in FY2018 was $2.4 million (FY2017: $2.5 million). A further $0.8 million was invested in two associates during the year, Kepler SignalTek and Volex-Jem Co. Ltd.

At the start of the year the Group extended its senior banking facility for a further year. The fees associated with this extension, including legal and banking fees, totalled $0.5 million (FY2017: $0.6 million).

Under the senior credit facility, the Group repaid $7.3 million (FY2017: $9.2 million) in the year.

As a result of the above cash flows, the Group experienced a $6.1 million net cash outflow (FY2017: $3.8 million net cash inflow) for the year. As at 1 April 2018, the Group held net funds of $9.9 million compared with net funds of $11.3 million at 2 April 2017.

Banking facilities, covenants and going concern

During the year, the Group utilised a $30.0 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).

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 1 April 2018, amounts drawn under the loan facility totalled $13.6 million (FY2017: $18.7 million) with a further $1.8 million drawn under the cash pool facility (FY2017: $nil). After accounting for bonds, guarantees and letters of credit, the remaining headroom as at 1 April 2018 was $14.2 million (FY2017: $24.7 million).

Under the terms of the facility, the two covenant tests above must be performed at each quarter end date. Throughout FY2018 both covenants were met.

Subsequent to year end, the Group has raised £36.0 million in equity proceeds. After deducting issue costs, $46.9 million will be available to the Group, of which $10.9 million has been used in the acquisition of the trade and assets of Silctoec Europe Limited. The balance of $36.0 million will be used to deleverage the balance sheet and 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 Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least 12 months from the date of these accounts. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Post balance sheet events

On 30 April 2018, the Group completed the acquisition 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 consideration for the acquisition comprised an initial 3 million new shares in Volex plc with a further 0.5 million shares to be issued subject to trading performance by MC Electronics in the remainder of its financial year to 31 October 2018. Also included within the initial consideration was $0.4 million of cash for the working capital acquired.

On 5 June 2018, Volex plc issued 48 million new shares at £0.75 per share. After issue costs, the new equity raised $46.9 million (£34.9 million). From this $10.9 million (€9.2 million) has been used in the initial consideration to acquire the trade and assets of Silcotec Europe Limited, a manufacturer of customised complex medical and industrial cables and sub-assemblies for the medical industry. A further 3.5 million shares have been issued to the seller as part of the initial consideration with a final €2 million due to the seller subject to performance over the 12 months from June 2018.

Consolidated Income Statement

For the 52 weeks ended 1 April 2018 (52 weeks ended 2 April 2017)

				2018			2017
		Before non-recurring items and share-based payments	**Non-recurring items and share-based payments (Note 3)**	**Total**	Before non-recurring items and share-based payments	Non-recurring items and share-based payments (Note 3)	Total
	Notes	**$'000**	**$'000**	**$'000**	$'000	$'000	$'000
Revenue	2	**322,377**	**–**	**322,377**	319,584	–	319,584
Cost of sales		**(266,388)**	**(146)**	**(266,534)**	(264,125)	(13,112)	(277,237)
Gross profit		**55,989**	**(146)**	**55,843**	55,459	(13,112)	42,347
Operating expenses		**(44,532)**	**(2,538)**	**(47,070)**	(46,380)	(2,588)	(48,968)
Operating profit / (loss)	2	**11,457**	**(2,684)**	**8,773**	9,079	(15,700)	(6,621)
Share of net profit/(loss) from associates and joint ventures		**(192)**	**–**	**(192)**	–	–	–
Finance income		**20**	–	**20**	19	–	19
Finance costs		**(1,606)**	–	**(1,606)**	(1,898)	–	(1,898)
Profit / (loss) on ordinary activities before taxation		**9,679**	**(2,684)**	**6,995**	7,200	(15,700)	(8,500)
Taxation	4	**(1,519)**	**(1,551)**	**(3,070)**	1,238	214	1,452
Profit / (loss) for the period attributable to the owners of the parent		**8,160**	**(4,235)**	**3,925**	8,438	(15,486)	(7,048)
Earnings / (loss) per share (cents)							
Basic	5	**9.2**		**4.4**	9.5		(7.9)
Diluted	5	**8.9**		**4.3**	9.5		(7.9)

Consolidated Statement of Comprehensive Income

For the 52 weeks ended 1 April 2018 (52 weeks ended 2 April 2017)

	2018	2017
	$'000	$'000
Profit / (loss) for the period	**3,925**	(7,048)
Items that will not be reclassified subsequently to profit or loss		
Actuarial gain / (loss) on defined benefit pension schemes	**870**	(2,143)
Tax relating to items that will not be reclassified	**–**	–
	870	(2,143)
Items that may be reclassified subsequently to profit or loss		
Gain / (loss) on hedge of net investment taken to equity	**–**	(350)
Gain / (loss) arising on cash flow hedges during the period	**(265)**	317
Exchange gain / (loss) on translation of foreign operations	**(3,631)**	3,743
Tax relating to items that may be reclassified	**–**	–
	(3,896)	3,710
Other comprehensive income / (loss) for the period	**(3,026)**	1,567
Total comprehensive income / (loss) for the period attributable to the owners of the parent	**899**	(5,481)

Consolidated Statement of Financial Position

As at 1 April 2018 (2 April 2017)	Notes	**2018 $'000**	2017 $'000
Non-current assets			
Goodwill		**2,633**	2,414
Other intangible assets		**498**	593
Property, plant and equipment		**17,406**	18,085
Interests in associates and joint ventures		**226**	–
Other receivables		**1,560**	843
Derivative financial instruments		**–**	22
Deferred tax asset		**2,283**	2,948
		24,606	24,905
Current assets			
Inventories		**40,686**	36,040
Trade receivables		**56,199**	53,448
Other receivables		**7,376**	7,703
Current tax assets		**948**	505
Derivative financial instruments		**192**	380
Cash and bank balances	8	**24,830**	29,565
		130,231	127,641
Total assets		**154,837**	152,546
Current liabilities			
Borrowings	8	**1,849**	–
Trade payables		**54,181**	51,156
Other payables		**25,576**	24,993
Current tax liabilities		**4,030**	5,346
Retirement benefit obligation		**947**	719
Provisions	9	**292**	358
		86,875	82,572
Net current assets / (liabilities)		**43,356**	45,069
Non-current liabilities			
Borrowings	8	**13,033**	18,230
Other payables		**1,080**	432
Deferred tax liabilities		**2,008**	1,239
Non current tax liabilities		**1,242**	–
Retirement benefit obligation		**2,370**	3,682
Provisions	9	**85**	84
		19,818	23,667
Total liabilities		**106,693**	106,239
Net assets		**48,144**	46,307
Equity attributable to owners of the parent			
Share capital		**39,755**	39,755
Share premium account		**7,122**	7,122
Non-distributable reserves		**2,455**	2,455
Hedging and translation reserve		**(8,150)**	(4,254)
Own shares		**(867)**	(867)
Retained earnings		**7,829**	2,096
Total equity		**48,144**	46,307

Consolidated Statement of Changes in Equity

For the 52 weeks ended 1 April 2018 (52 weeks ended 2 April 2017)

	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 3 April 2016	**39,755**	**7,122**	**2,455**	**(7,964)**	**(867)**	**10,851**	**51,352**
Profit / (loss) for the period attributable to the owners of the parent	–	–	–	–	–	(7,048)	(7,048)
Other comprehensive income / (loss) for the period	–	–	–	3,710	–	(2,143)	1,567
Total comprehensive income / (loss) for the period	–	–	–	3,710	–	(9,191)	(5,481)
Reserve entry for share option charge / (credit)	–	–	–	–	–	436	436
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
Reserve entry for share option charge / (credit)	–	–	–	–	–	938	938
Balance at 1 April 2018	**39,755**	**7,122**	**2,455**	**(8,150)**	**(867)**	**7,829**	**48,144**

Consolidated Statement of Cash Flows

For the 52 weeks ended 1 April 2018 (52 weeks ended 2 April 2017)

	Notes	**2018** **$'000**	2017 $'000
Net cash generated from / (used in) operating activities	7	**4,893**	15,897
Cash flow generated from / (used in) investing activities			
Interest received		**12**	19
Proceeds on disposal of intangible assets, property, plant & equipment		**44**	201
Purchases of property, plant & equipment		**(2,436)**	(2,464)
Purchases of intangible assets		**(2)**	(68)
Purchase of Preference shares		**(400)**	–
Investment in associates		**(400)**	–
Net cash generated / (used in) investing activities		**(3,182)**	(2,312)
Cash flows before financing activities		**1,711**	13,585
Cash generated / (used) before non-recurring items		**2,735**	19,326
Cash utilised in respect of non-recurring items		**(1,024)**	(5,741)
Cash flow generated from / (used in) financing activities			
Refinancing costs paid		**(496)**	(582)
Repayment of borrowings	8	**(7,285)**	(9,240)
Net cash generated from / (used) in financing activities		**(7,781)**	(9,822)
Net increase / (decrease) in cash and cash equivalents		**(6,070)**	3,763
Cash and cash equivalents at beginning of period	8	**29,565**	25,574
Effect of foreign exchange rate changes	8	**(514)**	228
Cash and cash equivalents at end of period	8	**22,981**	29,565

1. Basis of preparation

The preliminary announcement for the 52 weeks ended 1 April 2018 has been prepared in accordance with the accounting policies as disclosed in Volex plc's Annual Report and Accounts 2017, as updated to take effect of any new accounting standards applicable for the period as set out in Volex plc's Interim Statement 2018.

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 1 April 2018, 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 2 April 2017 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 key terms of the Group's revolving credit facility, through which it will meet its day to day working capital requirements, are shown in Note 6. The Group will continue to have access to a $30 million banking facility available until 30 June 2019.

Subsequent to year end, the Group has raised £36.0 million in equity proceeds. After deducting issue costs, $46.9 million will be available to the Group, of which $10.9 million has been used in the acquisition of the trade and assets of Silcotec Europe Limited. The balance of $36.0 million will be used to deleverage the balance sheet and 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 its 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 Directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of these financial statements. Accordingly, they 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 2018.

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.

		52 weeks to 1 April 2018		52 weeks to 2 April 2017
	Revenue $'000	**Revenue $'000**	Revenue $'000	Profit / (loss) $'000
Power Cords	**181,170**	**6,825**	188,256	3,228
Cable Assemblies	**141,207**	**8,809**	131,328	10,528
Unallocated central costs	–	**(4,177)**	–	(4,677)
Divisional results before share-based payments and non-recurring items	**322,377**	**11,457**	319,584	9,079
Non-recurring operating items		**(1,552)**		(15,232)
Share-based payment credit / (expense)		**(1,132)**		(468)
Operating profit / (loss)		**8,773**		(6,621)
Share of net profit/(loss) from associates		**(192)**		-
Finance income		**20**		19
Finance costs		**(1,606)**		(1,898)
Profit / (loss) before taxation		**6,995**		(8,500)
Taxation		**(3,070)**		1,452
Profit / (loss) after taxation		**3,925**		(7,048)

Credits / charges for share-based payments and non-recurring items have not been allocated to divisions as management report and analyse division profitability at the level shown above.

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**	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Asia (excluding India)	**175,266**	182,079	**16,525**	16,914
North America	**90,421**	78,084	**1,088**	1,090
Europe	**51,959**	52,752	**3,899**	3,179
India	**4,731**	4,929	**811**	774
South America	**–**	1,740	**–**	–
	322,377	319,584	**22,323**	21,957

3. Non-recurring items and share-based payments

	2018 $'000	2017 $'000
Restructuring costs	**860**	1,656
Transition to AIM	**513**	–
Acquisition costs	**135**	–
Impairment of Goodwill	**74**	–
Impairment/Product portfolio realignment	–	12,491
Manufacturing optimisation consultancy	–	815
Movement in onerous lease provision	**(30)**	270
Total non-recurring operating items	**1,552**	15,232
Non-recurring tax expense (see note 4)	**1,551**	(214)
Total non-recurring items	**3,103**	15,018
Share-based payments	**1,132**	468
Non-recurring items and share-based payments	**4,235**	15,486

During the current year, the Group has incurred $860,000 (2017: $1,656,000) of restructuring spend following further down-sizing of an Asian factory, down-sizing of the European and South Korean sales team and the restructuring of the Singapore regional head office. In the prior year restructuring activities included closure of Brazil, Ireland, Austin and Jakarta operations plus the departure of the Head of Engineering.

The Group incurred $513,000 of professional and administrative fees in transitioning from the Main Market of the London Stock Exchange to AIM. A further $135,000 of professional fees have been incurred in acquisition costs associated with the post year end acquisitions of MC Electronics LLC and the trade and assets of Silcotec Europe Limited.

Continued poor performance at the Group's Indian operations resulted in a $74,000 impairment of associated goodwill during the year.

In the prior year, an impairment charge of $12,491,000 was recognised reflecting the write down of assets within the Power Cords division following a further downturn in Power revenue and the closure of the Brazil operations. A further $815,000 had been expensed in relation to a fixed term external manufacturing consultancy contract to advise on manufacturing best practice and implementation.

A $30,000 onerous lease credit has been recognised in the period relating to the release of surplus provision associated with the old UK headquarters in Leigh. The prior year cost of $270,000 primarily related to the sub-let of a property in North America.

4. Taxation

			2018			2017
	Before non-recurring items $'000	**Non-recurring items $'000**	**Total $'000**	Before non-recurring items $'000	Non-recurring items $'000	Total $'000
Current tax – expense for the period	**(441)**	**255**	**(186)**	(1,542)	214	(1,328)
Current tax – adjustment in respect of previous periods	**(236)**	**–**	**(236)**	58	–	58
Current tax – impact of $965 on deferred foreign income	**–**	**(1,349)**	**(1,349)**	–	–	–
Total current tax	**(677)**	**(1,094)**	**(1,771)**	(1,484)	214	(1,270)
Deferred tax – origination and reversal of temporary differences	**(842)**	**(457)**	**(1,299)**	2,722	–	2,722
Income tax expense	**(1,519)**	**(1,551)**	**(3,070)**	1,238	214	1,452

4. **Taxation (continued)**

The non-recurring income tax expense of $1,551,000 (2017: credit of $214,000) comprises of the tax credit arising on the non-recurring operating items of $255,000 (2017: $214,000) 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 reduced by $457,000. The associated deferred tax expense has been recognised as non-recurring. Further the Act imposed a tax liability on US deferred foreign income under S965 of the internal revenue code. In accordance with the current interpretations of the new tax legislation, the Group has 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, $1,242,000 of this tax liability is recognised in non-current liabilities. It is recognised that the legislation is still subject to some technical revisions and the group will reflect any such changes arising as they affect the group in due course.

5. Earnings / (loss) per ordinary share

The calculations of the earnings / (loss) per share are based on the following data:

Earnings / (loss)	**2018**	2017
	$'000	$'000
Profit / (loss) for the purpose of basic and diluted earnings / (loss) per share being net profit attributable to equity holders of the parent	**3,925**	(7,048)
Adjustments for:		
Non-recurring items	**1,552**	15,232
Share-based payments charge / (credit)	**1,132**	468
Tax effect of above adjustments and other non-recurring tax movements	**1,551**	(214)
Underlying earnings / (loss)	**8,160**	8,438

	No. shares	No. shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	**88,956,532**	88,956,532
Effect of dilutive potential ordinary shares / share options	**3,162,104**	281,330
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**92,118,636**	89,237,862

Basic earnings / (loss) per share	**2018** **Cents**	2017 Cents
Basic earnings / (loss) per share	**4.4**	(7.9)
Adjustments for:		
Non-recurring items	**1.7**	17.1
Share-based payments charge / (credit)	**1.3**	0.5
Tax effect of above adjustments and other non-recurring tax movements	**1.8**	(0.2)
Underlying basic earnings / (loss) per share	**9.2**	9.5

Diluted earnings per share	**2018** **Cents**	2017 Cents
Diluted earnings / (loss) per share	**4.3**	(7.9)
Adjustments for:		
Non-recurring items	**1.7**	17.1
Share-based payments charge / (credit)	**1.2**	0.5
Tax effect of above adjustments and other non-recurring tax movements	**1.7**	(0.2)
Underlying diluted earnings / (loss) per share	**8.9**	9.5

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

6. Bank facilities

During the 52 weeks ended 1 April 2018 the Group utilised a multi-currency combined revolving overdraft and guarantee facility. The facility expiry date was extended in June 2017 to 30 June 2019. As part of this extension, Clydesdale Bank plc exited the banking syndicate that provided the facility and the facility limit was reduced from $45,000,000 to $30,000,000. The syndicate at year end comprises of Lloyds Banking Group plc and HSBC Bank plc.

The amount available under the facility at 1 April 2018 was $30,000,000 (2017: $45,000,000). 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.

In the current year, professional fees of $496,000 were incurred during the period in relation to the one year extension of the facility. Of this $300,000 was paid to the Syndicate to agree to the extension. The $496,000 was capitalised and is being charged to the income statement on a straight line basis over the remaining period to facility expiry.

7. Notes to cash flow statement

	2018	2017
	$'000	$'000
Profit / (loss) for the period	**3,925**	(7,048)
Adjustments for:		
Finance income	**(20)**	(19)
Finance costs	**1,606**	1,898
Income tax expense	**3,070**	(1,452)
Share of net loss from associates	**192**	–
Depreciation on property, plant and equipment	**3,095**	4,927
Amortisation of intangible assets	**115**	441
Impairment loss	**74**	12,491
(Gain) / Loss on disposal of property, plant and equipment	**89**	61
Share option payment (credit) / charge	**1,132**	468
Decrease / (increase) in provisions	**(810)**	(3,837)
Effects of foreign exchange rate changes	**–**	407
Operating cash flow before movement in working capital	**12,468**	8,337
Decrease / (increase) in inventories	**(3,974)**	5,382
Decrease / (increase) in receivables	**(1,661)**	2,376
(Decrease) / increase in payables	**1,508**	3,070
Movement in working capital	**(4,127)**	10,828
Cash generated from / (used in) operations	8,341	19,165
Cash generated from / (used in) operations before non-recurring operating items	9,365	24,906
Cash utilised by non-recurring operating items	(1,024)	(5,741)
Taxation paid	(2,469)	(2,102)
Interest paid	(979)	(1,166)
Net cash generated from / (used in) operating activities	4,893	15,897

8. Analysis of net debt

	Cash and cash equivalents $'000	Bank loans $'000	Debt issue costs $'000	Total $'000
At 3 April 2016	**25,574**	**(29,265)**	**442**	**(3,249)**
Cash flow	3,763	9,240	582	13,585
Exchange differences	228	1,305	(113)	1,420
Other non-cash changes	–	–	(421)	(421)
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**

Debt issue costs relate to bank facility arrangement fees. Amortisation of debt issue costs in the period amounted to $538,000 (FY2017: $421,000).

Analysis of cash and cash equivalents:	**2018** **$'000**	2017 $'000
Cash and bank balances	**24,830**	29,565
Bank overdrafts	**(1,849)**	–
Cash and cash equivalents	**22,981**	29,565

9. Provisions

	Property	Corporate restructuring	Other	Total
	$'000	$'000	$'000	$'000
At 3 April 2016	3,294	67	356	3,717
Charge / (credit) in the period	(39)	–	18	(21)
Utilisation of provision	(3,014)	–	(20)	(3,034)
Unwinding of discount	79	–	–	79
Exchange differences	(268)	(3)	(28)	(299)
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**
Less: included in current liabilities	**–**	**–**	**292**	**292**
Non-current liabilities	**20**	**65**	**–**	**85**

Property provisions

In the prior year, the Group exited the lease on Greenfold Way (the old UK headquarters and factory based in Leigh) following the payment of a surrender premium of $2,481,000. A small provision of $32,000 was retained to cover any incidental costs associated with this property. During the current year, the Group incurred a small number of costs and received several refunds following the exit of the site. As such the Group released the remaining provision associated with Greenfold Way.

The $20,000 remaining balance relates to the Group's Asian property portfolio.

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.

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

	2018	2017
	$'000	$'000
Operating profit	**8,773**	(6,621)
Add back:		
Non-recurring items	**1,552**	15,232
Share-based payment (credit) / charge	**1,132**	468
Underlying operating profit	**11,457**	9,079
Depreciation of property, plant and equipment	**3,095**	4,927
Amortisation of acquired intangible assets	**115**	441
Underlying EBITDA	**14,667**	14,447

11. Events after balance sheet date

On 30 April 2018, the Group completed the acquisition 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 consideration for the acquisition comprised an initial 3,000,000 new shares in Volex plc with a further 500,000 shares to be issued subject to trading performance by MC Electronics in the remainder of its financial year to 31 October 2018. Also included within the initial consideration was $393,000 of cash for the working capital acquired.

On 5 June 2018, Volex plc issued 48,000,000 new shares at £0.75 per share. After issue costs, the new equity raised $46,900,000 (£34,900,000). From this $10,880,000 (€9,246,000) has been used in the initial consideration to acquire the trade and assets of Silcotec Europe Limited, a manufacturer of customised complex medical and industrial cables and sub-assemblies for the medical, telecommunications and computer industries. A further 3,521,437 shares have been issued to the seller as part of the initial consideration with a further €2 million due to the seller subject to performance over the 12 months from June 2018.