8 June 2017

VOLEX plc

Preliminary Announcement of the Group Results
for the Financial Year ended 2 April 2017

'Volex delivers strong cash generation and returns to a net cash position. Restructuring activities and tight cost control contribute to an increase in underlying operating margins'

Volex plc ('Volex'), a global provider of power and data cabling solutions, today announces its preliminary results for the 52 weeks ended 2 April 2017 ('FY2017').

Financial Highlights	**52 weeks to 2 April 2017**	52 weeks to 3 April 2016
Revenue	**$319.6m**	$367.5m
Underlying* operating expenditure	**($46.4m)**	($53.2m)
Underlying* operating profit / (loss)	**$9.1m**	$7.2m
Statutory operating profit / (loss)	**$(6.6)m**	$3.4m
Underlying* profit / (loss) before tax	**$7.2m**	$5.3m
Statutory profit / (loss) before tax	**$(8.5)m**	$1.5m
Basic earnings / (loss) per share	**(7.9c)**	(2.6c)
Underlying diluted earnings / (loss) per share	**9.5c**	1.5c
Net cash / (debt)	**$11.3m**	($3.2m)

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

Summary

- Revenue decline of 13.0% in line with our strategy to reduce unprofitable activities. Sales to our single largest customer accounted for 77% of the fall;
- Further restructuring was implemented across the Group. These actions together with prior year cost saving measures, increased underlying operating profit by 26.6% to $9.1m. Restructuring activities are now largely complete;
- Non-recurring costs of $15.2m were recognised in the year of which $12.5m related to a **non-cash** impairment of fixed assets (primarily in relation to our largest customer);
- Statutory operating loss for the year of $6.6m was $10.0m down on prior year;
- Underlying diluted earnings per share of 9.5c, up six fold on prior year, benefitted from a deferred tax credit of $2.1m in North America. Excluding this, underlying diluted earnings per share would have been 7.1c per share;
- Despite revenue decline, net cash of $11.3m recorded at year end as a result of an intense focus on cash generation; and
- The Group announces the extension of its senior credit facility to June 2019.

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:

'The past 12 months have been challenging as we have continued to reduce our reliance upon our largest power customer. The decline in this customer's revenue was caused by lower tablet sales and a move to USB charging for the new range of lap top computers. This has resulted in a lower dollar value per unit of Volex content on these new computers. We took decisive and timely action to reduce our cost base in light of these developments and continue to work on new products with our largest customer in order to diversify our revenue stream.

We continue to develop our customer and end-market diversification strategy and I am pleased to say that in the second half of the year we have made good progress. Our strategy is to focus on premium brand clients for which quality, reliability and global scale is just as important as cost. We will seek such customers not only in our traditional markets but also new markets where our vast experience in cable production can be deployed. To this end I am pleased to announce that we have secured sizeable purchase orders from four new customers, two in the on-line technology space, one from a leading electric car manufacturer and the last a Fortune 1000 engineering company, all of which we expect to scale in the next 12 months.

I am pleased to also announce the set-up of a new joint venture in China designed to develop our healthcare product range. And further supporting our sales strategy, will be our relentless drive to reduce our material costs, with our Taiwanese joint venture due to commence cable extrusion in the next 3 months.

With an encouraging set of projects in the sales pipeline, which we believe will offset any further reductions seen in the existing customer revenue base, we anticipate that our revenues have stabilised at the current level and expect to deliver modest growth in the coming year. Similarly we expect the full year impact of our cost reduction measures and operational improvements to off-set any commodity price rises and therefore believe margins will be maintained at a similar level in the year ahead. As a result, I am confident in Volex's ability to continue to make progress and deliver further value to our shareholders'.

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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.

Executive Chairman's Statement

I have now served as Chairman of Volex for over 18 months and whilst the environment continues to be both competitive and extremely challenging, I am pleased to report that many of the initiatives started by our new management team are beginning to yield results. There has been strong progress at the factory level with improvements in operational efficiency and reductions in both inventories and factory operating expenses. Together with the restructuring activities (that have included downsizing of our largest Chinese factory and the closure of our Brazil factory) I am pleased to report an underlying operating profit[1] for the year of $9.1 million, up 26.6% on the prior year. Furthermore, through tight working capital management, we have returned Volex to a net cash position at year-end of $11.3 million. The Group has negotiated extended credit facilities of $30.0 million and we now have a stronger and more stable foundation upon which to grow our business.

In addition to operational initiatives, we have embarked on an improved Power Cord sales strategy which is expected to generate new sources of revenue in the coming year. Volex continues to occupy an enviable leadership position in the power space, consistently occupying a top 5 position for more than a decade, and with a market leading position in Japan. However, it no longer makes sense to compete head-to-head on price with the high volume ultra-low cost vertically-integrated Chinese cable manufacturers. Instead we are going to focus on growing our premium brand customers who require global scale, reliability and quality. We have enjoyed several major new customer wins in the higher value-added and growing markets of electric vehicles and high-end power cords. This new business is expected to result in a growth in our revenue in the coming year.

On the Cable Assembly side of our business, the picture is more positive: we are expecting strong growth across a range of accounts and industries, and expect this segment to experience growth in 2018, driven by strong sales to North America, from our strategically located Tijuana facility.

RECENT PERFORMANCE

Although revenue for FY2017 at $319.6 million is 13% down on the prior year, this decline can be attributed to three key accounts. Sales to our single largest customer accounted for 77% of the decline (or $36.7 million), however, we believe that the sales have now stabilised and are exploring new areas to diversify our revenue stream and re-build our position with this customer. Sales to our largest telecoms customer (which is experiencing intense price competition from a low-cost Chinese rvial) fell 23% to $16.8million whilst sales to a US customer operating in the logistics sector fell by 46% to $8.6 million. This market has long been cyclical and we expect to see a recovery in the coming year.

Excluding these three customers, revenue from the remaining business has grown by $1.2m. We expect four new customers to scale in the year ahead and these are expected to contribute over $10 million between them in FY2018.

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[1] Operating profit before non-recurring items and share-based payments expense

We inherited a business that was in decline due to an over-reliance on a small number of very large customers and a product range that was over-exposed to a declining PC market. The Group had struggled to diversify its business, failing to tackle an uncompetitive cost structure, high staff turnover, slow response times and a focus by our sales force to harvest the key accounts rather than seek out new revenues. Each of these factors are being addressed by our new team and as a result we are optimistic of bringing on a number of new revenue streams in the coming year to diversify our business and deliver overall growth.

The reduction in revenue from our largest customer resulted in the decision to significantly restructure our Shenzhen facility during the year. The fixed costs have been reduced through closure of a large warehouse facility and the return of one leased production-building to the landlord, with the headcount and support costs similarly reduced. Historic over-investment in production capacity for our largest customer had resulted in excess capacity at this site for a number of years.

As a result, following the latest fall in revenue and no immediate sign of recovery, it was concluded that those assets specific to this customer should be impaired, leading to a $12.0 million non-cash impairment charge. The majority of these assets had been acquired in 2012 and 2013.

Going forward, we will focus on profitable growth and will measure all new business against internal return on capital targets to ensure that shareholders' returns are protected and enhanced.

Turning to the wider business, I am pleased to report that underlying profitability has improved year on year with the underlying gross profit margin up 1.0% to 17.4% and underlying operating margin up 0.8% to 2.8%. As soon as it became apparent that revenue would fall short of expectation, the Group reacted swiftly by further reducing its cost base. Actions in addition to the downsizing of our Chinese factory included:

- Closure of our Brazil factory;
- Closure of a number of our regional sales offices with sales responsibilities transferred either to other sales offices or to the factories themselves;
- Closure of a number of our stock-holding hubs in Asia; and
- Closure of a US facility and a 50% reduction in the size of our Singapore headquarters.

These actions when combined with the actions taken in the prior year have helped significantly reduce the underlying fixed cost base.

Furthermore the manufacturing optimisation reviews which took place in each of our factories have helped improve the underlying gross margin despite the deleveraging effect of lower volumes passing through certain factories. As noted in last year's accounts, our Mexico facility was chosen as the pilot site in which all aspects of the production process were being reviewed and improved. During the current year, this project continued and has been extended to all of our other facilities.

As a result of these significant cost reduction measures, the ongoing rigorous cost control, operational efficiency improvements and favourable foreign exchange rate movements, the Group has recorded an underlying operating profit of $9.1 million in the year, up $1.9 million on the prior year.

The reduction in working capital that has arisen through both reduced trade and active working capital management (particularly in the area of stock) has helped generate a healthy $15.9m of operating cash inflow. This has resulted in the Group reporting net cash at year-end of $11.3m.

THE OPPORTUNITY AHEAD

FY2017 has been a year of transition in which Volex moves away from its old sales strategy of focusing on our large existing customers to targeting new accounts. This has necessitated personnel changes within our sales and engineering functions and with the on-boarding of new customers typically taking between 12 and 18 months, the full impact of the new strategy is not expected until next year. However, the Group has reason to be encouraged about multiple new opportunities within its sales pipeline particularly in the areas of high speed data cabling, required for datacentres, and high current power cables, required for electric vehicles.

Our Power Cord business will continue to be highly competitive and any cost savings can lead to competitive advantage. We remain excited about our previously announced joint venture agreement with a Taiwanese manufacturer which aims to produce competitively priced Volex-branded AC raw cables. We expect to benefit from cost reductions from these activities in the coming financial year.

In Cable Assemblies we see a number of major opportunities from customers who want access to our global footprint and consistent levels of high quality. We are starting to enter mass production on a number of new and sizeable projects and expect to report growth in this division in the coming year.

As the business recovers, we will need to invest in our people and our technical capabilities. We expect to continue to invest in our sales, engineering and procurement organisations in the coming year in order to maximise our growth potential.

OUTLOOK

It has been a year of significant progress and I am very positive about the further opportunities for the Group, even as our markets remain fiercely competitive. With an encouraging set of projects in the sales pipeline, which we believe will offset any further reductions seen in the existing customer base, we anticipate that our revenues have stabilised at the current level and expect to deliver modest growth in the coming year.

Similarly we expect the full year impact of our cost reduction measures and operational improvements to offset any commodity price rises and therefore believe margins will be maintained at a similar level in the year ahead.

As a result, I am confident in Volex's ability to continue to make progress and deliver further value to our shareholders.

Operational Review

$'000	52 weeks ending 2 April 2017	52 weeks ending 3 April 2016
Revenue		
Power Cords	188,256	230,205
Cable Assemblies	131,328	137,329
	319,584	367,534
Underlying* gross profit		
Power Cords	27,523	29,750
Cable Assemblies	27,936	30,617
	55,459	60,367
Underlying gross margin*	17.4%	*16.4%*
Statutory gross profit	42,347	58,519
Underlying* operating profit		
Power Cords	3,228	2,293
Cable Assemblies	10,528	9,842
Central costs	(4,677)	(4,963)
	9,079	7,172
Underlying operating margin*	2.8%	*2.0%*
Non-recurring items and share-based payments	(15,700)	(3,733)
Statutory operating profit / (loss)	(6,621)	3,439

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

Volex has its global headquarters in the UK, operates from eight manufacturing locations and employs approximately 6,000 people (FY2016: 6,400) 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.

Group revenue fell in FY2017 by 13.0% from $367.5 million to $319.6 million. Of the $47.9 million reduction, $49.1 million was derived from just three accounts with the Group's largest customer reporting a $36.7 million fall. This 38.6% year on year account reduction highlights the significant structural problems facing the Power Cord division, namely that the traditional consumer electronics markets to which we supply are in decline. The continuing contraction of the PC market (and associated peripherals) and product miniaturisation (leading to more devices which can be charged with a USB cord rather than a conventional power cord) will further reduce demand in these markets and hence the need to diversify our customer base through on-boarding new customers and entering new markets.

The other two customers suffering significant declines were both in the Cable Assemblies division, one being our largest European telecoms customer that is losing market share to Chinese competition ($5.0m decline) and the other a North American logistics company specialising in fleet management which we believe currently to be at the bottom of a revenue cycle.

Away from these three accounts the remaining business was slightly ahead of prior year by $1.2 million with some significant new business wins and growth in existing accounts offsetting decline in other mature accounts.

The Group reacted to the revenue fall by further reducing its cost base. The significant actions taken in the prior year allowed the Group to better weather this decline, however, given its scale further actions were required. These included:

- a significant (33%) reduction in size to our largest factory site in China servicing the Power division's largest customer;
- closure of our Brazil factory until such time as the Brazilian economy recovers;
- closure of a number of our regional sales offices with sales responsibilities transferred either to other sales offices or to the factories themselves;
- rationalisation of our stock-holding hub network in Asia leading to the closure of 4 external hubs; and
- closure of a US facility and a 50% reduction in the size of our Singapore and London headquarters.

Furthermore the manufacturing optimisation reviews that took place in each of the factories has helped improve the underlying gross margin despite the deleveraging effect of lower volumes passing through certain factories. The tangible benefit of this factory operational focus coupled with the above cost reduction measures and favourable foreign exchange movements can be seen in the margin improvement from 16.4% in FY2016 to 17.4% in FY2017 despite the 13.0% reduction in sales.

Following the downturn in revenue from Volex's largest customer and the low margin achieved on those sales that remained (following constant pressure from the customer for price reductions), the cost base of those assets servicing the account was reviewed relative to the forecast future profitability from the account. As a consequence it was concluded that those assets specific to this customer should be impaired, leading to a $12.0 million non-cash impairment charge. The majority of these assets had been acquired in 2012 and 2013. This charge along with other factory plant and machinery impairments and severance fees paid to manufacturing staff are all included within the statutory gross profit figure of $42.3 million.

Underlying operating expenditure fell by 12.8% from $53.2 million in FY2016 to $46.4 million in FY2017 primarily due to the full year impact of restructuring actions taken in the prior year. As a result underlying profit was $9.1 million in FY2017 versus $7.2 million in FY2016.

Statutory operating loss includes the impact of severance fees paid, the impairment of assets and the fee charged by external consultants to conduct the operational efficiency reviews at our factories.

Looking forward we expect our markets to remain fiercely competitive and we will continue the practice of ensuring our factory footprint and costs are aligned with revenue performance. However, we have an encouraging set of projects in the sales pipeline and we believe several of these should ramp up in the year ahead and offset any further loss seen in the existing customer base. As such we anticipate that our revenues have stabilised at the current level and we expect to deliver modest growth in the coming year.

Similarly we expect the full year impact of our cost reduction measures and operational improvements to offset commodity price rises and therefore we believe margins will be maintained at a similar level in the year ahead.

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 2 April 2017	52 weeks ending 3 April 2016
Revenue	188,256	230,205
Underlying* gross profit	27,523	29,750
Underlying gross margin*	14.6%	12.9%
Operating costs	(24,295)	(27,457)
Underlying* operating profit	3,228	2,293
Underlying operating margin*	*1.7%*	*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 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, Indonesia and India. However, all the Group's facilities throughout the world can be utilised to manufacture power cable 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 division revenue for FY2017 was $188.3 million, down 18.2% on the prior period. This downturn reflected further softening in Volex's core end markets as well as the impact of competing technologies, intense competition and a lower copper price.

The global PC market continues to shrink with global shipments in the year to December 2016 down 6% on the corresponding period in the prior year. This decline has been attributed to further market cannibalisation by the smartphone and a strong USD. Similarly the global PC hardware peripherals market has contracted with a 4% reduction in shipments (for the period January to June 2016). Our largest customer has seen its tablet sales volume reduce by 12% year on year and its laptop sales reduce by 6%. Our largest customer has also recently announced that its newly designed laptop range will be sold with a USB-C charger rather than a traditional power cord. This marks 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.

In addition to the problems faced in the PC and PC peripherals end markets, a significant revenue decline was 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.

Falling PC sales, product miniaturisation and the move to cordless household products are just three factors that have led to a reduction in the size of Volex's end markets. Consequently competition has continued to intensify. For Volex to be successful, it must compete aggressively on price with every dollar saved from the production and procurement processes helping protect already thin margins. Volex has the capability to compete – during the year the sales team has successfully grown business with a well-known branded coffee capsule machine manufacturer such that it now represents a significant revenue stream for the Group.

However, for significant improvements in divisional profitability, the Power division needs to improve utilisation in its factories. Volex is therefore seeking new end markets in which Volex's expert knowledge in the manufacture of power distribution cables and its reputation for quality and safety are best recognised. In this regard, the first shipment of vehicle charging cables to a key manufacturer of electric cars, due in FY2018, represents an exciting development for Volex. With forecasts predicting electric vehicles could make up to 35% of global new car sales by 2040, and with each of these requiring a sizeable power cable, the opportunity for Volex is significant.

The underlying Power Cord gross profit has reduced to $27.5 million from $29.8 million, representing a gross margin of 14.6% (FY2016: 12.9%). The principal reason for the improvement in gross margin is a more favourable product mix following the exiting of low margin sales to our largest customer.

Actions taken to reduce costs included:

- Transferring a proportion of PVC production from the largest facility in China, Shenzhen, to Zhongshan (another Power factory in China) and Batam (Power factory in Indonesia). This allowed Volex to downsize the Shenzhen facility and lower the costs associated with servicing our largest customer. Zhongshan and Batam factories enjoy lower labour costs than in Shenzhen and should further benefit from economies of scale as greater PVC cable volumes pass through these factories;
- Extending the manufacturing optimisation reviews to each of the Power Cord factories. By analysing the production processes, both direct and indirect headcounts have been reduced; and
- Closure of a number of our sales offices and warehousing hubs.

In addition to the above, Volex announced in FY2017 it was to enter into a joint venture agreement with a Taiwan-based manufacturer, Joinsoon Electronics Mfg. Co. Ltd to engage in the development, manufacture and marketing of Volex-branded AC raw cables. The impact of the joint venture on the Volex cost structure is not expected until FY2018.

Operating costs have reduced by $3.2 million to $24.3 million following the actions taken in FY2016 to remove the Power Cord divisional management team.

Given the decline in Power Cord revenues and the downsizing of the Shenzhen facility, the fixed asset base of Shenzhen was reviewed for potential impairment during the year. Writing off now redundant machinery acquired primarily during 2012 and 2013 and aligning the remaining book value with the forecast profitability from the Shenzhen Power Cord business has resulted in a non-cash impairment charge of $12.0 million in the period. This has been reported as a non-recurring item.

Cable Assemblies division

$'000	52 weeks ending 2 April 2017	52 weeks ending 3 April 2016
Revenue	131,328	137,329
Underlying* gross profit	27,936	30,617
Underlying gross margin*	*21.3%*	*22.3%*
Operating costs	(17,408)	(20,775)
Underlying* operating profit	10,528	9,842
Underlying operating margin*	8.0%	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 Assemblies 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 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 FY2017 was $131.3 million, down 4.4% on the prior period. Revenue from the largest Cable Assemblies customer, operating in the Healthcare sector, was actually up 16% due to their strategy to consolidate a fragmented supply chain, with Volex benefiting from this effect. However, this growth was offset by a fall in sales to a leading legacy European mobile telecommunications customer which continues to see its market share decline, a fall in sales to our largest transportation customer which is suffering from a cyclical drop in truck sales (US truck sales for the 2016 calendar year are down 15% on the prior year) and a fall in sales of internal cables used within the laptop computer range of our largest customer.

The revenue from the remaining customers was up by $3.5 million to $52.7 million reflecting growth in high margin end customers within the Data Centre, Industrial and Medical Robotic end markets, each of which place a premium on reliability and signal integrity. Future sales projects currently within the pipeline are encouraging and include awarded business such as wiring harnesses for a commercial food service equipment manufacturer and data cables for a large player in the on-line retail sector.

The underlying gross profit has reduced to $27.9 million from $30.6 million, representing a gross margin of 21.3% (FY2016: 22.3%). This fall in margin reflects lost sales of complex cable harnesses on which a higher premium can be charged plus the deleveraging effect of passing fewer cables through the factories to absorb the fixed overheads.

Operating costs have reduced by $3.4 million to $17.4 million. This saving is primarily in headcount with activities taken in the second half of FY 2016 to remove the divisional management team reducing the cost base.

As a result of the above, underlying divisional operating profit for the period increased from $9.8 million in FY2016 to $10.5 million in FY2017.

Despite the restructuring efforts made to our Brazilian operation in FY2016, it continued to generate losses in the first half of FY2017. With little improvement forecast in either the Brazilian economy or the factory outlook, the tough decision was taken to suspend local operations. A non-recurring charge of $1.0 million has been recognised in respect of the closure of the factory.

Financial Review

	52 weeks to 2 April 2017		52 weeks to 3 April 2016	
	Revenue $'000	**Profit/(loss) $'000**	**Revenue $'000**	**Profit/(loss) $'000**
Power Cords division	**188,256**	**3,228**	230,205	2,293
Cable Assemblies division	**131,328**	**10,528**	137,329	9,842
Unallocated central costs	**–**	**(4,677)**		(4,963)
Divisional underlying results	**319,584**	**9,079**	367,534	7,172
Non-recurring operating items		**(15,232)**		(4,742)
Share-based payments		**(468)**		1,009
Statutory operating profit / (loss)		**(6,621)**		3,439
Net finance costs		**(1,879)**		(1,897)
Profit / (loss) before taxation		**(8,500)**		1,542
Taxation		**1,452**		(3,854)
Profit / (loss) after taxation		**(7,048)**		(2,312)
Basic earnings / (loss) per share:				
Statutory		**(7.9) cents**		(2.6) cents
Underlying		**9.5 cents**		1.5 cents

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

Non-recurring operating items and share-based payments

The Group has incurred non-recurring operating costs of $15.2 million in FY2017 (FY2016: $4.7 million).

Of this, $12.5 million (FY2016: $1.5 million) relates to non-cash impairment charges 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) highlighted above, significant surplus capacity arose within our Power Cord division. In response to this, the largest Power Cord factory was downsized with one of the three available buildings returned to the landlord. This resulted in an impairment of the associated fit-out costs. Further the number of production lines running in the remaining two buildings was reduced resulting in the impairment of the redundant plant, machinery and tooling. Finally, given the reduced sales from the largest customer and the already thin margins, the forecast profitability from the continuing lines was assessed and deemed insufficient to support the associated fixed asset cost base. As a consequence of the above factors, an impairment charge of $12.0 million (FY2016: $0.9 million) was recorded in the Power Cords division. In the Cable Assemblies division, a $0.5 million (FY2016: $0.6 million) impairment charge was recognised on the closure of Volex Do Brasil Ltda.

As a further consequence of the declining revenues and the reduced factory footprint, a number of personnel left the Group during the year. The cost associated with this restructuring was $1.6 million (FY2016: $2.7 million). The majority of these exits were from the factory floor with approximately 175 staff leaving the Group. Also included within the $1.6 million charge is $0.2

million of stock and debtor write offs that arose on the closure of Volex Do Brasil Ltda. The prior year cost related to labour cost reductions.

As highlighted previously in these accounts, following his appointment in November 2015, the Executive Chairman sought to address the production issues facing our factories across the globe in order to make them more cost competitive. To support the management function, an external manufacturing consultancy was employed on a fixed term contract of 9 months, to advise on manufacturing best practice and implementation. This contract expired in December 2016 and has therefore been classified as non-recurring. Costs associated with this contract totalled $0.8 million.

The Group has incurred an onerous lease charge in the period of $0.3 million primarily in relation to the sub-let of a property in North America. The sub-lease is for the full head lease term and mirrors the head lease clauses with the exception of an initial quarter rent free period which has been expensed as non-recurring.

The prior year onerous lease charge of $1.2 million related to the old UK head office near Manchester and was as a result of changes to the underlying provision assumptions. At prior year end, a provision of $3.1 million was held against this property. In the current year, Volex negotiated its early exit from this lease in return for a surrender premium payment of $2.5 million. Following other associated costs, there was a small release of the provision at current year end.

The cash impact of the above non-recurring operating items is a cash outflow of $5.7 million (FY2016: $4.5 million).

The share-based payments charge in the year was $0.5 million (FY2016: credit of $1.0 million) with the prior year credit arising through the reversal of charge on lapsed options held by outgoing executive management.

Net finance costs

Total net finance costs in FY2017 were $1.9 million (FY2016: $1.9 million). The prior year benefitted from a one-off credit of $0.2 million following an interest settlement with our debt providers. The underlying reduction in net finance costs is due to the lower average net debt level in FY2017, particularly in the last quarter of the year when Volex began repaying the loans drawn under the senior credit facility.

Tax

The Group incurred a tax credit of $1.5 million (FY2016: charge of $3.9 million) representing an effective tax rate (ETR) of 17% (FY2016: 250%). The underlying tax credit of $1.2 million (FY2016: $3.9 million) represents an ETR of -17% (FY2016: 75%).

The underlying tax credit of $1.2 million arose due to the recognition of deferred tax assets totalling $2.7 million. This recognition was based upon the forecast profitability of the Group in regions where trading losses are available for offset and therefore are now believed to have some value in the short to medium term.

Excluding the deferred tax asset recognition, the underlying current tax charge is $1.5 million (FY2016: $3.9 million) representing an ETR of 21% (FY2016: 74%). The reduction in current tax ETR follows the restructuring initiatives taken across the Group and it is planned that with the majority of restructuring now complete, the long-term ETR will grow steadily in line with the expected growth of the group.

As at the reporting date the Group has recognised a deferred tax asset in relation to tax losses of $2.9 million (FY2016: $0.8 million).

Earnings per share

Basic loss per share for FY2017 was 7.9 cents compared to a loss per share of 2.6 cents in FY2016 reflecting the impairment charge taken in FY2017. The underlying fully diluted earnings per share was 9.5 cents compared to an earnings per share of 1.5 cents in FY2016.

Cash flow and net debt

Operating cash flow before movements in working capital in FY2017 was an inflow of $8.3 million (FY2016: $10.1 million) with the $1.8 million decrease partially explained by the $2.5m surrender premium paid to exit the lease on the old UK headquarters near Manchester. This has been treated as a non-recurring cash flow item.

The impact of working capital movements on the cash flow in FY2017 was an inflow of $10.8 million (FY2016: outflow of $1.9 million). As the revenue has declined during the year, the working capital needed to service the reduced level of business has also reduced but in addition to this improved stock management has helped generate $5.4 million of cash inflow from inventory. The $3.1 million cash inflow from payables is largely due to timing.

After aggregate outflows for tax and interest of $3.3 million (FY2016: $6.3 million), the net cash inflow from operating activities was $15.9 million (FY2016: $1.8 million). Of this $21.6 million had been generated from normal trading activity (FY2016: $12.6m) with $5.7 million spent on non-recurring items (FY2016: $4.5 million). These non-recurring items include restructuring fees such as severance payments, payments made to exit onerous properties and in the current year payments to external consultants to complete a discrete project on operational efficiency.

Capital expenditure in FY2017 was $2.5 million (FY2016: $6.5 million). Our largest customer has historically been one of our more capital intensive customers with significant expenditure on tooling and production lines. With their decline in business, the level of capital expenditure in the year has reduced dramatically.

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, banking and audit fees, totalled $0.6 million.

Under the senior credit facility, the Group repaid $9.2 million (FY2016: net drawing of $3.4 million) in the year.

As a result of the above cash flows, the Group generated a $3.8 million net cash inflow (FY2016: $1.4 million net cash outflow) for the year. As at 2 April 2017, the Group held net funds of $11.3 million compared with net debt of $3.2 million at 3 April 2016.

Banking facilities, covenants and going concern

During the year, the Group utilised a $45.0 million multi-currency combined revolving credit, overdraft and guarantee facility ("RCF"). This facility was provided by a syndicate of three banks (Lloyds Banking Group plc, HSBC Bank plc and Clydesdale Bank plc).

The key terms of the facility were as follows:

- Available until June 2018;
- No scheduled facility amortisation; and
- Interest cover and net debt:EBITDA leverage covenants.

As at 2 April 2017, amounts drawn under the loan facility totalled $18.7 million (FY2016: $29.3 million) with no further drawings under the cash pool facility (FY2016: $5.2 million). After accounting for bonds, guarantees and letters of credit, the remaining headroom as at 2 April 2017 was $24.7 million (FY2016: $8.7 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 extended the credit facility to June 2019. As part of this extension, Clydesdale Bank plc left the banking syndicate and the leverage covenant calculation was amended to include total debt rather than net debt. Management believes that the extension to June 2019 gives the Group further 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 once revenue stability can be demonstrated.

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. 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.

Events after the balance sheet date

As noted above the Group has successfully completed an extension of its senior credit facility to June 2019 (previously due to expire in June 2018). As part of this extension, Clydesdale Bank plc exited the syndicate. Lloyds Banking Group plc and HSBC Bank plc have both retained their positions and credit offering with the size of the facility duly reducing from $45.0 million to $30.0 million. Given the cash generation in the year, management is confident that the Group can operate within this facility level.

On 12 April 2017, the Group entered into a shareholder agreement with Kepler Signaltek Limited to establish a new joint venture and acquired 26.09% of the voting shares of the company for consideration of $300,000. This amount was paid on 19 April 2017. A commitment to subscribe for $1,700,000 of preference shares which accrue interest at 10% per annum was also made with $700,000 due to be paid on 1 August 2017 and $1,000,000 on 1 April 2018. The preference shares are redeemable at any point after April 2019 and before April 2022. Kepler Signaltek Limited will manufacture both power cords and high speed data cables exclusively for the healthcare sector and provides Volex with access to an enhanced healthcare product offering.

Consolidated Income Statement

For the 52 weeks ended 2 April 2017 (52 weeks ended 3 April 2016)

	Notes	**2017** Before non-recurring items and share-based payments $'000	**2017** Non-recurring items and share-based payments $'000	**2017** Total $'000	2016 Before non-recurring items and share-based payments $'000	2016 Non-recurring items and share-based payments $'000	2016 Total $'000
Revenue	2	319,584	–	319,584	367,534	–	367,534
Cost of sales		(264,125)	(13,112)	(277,237)	(307,167)	(1,848)	(309,015)
Gross profit		55,459	(13,112)	42,347	60,367	(1,848)	58,519
Operating expenses		(46,380)	(2,588)	(48,968)	(53,195)	(1,885)	(55,080)
Operating profit / (loss)	2	9,079	(15,700)	(6,621)	7,172	(3,733)	3,439
Finance income		19	–	19	18	–	18
Finance costs		(1,898)	–	(1,898)	(1,915)	–	(1,915)
Profit / (loss) on ordinary activities before taxation		7,200	(15,700)	(8,500)	5,275	(3,733)	1,542
Taxation	4	1,238	214	1,452	(3,942)	88	(3,854)
Profit / (loss) for the period attributable to the owners of the parent		8,438	(15,486)	(7,048)	1,333	(3,645)	(2,312)
Earnings / (loss) per share (cents)							
Basic	5	9.5		(7.9)	1.5		(2.6)
Diluted	5	9.5		(7.9)	1.5		(2.6)

Consolidated Statement of Comprehensive Income

For the 52 weeks ended 2 April 2017 (52 weeks ended 3 April 2016)

	2017	2016
	$'000	$'000
Profit / (loss) for the period	**(7,048)**	(2,312)
Items that will not be reclassified subsequently to profit or loss		
Actuarial gain / (loss) on defined benefit pension schemes	**(2,143)**	(405)
Tax relating to items that will not be reclassified	**–**	–
	(2,143)	(405)
Items that may be reclassified subsequently to profit or loss		
Gain / (loss) on hedge of net investment taken to equity	**(350)**	(135)
Gain / (loss) arising on cash flow hedges during the period	**317**	1,097
Exchange gain / (loss) on translation of foreign operations	**3,743**	(360)
Tax relating to items that may be reclassified	**–**	–
	3,710	602
Other comprehensive income / (loss) for the period	**1,567**	197
Total comprehensive income / (loss) for the period attributable to the owners of the parent	**(5,481)**	(2,115)

Consolidated Statement of Financial Position

As at 2 April 2017 (3 April 2016)	Notes	**2017** **$'000**	2016 $'000
Non-current assets			
Goodwill		**2,414**	2,741
Other intangible assets		**593**	986
Property, plant and equipment		**18,085**	33,338
Other receivables		**843**	1,539
Derivative financial instruments		**22**	–
Deferred tax asset		**2,948**	823
		24,905	39,427
Current assets			
Inventories		**36,040**	41,505
Trade receivables		**53,448**	55,210
Other receivables		**7,703**	8,378
Current tax assets		**505**	367
Derivative financial instruments		**380**	144
Cash and bank balances	8	**29,565**	30,738
		127,641	136,342
Total assets		**152,546**	175,769
Current liabilities			
Borrowings	8	**–**	5,164
Trade payables		**51,156**	53,814
Other payables		**24,993**	20,784
Current tax liabilities		**5,346**	6,183
Retirement benefit obligation		**719**	763
Provisions	9	**358**	1,771
Derivative financial instruments		**–**	76
		82,572	88,555
Net current assets / (liabilities)		**45,069**	47,787
Non-current liabilities			
Borrowings	8	**18,230**	28,823
Other payables		**432**	393
Deferred tax liabilities		**1,239**	2,133
Retirement benefit obligation		**3,682**	2,567
Provisions	9	**84**	1,946
		23,667	35,862
Total liabilities		**106,239**	124,417
Net assets		**46,307**	51,352
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		**(4,254)**	(7,964)
Own shares		**(867)**	(867)
Retained earnings		**2,096**	10,851
Total equity		**46,307**	51,352

Consolidated Statement of Changes in Equity

For the 52 weeks ended 2 April 2017 (52 weeks ended 3 April 2016)

	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 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**
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**

Consolidated Statement of Cash Flows

For the 52 weeks ended 2 April 2017 (52 weeks ended 3 April 2016)

	Notes	2017 $'000	2016 $'000
Net cash generated from / (used in) operating activities	7	15,897	1,798
Cash flow generated from / (used in) investing activities			
Interest received		19	18
Proceeds on disposal of intangible assets, property, plant & equipment		201	22
Purchases of property, plant & equipment		(2,464)	(5,961)
Purchases of intangible assets		(68)	(626)
Net cash generated / (used in) investing activities		(2,312)	(6,547)
Cash flows before financing activities		13,585	(4,749)
Cash generated / (used) before non-recurring items		19,326	(281)
Cash utilised in respect of non-recurring items		(5,741)	(4,468)
Cash flow generated from / (used in) financing activities			
Refinancing costs paid		(582)	–
Repayment of borrowings	8	(9,240)	(3,500)
New bank loans raised	8	–	6,872
Net cash generated from / (used) in financing activities		(9,822)	3,372
Net increase / (decrease) in cash and cash equivalents		3,763	(1,377)
Cash and cash equivalents at beginning of period	8	25,574	26,203
Effect of foreign exchange rate changes	8	228	748
Cash and cash equivalents at end of period	8	29,565	25,574

1. Basis of preparation

The preliminary announcement for the 52 weeks ended 2 April 2017 has been prepared in accordance with the accounting policies as disclosed in Volex plc's Annual Report and Accounts 2016, as updated to take effect of any new accounting standards applicable for the period as set out in Volex plc's Interim Statement 2017.

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 2 April 2017, 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 3 April 2016 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, the facility has reduced to $30 million but is available until June 2019. The facility 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 8 June 2017.

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 2 April 2017		52 weeks to 3 April 2016
	Revenue $'000	**Profit / (loss) $'000**	Revenue $'000	Profit / (loss) $'000
Power Cords	**188,256**	**3,228**	230,205	2,293
Cable Assemblies	**131,328**	**10,528**	137,329	9,842
Unallocated central costs	**–**	**(4,677)**	–	(4,963)
Divisional results before share-based payments and non-recurring items	**319,584**	**9,079**	367,534	7,172
Non-recurring operating items		**(15,232)**		(4,742)
Share-based payment credit / (expense)		**(468)**		1,009
Operating profit / (loss)		**(6,621)**		3,439
Finance income		**19**		18
Finance costs		**(1,898)**		(1,915)
Profit / (loss) before taxation		**(8,500)**		1,542
Taxation		**1,452**		(3,854)
Profit / (loss) after taxation		**(7,048)**		(2,312)

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**	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Asia (excluding India)	**182,079**	225,053	**16,914**	32,068
North America	**78,084**	80,802	**1,090**	1,532
Europe	**52,752**	50,305	**3,179**	3,614
India	**4,929**	6,878	**774**	897
South America	**1,740**	4,496	**–**	493
	319,584	367,534	**21,957**	38,604

3. Non-recurring items

	2017	2016
	$'000	$'000
Impairment / product portfolio realignment	**12,491**	1,498
Restructuring costs	**1,656**	2,693
Manufacturing optimisation consultancy	**815**	–
Movement in onerous lease provisions	**270**	1,151
Provision for historic sales tax claims	**–**	(600)
Total non-recurring items	**15,232**	4,742

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

During the current year, the Group has incurred $1,656,000 (2016: $2,693,000) of restructuring spend in response to the reduced revenues of the Group. The non-recurring cost can be split into several distinct elements:

- An operational element of $1,604,000 (2016: $1,372,000) 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 redundancies associated with the closure of our Brazil, Ireland, Austin and Jakarta operations.
- An executive and senior management change element of $52,000 (2016: $1,321,000). The current year charge relates to the departure of the Head of Engineering. The prior 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).

Following his appointment in November 2016, the Executive Chairman sought to address the production issues facing our factories across the globe in order to make them more cost competitive. To support the management function, an external manufacturing consultancy was employed on a fixed term contract of 9 months, to advise on manufacturing best practice and implementation. This contract expired in December 2016 and has therefore been classified as non-recurring. Costs associated with this contract totalled $815,000.

The Group has incurred an onerous lease charge in the period of $270,000 primarily in relation to the sub-let of a property in North America. The sub-lease is for the full head lease term and mirrors the head lease clauses with the exception of an initial quarter rent free period. The prior year charge of $1,151,000 followed a revision to underlying assumptions included in the provision calculation of a UK onerous property. The lease on this UK property was exited in the current year with a $50,000 credit arising from the release of surplus provision.

4. Taxation

	2017	2016
	$'000	$'000
Current tax – charge for the period	**1,328**	3,376
Current tax – adjustment in respect of previous periods	**(58)**	452
Total current tax	**1,270**	3,828
Deferred tax	**(2,722)**	26
Income tax (credit) / expense	**(1,452)**	3,854

5. Earnings / (loss) per ordinary share

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

Earnings / (loss)	**2017**	2016
	$'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	**(7,048)**	(2,312)
Adjustments for:		
Non-recurring items	**15,232**	4,742
Share-based payments charge / (credit)	**468**	(1,009)
Tax effect of above adjustments	**(214)**	(88)
Underlying earnings / (loss)	**8,438**	1,333

	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	**281,330**	27,370
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**89,237,862**	88,983,902

	2017	2016
Basic earnings / (loss) per share	**Cents**	Cents
Basic earnings / (loss) per share	**(7.9)**	(2.6)
Adjustments for:		
Non-recurring items	**17.1**	5.3
Share-based payments charge / (credit)	**0.5**	(1.1)
Tax effect of above adjustments	**(0.2)**	(0.1)
Underlying basic earnings / (loss) per share	**9.5**	1.5

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

Diluted earnings per share		
Diluted earnings / (loss) per share	**(7.9)**	(2.6)
Adjustments for:		
Non-recurring items	**17.1**	5.3
Share-based payments charge / (credit)	**0.5**	(1.1)
Tax effect of above adjustments	**(0.2)**	(0.1)
Underlying diluted earnings / (loss) per share	**9.5**	1.5

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

The Group had 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 was available until 15 June 2018.

The amount available under the facility at 2 April 2017 was $45.0 million (2016: $45.0 million). The facility was secured by fixed and floating charges over the assets of certain Group companies.

The terms of the facility required 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 have resulted in cancellation of the facility.

Post year end the facility has been extended to 30 June 2019. As part of the extension, Clydesdale Bank plc exited the syndicate with the total facility reducing from $45.0 million to $30.0 million. The leverage covenant has been amended to calculate using total debt rather than net debt with the ratios adjusted accordingly.

In the current year, professional fees of $582,000 were incurred in relation to the extension of the facility to June 2018. Of this $150,000 was paid to the Syndicate to agree to the amendment. The $582,000 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

	2017	2016
	$'000	$'000
Profit / (loss) for the period	**(7,048)**	(2,312)
Adjustments for:		
Finance income	**(19)**	(18)
Finance costs	**1,898**	1,915
Income tax expense	**(1,452)**	3,854
Depreciation on property, plant and equipment	**4,927**	6,162
Amortisation of intangible assets	**441**	1,018
Impairment loss	**12,491**	1,498
(Gain) / Loss on disposal of property, plant and equipment	**61**	25
Share option payment (credit) / charge	**468**	(1,009)
Decrease / (increase) in provisions	**(3,837)**	(1,203)
Effects of foreign exchange rate changes	**407**	126
Operating cash flow before movement in working capital	**8,337**	10,056
Decrease / (increase) in inventories	**5,382**	1,897
Decrease / (increase) in receivables	**2,376**	10,609
(Decrease) / increase in payables	**3,070**	(14,433)
Movement in working capital	**10,828**	(1,927)
Cash generated from / (used in) operations	**19,165**	8,129
Cash generated from / (used in) operations before non-recurring items	**24,906**	12,597
Cash utilised by operating non-recurring items	**(5,741)**	(4,468)
Taxation paid	**(2,102)**	(4,489)
Interest paid	**(1,166)**	(1,842)
Net cash generated from / (used in) operating activities	**15,897**	1,798

8. Analysis of net debt

	Cash and cash equivalents $'000	Bank loans $'000	Debt issue costs $'000	Total $'000
At 5 April 2015	26,203	(25,159)	836	1,880
Cash flow	(1,377)	(3,372)	–	(4,749)
Exchange differences	748	(734)	(19)	(5)
Other non-cash changes	–	–	(375)	(375)
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**

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 $421,000 (FY2016: $375,000).

Analysis of cash and cash equivalents:	**2017**	2016
	$'000	$'000
Cash and bank balances	**29,565**	30,738
Bank overdrafts	**–**	(5,164)
Cash and cash equivalents	**29,565**	25,574

9. Provisions

	Property	**Corporate restructuring**	**Other**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
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**
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**
Less: included in current liabilities	**32**	–	**326**	**358**
Non-current liabilities	**20**	**64**	–	**84**

Property provisions

During the 52 weeks ended 2 April 2017, the Group negotiated the early release from its contractual commitments under the lease on Greenfold Way ('GFW'), the old UK headquarters and factory based in Leigh. In return for the early release, the Group paid a surrender premium of $2,481,000. At prior year end, an onerous lease provision was held against GFW and following this payment, surplus provision of $50,000 was released through the non-recurring items charge. The remaining provision of $32,000 has been retained to cover any incidental costs associated with this property.

In the prior year, following revisions to assumptions in the onerous lease provision calculations, a further $1,151,000 onerous lease charge was booked as a non-recurring item.

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)

	2017	2016
	$'000	$'000
Operating profit	**(6,621)**	3,439
Add back:		
Non-recurring items	**15,232**	4,742
Share-based payment (credit) / charge	**468**	(1,009)
Underlying operating profit	**9,079**	7,172
Depreciation of property, plant and equipment	**4,927**	6,162
Amortisation of acquired intangible assets	**441**	1,018
Underlying EBITDA	**14,447**	14,352

11. Events after balance sheet date

The Group has successfully completed an extension of its senior credit facility to June 2019 (previously due to expire in June 2018). As part of this extension, Clydesdale Bank plc exited the syndicate. Lloyds Banking Group plc and HSBC Bank plc have both retained their positions and credit offering with the size of the facility duly reducing from $45.0 million to $30.0 million. Given the cash generation in the year, management is confident that the Group can operate within this facility level.

On 12 April 2017, the Group entered into a shareholder agreement with Kepler Signaltek Limited to establish a new joint venture and acquired 26.09% of the voting shares of the company for consideration of $300,000. This amount was paid on 19 April 2017. A commitment to subscribe for $1,700,000 of preference shares which accrue interest at 10% per annum was also made with $700,000 due to be paid on 1 August 2017 and $1,000,000 on 1 April 2018. The preference shares are redeemable at any point after April 2019 and before April 2022. Kepler Signaltek Limited will manufacture both power cords and high speed data cables exclusively for the healthcare sector and provides Volex with access to an enhanced healthcare product offering.