9 June 2016

VOLEX plc

Preliminary Announcement of the Group Results for the Financial Year ended 3 April 2016

'Volex profit before tax reflects stronger financial management'

Volex plc ('Volex'), a global provider of power and data cabling solutions, today announces its preliminary results for the 52 weeks ended 3 April 2016 ('FY2016').

Financial Highlights	**52 weeks to 3 April 2016**	53 weeks to 5 March 2015
Revenue	**$367.5m**	$423.4m
Underlying* operating expenditure	**($53.2m)**	($62.1m)
Underlying* operating profit / (loss)	**$7.2m**	$8.8m
Statutory operating profit / (loss)	**$3.4m**	($4.6m)
Underlying* profit / (loss) before tax	**$5.3m**	$6.2m
Statutory profit / (loss) before tax	**$1.5m**	($7.2m)
Basic earnings / (loss) per share	**(2.6c)**	(12.8c)
Underlying diluted earnings / (loss) per share	**1.5c**	2.8c
Net cash / (debt)	**($3.2m)**	$1.9m

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

Summary

- Revenue decline of 13.2%[1], observed across both divisions and nearly all accounts;
- Cost reduction programme started early in the year to mitigate the revenue shortfall. Underlying operating expenditure fell by $8.9m (14.3% reduction);
- Underlying operating profit down by $1.6m;
- First statutory profit before tax recorded in 3 years following significant reduction in non-recurring fees;
- The Group announces the successful extension of its senior credit facility to June 2018; and
- Organisation-wide agreement on the key issues that need to be addressed across Volex during FY2017.

[1] Prior period results benefitted from an additional week. On a like-for-like basis, revenue decline is 11.5%. See financial review for full details.

Board developments

- During the year, Christoph Eisenhardt stepped down as Chief Executive Officer and Karen Slatford and Geraint Anderson resigned. In November 2015, Nat Rothschild was appointed as Executive Chairman.

The Executive Chairman of Volex, Nat Rothschild, commented:

'Over the past six months, I have visited our customers and our manufacturing sites, in order to understand what we do well, where we have failed, and how we can become more competitive.

We have already started to make real progress in our operational efficiency and our sales effectiveness. We therefore anticipate that our revenues have stabilised at the levels seen in the second half of FY 2016 and that improved operating margins will reflect the restructuring actions taken.

Volex remains one of the world's largest power cord and harness assemblers with a reputation for quality and safety.'

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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 competitors, 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.

Executive Chairman's Statement

I was given the opportunity to lead Volex as Executive Chairman in November 2015 after it became apparent that the latest "transformation plan" was failing to deliver meaningful top-line growth and sustainable profit improvements.

Over the past six months, I have visited our customers and our manufacturing sites, in order to understand what we do well, where we have failed, and how we can become more competitive. From my conversations with multiple stakeholders, it is clear to me that our customers value our technical expertise and our reputation for quality and customer service. But with multiple changes in management and strategy, we have as an organisation become unfocused, and slow to respond to competitive pressures (e.g. we have customer response times that lag way behind the industry average).

Yet Volex continues to be seen as an excellent company, with a great brand, and high quality people and engineering services. Getting us back to providing industry standard response times, and providing even better engineering solutions so we can make high quality power products and complex mission critical cables at the most competitive price is our achievable goal for the coming year. From a shareholder perspective, the primary reason to invest in Volex is still our manufacturing expertise, built up over many decades; I am happy to say this "DNA" still exists.

RECENT PERFORMANCE

Volex's performance in the past financial year has been extremely disappointing with revenue down 13.2%, underlying operating profit (operating profit before non-recurring items and share-based payments expense) down 18.8% and the share price at a five year low. This is particularly disappointing since I and my fellow shareholders supported the company with a significant investment into the business as recently as June 2014.

In my time as a Volex shareholder dating back to 2008, I have witnessed three executive management teams with a "supporting cast" of non-executive directors attempt to turn Volex's fortunes around. Although each team had its successes, it is difficult to generate positive momentum without consistency in management and the kind of commitment that comes with a clear sense of ownership. In an effort to address counterproductive churn, the Volex Board took the unusual step of combining the roles of Chairman and CEO and offering me the opportunity to lead the Group. I gratefully accepted this opportunity on a full-time basis. From now on, the Volex team will act as owners, in every decision that we make. Through my significant shareholding in Volex, every other shareholder can be assured that my financial interests are fully aligned with theirs.

THE OPPORTUNITY AHEAD

Since my appointment, I have listened closely to the views of our employees and our customers in an attempt to understand the "right way" forward for the Group.

Realigning the central overhead of the business was a critical first step and as a result we have simplified the management structure in order to eliminate the duplication of roles and improve communication and speed of execution. We have reduced this central overhead by almost 40% in the year, a figure almost unprecedented for a UK plc of our size.

We then went directly to the production floor to understand the production issues, first-hand. Our Mexico facility has subsequently been set up as our pilot project where all aspects of the production process are being reviewed and improved. When operating in an industry with low margins, small incremental improvements to the production process can prove the difference between a reasonable return and lost business. In six months, Volex de Mexico is starting to establish itself as a centre of learning to which other Volex manufacturing locations can send their employees. We have now extended this process to our facilities in Poland, Shenzhen and Suzhou.

In terms of sales performance, our sales teams have struggled to be competitive over the past three years. The work we are doing in Tijuana is expected to have a positive effect on our customer response times, new customer on boarding processes, and most of all the underlying cost competitiveness of our Mexico manufacturing facility. This is translating into better sales trends in North America and again we are using the progress made in North America to proliferate thinking in other parts of the organisation.

I have met with the senior buyers at many of our key customers and whilst there are different challenges across the customer-base, the clear message is that our customers want us to continue to supply to them and want us as a stable and profitable partner. This is very encouraging and testament to our people, our footprint, and our Volex "DNA".

The refinancing that we announce today gives us extended credit terms to June 2018 giving us not only the financial flexibility to pursue a new turnaround strategy but also demonstrating the ongoing support we have from our banks.

Outlook Statement

We have already started to make real progress in our operational efficiency and our sales effectiveness. We therefore anticipate that our revenues have stabilised at the levels seen in the second half of FY 2016 and that improved operating margins will reflect the restructuring actions taken.

Volex remains one of the world's largest power cord and harness assemblers with a reputation for quality and safety.

Operational Review

$'000	52 weeks ending 30 March 2014	53 weeks ending 5 April 2015	52 weeks ending 3 April 2016
Revenue			
Power Cords	252,208	273,655	230,205
Cable Assemblies	147,969	149,754	137,329
	400,177	423,409	367,534
Underlying* gross profit			
Power Cords	33,240	36,741	29,750
Cable Assemblies	33,239	34,197	30,617
	66,479	70,938	60,367
Underlying gross margin*	*16.6%*	*16.8%*	*16.4%*
Statutory gross profit	66,022	70,627	58,519
Underlying* operating profit			
Power Cords	1,077	5,390	2,293
Cable Assemblies	9,868	11,197	9,842
Central costs	(6,413)	(7,755)	(4,963)
	4,532	8,832	7,172
Underlying operating margin*	*1.1%*	*2.1%*	*2.0%*
Non-recurring items and share-based payments	(9,354)	(13,385)	(3,733)
Statutory operating profit / (loss)	(4,822)	(4,553)	3,439

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

Volex is a leading global supplier of power and data cabling solutions. It has its global headquarters in the UK, operates from 9 manufacturing locations and employs approximately 6,400 people (FY2015: 7,500) across 20 countries. Volex sells its products through its own global sales force to Original Equipment Manufacturers (OEMs) and Electronic Manufacturing Services companies.

Group revenue fell in FY2016 by 13.2% from $423.4m to $367.5m. After adjusting for the extra week in FY2015 and the impact of foreign exchange (principally in relation to sales made in Euros and Brazilian Real), this decrease was reduced to 9.4%. Softness in the key markets we serve (particularly our PC, laptop and tablet consumer electronic markets) was a key factor coupled with increased competition in the rest of the business. Further new products launched by our key customers were poorly received with end user demand falling far short of expectation.

Given the heavy investment in the sales function in the prior year, for revenue simply to perform in line with the market was extremely disappointing. Further, management's strategy had been to upskill and expand the Volex workforce with the view that the planned growth in sales would support this incremental cost. With sales actually in decline, the cost base of the Group became unsustainable.

As a consequence, the second half of FY2016 saw a significant scaling back of headcount and costs. All functions were required to find savings in order to align the cost base with the revised long term view of revenue. These savings included:

- The departure of Karen Slatford (Chairman) and Christoph Eisenhardt (CEO) to be replaced by Nat Rothschild as Executive Chairman.

- Further downsizing of the Volex Board with Geraint Anderson (non-executive director) standing down.
- Removal of the separate divisional management teams and the decision to close the Data headquarters in Austin, Texas.
- Consolidation of executive management roles with the new executive team assuming multiple roles in a much flatter management structure.
- Down-sizing of our Brazilian entity as it struggled under the collapsing Brazilian economy. This is expected to save in excess of $1million a year.
- A 15% reduction in direct labour and further reductions in the factory indirect labour.

As a result of the swift actions taken following the departure of the former Chief Executive Officer, the impact of the revenue fall was to a great extent mitigated.

The underlying gross margin fell from 16.8% to 16.4% reflecting not only the pricing pressure experienced by Volex as it fought to maintain its market share but also the deleveraging effect of spreading the fixed costs in the business over the lower sales volumes. However, the fall in gross margin would have been worse had it not been for the cost saving measures taken and also the circa $2m benefit on labour costs from a strengthening US Dollar (labour costs incurred in Chinese Renminbi, Polish Zloty and Mexican Pesos became cheaper when converted into USD).

Statutory gross profit includes the impact of severance fees paid to manufacturing staff and the impairment of certain plant and machinery.

Underlying operating expenditure fell by 14.3% from $62.1m in FY2015 to $53.2m in FY2016 with the impact of the managerial changes having a significant effect. As a result underlying operating profit was $7.2m in FY2016 versus $8.8m in FY2015.

Statutory operating profit includes the impact of severance fees paid to outgoing executive management, the impairment of certain assets and an onerous lease charge.

Looking forward, the key markets remain extremely challenging. PC, laptop, tablet and TV volumes are expected to reduce further, our largest telecoms hardware manufacturer is expected to continue its struggle against Asian competition and the growth of wireless technology is likely. Competition will intensify for the cable business that remains.

Improving operational efficiency is key and hence the vital importance of rolling out the findings from Volex de Mexico across the Group. Also diversification of the sales pipeline is required and the aggressive targeting of new revenue opportunities. With the sales team now reporting into the Executive Chairman it is hoped that the renewed focus will help identify and convert these opportunities.

But even if successful with both these strategies, the cost base of the Group will have to be carefully monitored going forward. Further cost savings have already been identified and will be acted upon in early FY2017 and this will remain a feature of the business for the foreseeable future.

Divisional review

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 30 March 2014**	**53 weeks ending 5 April 2015**	**52 weeks ending 3 April 2016**
Revenue	252,208	273,655	230,205
Underlying* gross profit	33,240	36,741	29,750
Underlying gross margin*	*13.2%*	*13.4%*	12.9%
Operating costs	(32,163)	(31,351)	(27,457)
Underlying* operating profit	1,077	5,390	2,293
Underlying operating margin*	*0.4%*	*2.0%*	*1.0%*

* 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 and vacuum cleaners. Volex is one of the world's top two global power cable suppliers with an estimated 8% market share in a fragmented market.

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 best-cost regions.

The Power Cords division's key manufacturing facilities are located in South-East China, Indonesia, Mexico, and India. However, all the Group's facilities throughout the world can be utilised to manufacture power cable products.

Revenue for FY2016 was $230.2m, down 15.9% on the prior year (adjusting for the extra week in FY2015 this decline is reduced to 14.3%). This downturn was experienced across the entire customer base and reflected the underlying softening seen in the consumer electronics industry. The global PC market contracted by 10.5% in 2015 whilst our largest customer has seen its tablet sales volume reduce by 21.8% year on year. Planned new product launches were poorly received by the end user and hence failed to replace the lost volumes. With reduced demand, competition has been intense and Volex's pricing has had to move to reflect this. Further pricing pressure has arisen due to the lower copper commodity price experienced in FY2016 (average copper LME price in FY2016 of $5,217 vs FY2015 of $6,567) with the majority of customers insisting that this saving be passed on.

Underlying gross profit has reduced to $29.8m from $36.7m, representing a gross margin of 12.9% (FY2015: 13.4%). Wage inflation in our key Power manufacturing sites in excess of 10% (Guangdong region of China had 19% annual wage inflation effective May 2015) has been partially offset by operational efficiency improvements and a weakening Chinese Renminbi. Further, the operational deleveraging effect of fixed overhead costs being absorbed over lower sales has further contributed to the margin reduction.

Operating costs have reduced by $3.9m to $27.5m. Once it became apparent that the Power Cord revenues were at risk, a review of the Power Cord cost base was performed and cost savings were achieved through the removal of the Power Cord management team. Close review and management of costs have also resulted in a significant reduction in travel and professional expenses whilst the lower sales have resulted in reduced local Chinese taxes (e.g. education tax and urban construction and maintenance tax).

Cable assemblies division

$'000	**52 weeks ending 30 March 2014**	**53 weeks ending 5 April 2015**	**52 weeks ending 3 April 2016**
Revenue	147,969	149,754	137,329
Underlying* gross profit	33,239	34,197	30,617
Underlying gross margin*	*22.5%*	*22.8%*	*22.3%*
Operating costs	(23,371)	(23,000)	(20,775)
Underlying* operating profit	9,868	11,197	9,842
Underlying operating margin*	*6.7%*	*7.5%*	7.2%

* 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 assembly division has its manufacturing facilities in Mexico, Poland, India 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 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 FY2016 was $137.3m, down 8.3% on the prior period (adjusting for the extra week in FY2015 this decline is reduced to 6.5%). Our 3 largest customers in this division experienced a combined 14.4% revenue fall, an amount of which can be attributed to foreign exchange with sales denominated in the Euro particularly impacted by the stronger US Dollar. The balance was due to pricing pressures and general market weakness, particularly in the telecoms sector where investment in the weakening economies of China, Russia and the Middle East has been significantly curtailed. Outside of the top three accounts, a number of our smaller customers demonstrated modest growth particularly those in the high speed data centre market.

Underlying gross profit has reduced to $30.6m from $34.2m, representing a gross margin of 22.3% (FY2015: 22.8%). This fall in margin reflects the competitive pricing pressure observed in the 3 largest customers.

Operating costs have reduced by $2.2m to $20.8m. As with the Power Cords division, the removal of the Cable Assembly divisional management generated significant savings as did the reduction in operational headcount with activities taken in the current year to right-size the Brazil operation.

As a result of the above, underlying divisional operating profit for the period fell from $11.2m in FY2015 to $9.8m in FY2016.

Financial Review

	53 weeks to 5 April 2015		52 weeks to 3 April 2016	
	Revenue $'000	**Profit/(loss) $'000**	**Revenue $'000**	**Profit/(loss) $'000**
Power Cords division	273,655	5,390	230,205	2,293
Cable Assemblies division	149,754	11,197	137,329	9,842
Unallocated central costs		(7,755)		(4,963)
Divisional results	**423,409**	**8,832**	**367,534**	**7,172**
Non-recurring operating items		(12,528)		(4,742)
Share-based payments		(857)		1,009
Statutory operating profit / (loss)		**(4,553)**		**3,439**
Net finance costs		(2,626)		(1,897)
Profit / (loss) before tax		(7,179)		1,542
Taxation		(3,529)		(3,854)
Profit / (loss) after tax		(10,708)		(2,312)
Basic earnings / (loss) per share:				
Statutory		(12.8) cents		(2.6) cents
Underlying		2.8 cents		1.5 cents

Commentary on the trading performance of the Group is included in the divisional assessment within the Operational Review, above.

Divisional restatement and impact of 53rd week in period to 5 April 2015

The current financial period under review is a 52 week period to 3 April 2016. The prior period was for 53 weeks to 5 April 2015. Pro-rating the prior period for 52 weeks the growth / (decline) rates are:

	As reported 52 weeks vs 53 weeks	Pro-rated 52 weeks vs 52 weeks
Revenue growth		
Power	(15.9%)	(14.3%)
Data	(8.3%)	(6.5%)
Total	**(13.2%)**	**(11.5%)**
Underlying gross profit growth		
Power	(19.0%)	(17.5%)
Data	(10.5%)	(8.7%)
Total	**(14.9%)**	**(13.3%)**
Underlying operating profit growth		
Power	(57.5%)	(56.6%)
Data	(12.1%)	(10.4%)
Total	36.0%	34.8%
	(18.8%)	**(17.2%)**

Non-recurring operating items and share-based payments

The Group has incurred non-recurring operating costs of $4.7 million in FY2016 (FY2015: $12.5 million).

Of this $2.7 million (FY2015: $5.2 million) relates to restructuring costs. The restructuring programme can be split into several distinct elements:

- an executive and senior management change element of $1.3 million (FY2015: $0.7 million). In the current year $0.3 million was incurred through the departure of the Group Chief Executive Officer, $0.8 million through the removal of the divisional management structure and $0.2 million through the departure of the Chief Information and Operations Officer. The prior year charge related to the departure of the former Chief Financial Officer and changes to the divisional management teams.

- an operational element of $1.4 million (FY2015: $3.6 million) following reductions in our direct and indirect manufacturing headcount (primarily in China), the removal of certain middle management roles throughout the organisation and costs associated with right-sizing certain operations (primarily our Brazil facility).
- In the prior year, a business process review element of $1.0 million. Given the reduced Group profitability, plans to replace the Group ERP system were suspended.

The Group has increased its onerous lease provision held against one legacy property in the UK (following revisions to the assumptions made in the calculation) resulting in an exceptional charge of $1.2 million (FY2015: $1.1 million).

In FY2013, the Group booked a $1.1 million provision against a recoverable sales tax asset held in its Indian subsidiary since sufficient doubt existed over the long term recovery of this asset. The performance of Volex India subsequent to FY2013, and in particular in FY2015, exceeded the then forecast and as a result the majority of the sales tax asset has been recovered. $0.6 million of the provision has been released in the current year leaving sufficient coverage against any current exposure. The prior year charge related to claims for historic years in the Philippines.

Following the downturn in performance (particularly in the Power Cords division), the subsequent deterioration in the share price and specific actions taken by management to realign the cost base, a Group wide impairment review was performed on the Group's fixed asset base. As a result of this, $1.5 million of property, plant and equipment has been impaired in the year. $0.9 million of this is in relation to plant and machinery in the Power Cords division with a further $0.6 million impairment booked in the Cable Assemblies division following the decision to right-size the Brazil operation and the announced plan to close the Austin headquarters.

In the prior year, a $5.8 million non-cash impairment of product development costs (and provision for associated costs) was charged in relation to the write down of Active Optical Cable ("AOC") patents and capitalised development costs.

The cash impact of the above non-recurring operating items is a cash outflow of $4.5 million (FY2015: $5.4 million).

The share-based payments credit in the year of $1.0 million principally arose through the reversal of charge on lapsed options.

Net finance costs

Total net finance costs in FY2016 were $1.9 million (FY2015: $2.6 million). The reason for the lower interest charge was the lower average net debt level held by the Group following the refinancing in July 2014. In addition, the current year benefited from a one-off credit of $0.2 million following an interest settlement with our debt providers.

Tax

The Group incurred a tax charge of $3.9 million (FY2015: $3.5 million) representing an effective tax rate (ETR) of 250% (FY2015: -49%). The underlying tax charge of $3.9 million (FY2015: $3.8 million) represents an ETR of 75% (FY2015: 62%).

The principal reason for the high ETR is the high proportion of profit before tax forced to be recognised in high tax jurisdictions (e.g. China).

The underlying Group has a lower ETR due to many of the non-recurring items being non-tax deductible.

As at the reporting date the Group has recognised a deferred tax asset in relation to tax losses of $0.8 million (FY2015: $0.8 million).

Earnings per share

Basic loss per share for FY2016 was 2.6 cents compared to a loss per share of 12.8 cents in FY2015. The underlying fully diluted earnings per share was 1.5 cents compared to an earnings per share of 2.8 cents in FY2015.

Cash flow and net debt

Operating cash flow before movements in working capital in FY2016 was an inflow of $10.1 million (FY2015: $7.9 million) with the $2.2 million increase primarily due to the reduced cash expenditure on non-recurring items.

The impact of working capital movements on the cash flow on FY2016 was an outflow of $1.9 million (FY2015: inflow of $4.9 million) with all aspects of working capital falling as the business contracted.

After aggregate outflows for tax and interest of $6.3 million (FY2015: $5.0 million), the net cash inflow from operating activities was $1.8 million (FY2015: $7.8 million). Of this $4.5 million (FY2015: $5.4 million) had been spent on operating non-recurring items.

Capital expenditure in FY2016 was $6.0 million (FY2015: $3.9 million). The increase in capital expenditure in FY2016 despite the weaker trading performance was due to cash payments for capital items accrued in the prior year plus assets acquired for customer new product releases that failed to meet the forecast level of demand.

Expenditure in relation to intangible assets of $0.6 million has been incurred in FY2016 (FY2015: $1.3 million). Of this, $0.4 million is in relation to the development of new power cords for a major release from one of our largest customers. The remaining $0.2 million was in relation to computer software purchases.

In the prior year, transactions in treasury shares generated $0.5 million after 3,378,582 treasury shares were sold following the lapse of a large number of share options.

Also in the prior year, 24,067,171 new shares were issued at £0.75 per share. After issue costs, $27.9 million of net cash proceeds were raised. $25.1 million of the raise was used to refinance the Group's senior credit facility. Associated with this were refinancing costs of $0.9 million.

Under the senior credit facility, the Group has drawn $6.9 million (FY2015: $8.0 million) after repaying $3.5 million.

As a result of the above cash flows, the Group generated a $1.4 million net cash outflow (FY2015: $13.1 million net cash inflow) for the year. As at 3 April 2016, the Group held net debt of $3.2 million compared with net funds of $1.9 million at 5 April 2015.

Events after the balance sheet date

The Group has successfully completed an "amend and extend" renegotiation with the banking syndicate which extends the existing $45.0 million facility to June 2018 (previously due to expire in June 2017).

Banking facilities, covenants and going concern

The Group utilises a $45.0 million multi-currency combined revolving credit, overdraft and guarantee facility ('RCF'). This facility is provided by a syndicate of three banks (Lloyds Banking Group plc, HSBC Bank plc and Clydesdale plc).

The key terms of the facility are as follows:

- Available until June 2017;
- No scheduled facility amortisation; and
- Interest cover and net debt:EBITDA leverage covenants.

As at 3 April 2016, amounts drawn under the loan facility totalled $29.3 million (FY2015: $25.2 million) with a further $5.2 million drawn under the cash pool facility (FY2015: $7.4 million). After accounting for bonds, guarantees and letters of credit, the remaining headroom as at 3 April 2016 was $8.7 million (FY2015: $10.2 million).

Under the terms of the facility, the two covenant tests above must be performed at each quarter end date. At year end both covenants are met. Breach of these covenants would have resulted in cancellation of the facility.

Subsequent to year end, the Group has negotiated an "amendment and extension" of its credit facility. The facility is now available for an additional year, to June 2018 with the covenant levels being reset. Management believes that the extension to June 2018 gives the Group adequate time to progress with the turnaround strategy and provides it with the financial flexibility required in order that the Group be better placed to carry out a later full refinancing.

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 foreseeable future and should comply with covenants over this period. The Group also has access to and uses additional uncommitted facilities. Further the Group has a number of mitigating actions available to it, should actual performance fall below the current financial forecasts. The Directors have the financial controls and monitoring available to them to put in place those mitigating actions in a timely fashion if they see the need to do so. The Directors therefore believe that the Group has effective plans in place to manage its business within its covenants.

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.

Consolidated Income Statement

For the 52 weeks ended 3 April 2016 (53 weeks ended 5 April 2015)

		2016			2015		
		Before non-recurring items and share-based payments	**Non-recurring items and share-based payments**	**Total**	Before non-recurring items and share-based payments	Non-recurring items and share-based payments	Total
	Notes	**$'000**	**$'000**	**$'000**	$'000	$'000	$'000
Revenue	2	**367,534**	**–**	**367,534**	423,409	–	423,409
Cost of sales		**(307,167)**	**(1,848)**	**(309,015)**	(352,471)	(311)	(352,782)
Gross profit		**60,367**	**(1,848)**	**58,519**	70,938	(311)	70,627
Operating expenses		**(53,195)**	**(1,885)**	**(55,080)**	(62,106)	(13,074)	(75,180)
Operating profit / (loss)	2	**7,172**	**(3,733)**	**3,439**	8,832	(13,385)	(4,553)
Finance income		**18**	**–**	**18**	40	–	40
Finance costs		**(1,915)**	**–**	**(1,915)**	(2,666)	–	(2,666)
Profit / (loss) on ordinary activities before taxation		**5,275**	**(3,733)**	**1,542**	6,206	(13,385)	(7,179)
Taxation	4	**(3,942)**	**88**	**(3,854)**	(3,837)	308	(3,529)
Profit / (loss) for the period attributable to the owners of the parent		**1,333**	**(3,645)**	**(2,312)**	2,369	(13,077)	(10,708)
Earnings / (loss) per share (cents)							
Basic	5	**1.5**		**(2.6)**	2.8		(12.8)
Diluted	5	**1.5**		**(2.6)**	2.8		(12.8)

Consolidated Statement of Comprehensive Income

For the 52 weeks ended 3 April 2016 (53 weeks ended 5 April 2015)

	2016	2015
	$’000	$’000
Profit / (loss) for the period	**(2,312)**	(10,708)
Items that will not be reclassified subsequently to profit or loss		
Actuarial gain / (loss) on defined benefit pension schemes	**(405)**	(1,293)
Tax relating to items that will not be reclassified	**–**	–
	(405)	(1,293)
Items that may be reclassified subsequently to profit or loss		
Gain / (loss) on hedge of net investment taken to equity	**(135)**	(377)
Gain / (loss) arising on cash flow hedges during the period	**1,097**	(323)
Exchange gain / (loss) on translation of foreign operations	**(360)**	1,864
Tax relating to items that may be reclassified	**–**	–
	602	1,164
Other comprehensive income / (loss) for the period	**197**	(129)
Total comprehensive income / (loss) for the period attributable to the owners of the parent	**(2,115)**	(10,837)

Consolidated Statement of Financial Position

As at 3 April 2016 (5 April 2015)	Notes	**2016** **$'000**	2015 $'000
Non-current assets			
Goodwill		**2,741**	2,880
Other intangible assets		**986**	1,387
Property, plant and equipment		**33,338**	35,232
Other receivables		**1,539**	1,037
Deferred tax asset		**823**	848
		39,427	41,384
Current assets			
Inventories		**41,505**	43,437
Trade receivables		**55,210**	65,800
Other receivables		**8,378**	9,128
Current tax assets		**367**	222
Derivative financial instruments		**144**	66
Cash and bank balances	8	**30,738**	33,736
		136,342	152,389
Total assets		**175,769**	193,773
Current liabilities			
Borrowings	8	**5,164**	7,533
Trade payables		**53,814**	62,241
Other payables		**20,784**	26,185
Current tax liabilities		**6,183**	6,713
Retirement benefit obligation		**763**	709
Provisions	9	**1,771**	3,206
Derivative financial instruments		**76**	1,262
		88,555	107,849
Net current assets / (liabilities)		**47,787**	44,540
Non-current liabilities			
Borrowings	8	**28,823**	24,323
Other payables		**393**	536
Deferred tax liabilities		**2,133**	2,185
Retirement benefit obligation		**2,567**	2,909
Provisions	9	**1,946**	1,463
		35,862	31,416
Total liabilities		**124,417**	139,265
Net assets		**51,352**	54,508
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		**(7,964)**	(8,566)
Own shares		**(867)**	(867)
Retained earnings / (losses)		**10,851**	14,609
Total equity		**51,352**	54,508

Consolidated Statement of Changes in Equity

For the 52 weeks ended 3 April 2016 (53 weeks ended 5 April 2015)

	Share capital	Share premium account	Non-distributable reserves	Hedging and translation reserve	Own shares	Retained earnings / (losses)	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 30 March 2014	29,662	7,122	2,455	(9,730)	(1,103)	8,319	36,725
Profit / (loss) for the period attributable to the owners of the parent	–	–	–	–	–	(10,708)	(10,708)
Other comprehensive income / (loss) for the period	–	–	–	1,164	–	(1,293)	(129)
Total comprehensive income / (loss) for the period	–	–	–	1,164	–	(12,001)	(10,837)
Issue of share capital	10,093	–	–	–	–	17,813	27,906
Own shares sold or utilised in the period	–	–	–	–	218	(350)	(132)
Exercise of Non-Executive Long Term Incentive Scheme	–	–	–	–	18	(69)	(51)
Reserve entry for share option charge / (credit)	–	–	–	–	–	897	897
Balance at 5 April 2015	**39,755**	**7,122**	**2,455**	**(8,566)**	**(867)**	**14,609**	**54,508**
Profit / (loss) for the period attributable to the owners of the parent	**–**	**–**	**–**	**–**	**–**	**(2,312)**	**(2,312)**
Other comprehensive income / (loss) for the period	**–**	**–**	**–**	**602**	**–**	**(405)**	**197**
Total comprehensive income / (loss) for the period	**–**	**–**	**–**	**602**	**–**	**(2,717)**	**(2,115)**
Reserve entry for share option charge / (credit)	**–**	**–**	**–**	**–**	**–**	**(1,041)**	**(1,041)**
Balance at 3 April 2016	**39,755**	**7,122**	**2,455**	**(7,964)**	**(867)**	**10,851**	**51,352**

Consolidated Statement of Cash Flows

For the 52 weeks ended 3 April 2016 (53 weeks ended 5 April 2015)

	Notes	2016 $'000	2015 $'000
Net cash generated from / (used in) operating activities	7	**1,798**	7,797
Cash flow generated from / (used in) investing activities			
Interest received		**18**	40
Proceeds on disposal of intangible assets, property, plant & equipment		**22**	61
Purchases of property, plant & equipment		**(5,961)**	(3,936)
Purchases of intangible assets		**(626)**	(1,266)
Transactions in own shares		**–**	490
Net cash generated / (used in) investing activities		**(6,547)**	(4,611)
Cash flows before financing activities		**(4,749)**	3,186
Cash generated / (used) before non-recurring items		**(281)**	8,601
Cash utilised in respect of non-recurring items		**(4,468)**	(5,415)
Cash flow generated from / (used in) financing activities			
Proceeds on issue of shares		**–**	27,906
Refinancing costs paid		**–**	(875)
Repayment of borrowings	8	**(3,500)**	(25,139)
New bank loans raised	8	**6,872**	8,000
Net cash generated from / (used) in financing activities		**3,372**	9,892
Net increase / (decrease) in cash and cash equivalents		**(1,377)**	13,078
Cash and cash equivalents at beginning of period	8	**26,203**	13,675
Effect of foreign exchange rate changes	8	**748**	(550)
Cash and cash equivalents at end of period	8	**25,574**	26,203

1. Basis of preparation

The preliminary announcement for the 52 weeks ended 3 April 2016 has been prepared in accordance with the accounting policies as disclosed in Volex plc's Annual Report and Accounts 2015, as updated to take effect of any new accounting standards applicable for the period as set out in Volex plc's Interim Statement 2015.

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 3 April 2016, 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 53 weeks ended 5 April 2015 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. Following a post year end amendment and extension to the facility, it is available until June 2018 and requires quarterly covenant tests to be performed in relation to leverage and interest cover.

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 at least 12 months from the date of this announcement and should comply with covenants over this period. The Group also has access to and uses additional uncommitted facilities. Further the Group has a number of mitigating actions available to it should actual performance fall below the current financial forecasts. The Directors have the financial controls and monitoring available to them to put in place those mitigating actions in a timely fashion if they see the need to do so. The Directors therefore believe that the Group is well placed to manage its business within its covenants.

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 Annual Report and financial statements.

This preliminary announcement was approved by the Board of Directors on 9 June 2016.

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 and floor cleaning equipment.
Cable Assemblies	The sale and manufacture of cables permitting the transfer of electronic, radio-frequency and optical data. These cables can range from simple USB cables to complex high speed cable assemblies. 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 3 April 2016		53 weeks to 5 April 2015
	Revenue $'000	**Profit / (loss) $'000**	Revenue $'000	Profit / (loss) $'000
Power Cords	**230,205**	**2,293**	273,655	5,390
Cable Assemblies	**137,329**	**9,842**	149,754	11,197
Unallocated central costs	**–**	**(4,963)**	–	(7,755)
Divisional results before share-based payments and non-recurring items	**367,534**	**7,172**	423,409	8,832
Non-recurring operating items		**(4,742)**		(12,528)
Share-based payment credit / (expense)		**1,009**		(857)
Operating profit / (loss)		**3,439**		(4,553)
Finance income		**18**		40
Finance costs		**(1,915)**		(2,666)
Profit / (loss) before tax		**1,542**		(7,179)
Taxation		**(3,854)**		(3,529)
Profit / (loss) after tax		**(2,312)**		(10,708)

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**	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Asia (excluding India)	**225,053**	259,940	**32,068**	33,709
North America	**80,802**	86,676	**1,532**	1,390
Europe	**50,305**	59,690	**3,614**	4,229
India	**6,878**	8,370	**897**	584
South America	**4,496**	8,733	**493**	624
	367,534	423,409	**38,604**	40,536

3. Non-recurring items

	2016	2015
	$'000	$'000
Restructuring costs	**2,693**	5,223
Impairment / product portfolio realignment	**1,498**	5,825
Movement in onerous lease provisions	**1,151**	1,110
Provision for historic sales tax claims	**(600)**	102
Financing	**–**	72
Other	**–**	196
Total non-recurring items	**4,742**	12,528

During the current year, the Group has incurred $2,693,000 (2015: $5,223,000) of restructuring spend after it became apparent that trading fell below that forecast and required to support the cost base of the Group. The non-recurring cost can be split into several distinct elements:

- An executive and senior management change element of $1,321,000 (2015: $711,000). The current period charge relates to the departure of the Group Chief Executive Officer, the removal of the divisional management structure and the removal of certain other executive management positions (e.g. Chief Information Officer). In the prior period, the charge related to the departure of the Chief Financial Officer and recruitment to the divisional management teams.
- An operational element of $1,372,000 (2015: $3,556,000) which included reductions to the direct and indirect manufacturing headcount in a number of our factories following the downturn in volumes, the removal of certain middle-management roles and targeted costs associated with right-sizing our Brazil operations. The prior year charge included significant investment in the sales function, the up-skilling of certain factory managers, the removal of certain middle management roles throughout the organisation and costs associated with down-sizing certain operations
- In the prior year a business process review element of $956,000 to determine potential upgrades to the ERP system. Given the reduced Group profitability, plans to replace the ERP system have been suspended.

Following the downturn in performance (particularly in the Power Cords division) and the subsequent deterioration in the share price, a Group wide impairment review was performed on the Group's fixed assets. As a result of this $1,498,000 of property, plant and equipment has been impaired in the year. $900,000 of this charge is in relation to the Power Cords division where forecast profitability of certain product lines was insufficient to support the associated fixed asset cost base and certain assets have been deemed surplus to requirements. In the Cable Assemblies division $598,000 of impairment charge has been recorded following management's decision to scale back certain operations.

In the prior period, the Group suspended development of its Active Optical Cables ('AOC') proposition. Under the requirements of IAS 36 'Impairment of Assets' the recoverable amount of the AOC development asset was assessed and it was determined to be lower than the carrying value. As a result an impairment charge of $4,308,000 was booked. Similarly all software and tangible fixed assets which were deemed specific to the AOC project were reviewed for impairment and a further charge of $789,000 was processed. Future contracted costs associated with AOC (including purchase commitments and an onerous lease on the AOC development facility) were also provided for totalling $707,000 and severance payments to AOC development engineers of $21,000 were paid.

The Group has incurred an onerous lease charge in the period of $1,151,000 (2014: $1,110,000) following a revision to underlying assumptions included in the provision calculation. These assumptions include a potential sub-let within the onerous lease period and as a result of the on-going vacancy, this assumption has been revised in light of the latest independent market information.

Several years ago, the Group booked a $1,100,000 provision against a recoverable sales tax asset held in its Indian subsidiary since doubt existed over the full recovery of this asset. Subsequent to this decision, the Indian subsidiary's trading performance has exceeded the then forecast. As a consequence, a greater amount of the asset has been recovered then initially believed possible. Following review of future recovery, the release of $600,000 was deemed reasonable.

The prior year $102,000 non-recurring charge for historic sales tax claims related to the Philippines and covered the period January 2011 to March 2014.

4. Taxation

	2016	2015
	$'000	$'000
Current tax – charge for the period	**3,376**	3,062
Current tax – adjustment in respect of previous periods	**452**	605
Total current tax	**3,828**	3,667
Deferred tax	**26**	(138)
Income tax expense	**3,854**	3,529

5. Earnings / (loss) per ordinary share

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

Earnings / (loss)	**2016**	2015
	$'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	**(2,312)**	(10,708)
Adjustments for:		
Non-recurring items	**4,742**	12,528
Share-based payments (credit) / charge	**(1,009)**	857
Tax effect of above adjustments	**(88)**	(308)
Underlying earnings / (loss)	**1,333**	2,369

	No. shares	No. shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	**88,956,532**	83,585,697
Effect of dilutive potential ordinary shares / share options	**27,370**	184,697
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**89,983,902**	83,770,394

	2016	2015
Basic earnings / (loss) per share	**Cents**	Cents
Basic earnings / (loss) per share	**(2.6)**	(12.8)
Adjustments for:		
Non-recurring items	**5.3**	15.0
Share-based payments (credit) / charge	**(1.1)**	1.0
Tax effect of above adjustments	**(0.1)**	(0.4)
Underlying basic earnings / (loss) per share	**1.5**	2.8

5. Earnings / (loss) per ordinary share (continued)

Diluted earnings per share		
Diluted earnings / (loss) per share	**(2.6)**	(12.8)
Adjustments for:		
Non-recurring items	**5.3**	15.0
Share-based payments (credit) / charge	**(1.1)**	1.0
Tax effect of above adjustments	**(0.1)**	(0.4)
Underlying diluted earnings / (loss) per share	**1.5**	2.8

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

The Group has a $45.0 million multi-currency combined revolving overdraft and guarantee facility with a syndicate of three banks (Lloyds Banking Group plc, HSBC Bank plc and Clydesdale Bank plc – together 'the Syndicate'). This facility is available until 15 June 2018.

The amount available under the facility at 3 April 2016 was $45.0 million (2015: $45.0 million). 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 net debt to adjusted rolling 12-month EBITDA) and interest cover (adjusted rolling 12-month EBITDA to adjusted rolling 12-month interest). Breach of these covenants could result in cancellation of the facility. The amendment to the facility in the year adjusted these covenants to be aligned with the forecast future trading of the Group.

In the prior year, professional fees of $875,000 were incurred in relation to an amendment to the facility. Of this $300,000 was paid to the Syndicate to agree to the amendment. The $875,000 was capitalised and is charged to the income statement on a straight line basis over the remaining period to facility expiry.

7. Notes to cash flow statement

	2016	2015
	$'000	$'000
Profit / (loss) for the period	**(2,312)**	(10,708)
Adjustments for:		
Finance income	**(18)**	(40)
Finance costs	**1,915**	2,666
Income tax expense	**3,854**	3,529
Depreciation on property, plant and equipment	**6,162**	6,413
Amortisation of intangible assets	**1,018**	799
Impairment loss	**1,498**	5,098
(Gain) / Loss on disposal of property, plant and equipment	**25**	14
Share option payment (credit) / charge	**(1,009)**	857
Decrease / (increase) in provisions	**(1,203)**	(1,078)
Effects of foreign exchange rate changes	**126**	333
Operating cash flow before movement in working capital	**10,056**	7,883
Decrease / (increase) in inventories	**1,897**	(4,881)
Decrease / (increase) in receivables	**10,609**	171
(Decrease) / increase in payables	**(14,433)**	9,587
Movement in working capital	**(1,927)**	4,877
Cash generated from / (used in) operations	**8,129**	12,760
Cash generated from / (used in) operations before non-recurring items	**12,597**	18,175
Cash utilised by operating non-recurring items	**(4,468)**	(5,415)
Taxation paid	**(4,489)**	(2,596)
Interest paid	**(1,842)**	(2,367)
Net cash generated from / (used in) operating activities	**1,798**	7,797

8. Analysis of net debt

	Cash and cash equivalents $'000	Bank loans $'000	Debt issue costs $'000	Total $'000
At 30 March 2014	13,675	(46,372)	477	(32,220)
Cash flow	13,078	17,139	875	31,092
Exchange differences	(550)	4,074	(114)	3,410
Other non-cash changes	–	–	(402)	(402)
At 5 April 2015	**26,203**	**(25,159)**	**836**	**1,880**
Cash flow	**(1,377)**	**(3,372)**	**–**	**(4,794)**
Exchange differences	**748**	**(734)**	**(19)**	**(5)**
Other non-cash changes	–	–	**(375)**	**(375)**
At 3 April 2016	**25,574**	**(29,265)**	**442**	**(3,249)**

8. Analysis of net debt (continued)

Debt issue costs relate to bank facility arrangement fees. Amortisation of debt issue costs in the period amounted to $375,000 (FY2015: $402,000).

Analysis of cash and cash equivalents:	2016 $'000	2015 $'000
Cash and bank balances	**30,738**	33,736
Bank overdrafts	**(5,164)**	(7,533)
Cash and cash equivalents	**25,574**	26,203

9. Provisions

	Property $'000	Corporate restructuring $'000	Other $'000	Total $'000
At 30 March 2014	3,849	2,608	228	6,685
Charge / (credit) in the period	1,381	85	2,324	3,790
Utilisation of provision	(1,185)	(2,354)	(1,887)	(5,426)
Unwinding of discount	112	–	–	112
Exchange differences	(331)	(80)	(81)	(492)
At 5 April 2015	**3,826**	**259**	**584**	**4,669**
Charge / (credit) in the period	**1,151**	**(6)**	**142**	**1,287**
Utilisation of provision	**(1,652)**	**(181)**	**(343)**	**(2,176)**
Unwinding of discount	**52**	**–**	**–**	**52**
Exchange differences	**(83)**	**(5)**	**(27)**	**(115)**
At 3 April 2016	**3,294**	**67**	**356**	**3,717**
Less: included in current liabilities	**1,348**	**67**	**356**	**1,771**
Non-current liabilities	**1,946**	**–**	**–**	**1,946**

Property provisions

Property provisions represent the anticipated net costs of onerous leases and associated dilapidations. The provisions have been recorded taking into account management's best estimate, following appropriate advice, of the anticipated net cost of the lease over the remaining lease term and the level of sublease rental income, if any, that can be obtained from sub-tenants. This provision will be utilised as the rental payments, net of any sublease income, fall due through to 2020.

During the 52 weeks ended 3 April 2016, the Group revised its assumptions on one onerous property following the failure to achieve a sub-lease in the previously forecast time period. The onerous provision was recalculated after receipt of external advice as to likely future cash outflows. The resultant $1,151,000 onerous lease charge has been booked as a non-recurring item (see note 3).

In the prior year, in addition to adjustments made to the onerous lease provision on the above property, two further properties became onerous, one following the decision to suspend the AOC development project and one following the exit of sub-tenants. Of the $1,381,000 charged to the income statement, $1,110,000 is shown in non-recurring items as movement in onerous lease provision and $271,000 is included within the product portfolio realignment charge as associated with the AOC suspension.

Corporate Restructuring

In the prior year a $259,000 provision was held for certain severance and recruitment fees plus an amount held for professional fees associated with the liquidation of dormant overseas entities. The severance and recruitments fees have been paid in the year.

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)

	2016	2015
	$'000	$'000
Operating profit	**3,439**	(4,553)
Add back:		
Non-recurring items	**4,742**	12,528
Share-based payment (credit) / charge	**(1,009)**	857
Underlying operating profit	**7,172**	8,832
Depreciation of property, plant and equipment	**6,162**	6,413
Amortisation of acquired intangible assets	**1,018**	799
Underlying EBITDA	**14,352**	16,044

11. Events after balance sheet date

On 8 June 2016, the Group entered into an 'Amendment and Extension' agreement on its senior credit facility. The facility was extended for 12 months until 15 June 2018. The amendment to the facility is principally in relation to covenant level revisions and guarantor group members.