11 November 2016

VOLEX plc

Half year results for the 26 weeks ended 2 October 2016

'Strong cash flow generation returns the group to a net cash position'

Volex plc ('Volex'), the global provider of cable assemblies, today announces its interim results for the 26 weeks to 2 October 2016 ('H1 FY2017').

Financial Summary	26 weeks to 2 October 2016	26 weeks to 4 October 2015	% Change
Revenue	**$166.1m**	**$189.4m**	(12.3%)
Underlying* operating profit / (loss)	**$4.3m**	**$4.2m**	2.3%
Statutory operating profit / (loss)	**($4.6m)**	**$3.9m**	Nm
Underlying* profit / (loss) before tax	**$3.3m**	**$3.3m**	-
Statutory profit / (loss) before tax	**($5.6m)**	**$3.0m**	Nm
Basic earnings / (loss) per share	**(7.5c)**	**1.1c**	Nm
Underlying diluted earnings / (loss) per share	**2.5c**	**1.5c**	66.7%
Cash generated by / (used by) operations	**$11.3m**	**$2.5m**	360.2%
Net cash / (debt)	**$5.2m**	**($5.4m)**	Nm

* Before non-recurring items and share-based payments

Financial highlights

- $11.3 million of cash generated by operations through tight working capital management returns the Group to net cash at period end.
- Underlying operating profit is up 2.3% on H1 FY2016 despite a 12.3% reduction in sales.
- The revenue decline from our largest customer (21.7% decline) has been managed by a reduction in our Power manufacturing footprint. This has resulted in a non-cash impairment charge of $6.2 million.
- Underlying operating expenses for the half year have reduced by $3.6 million or 13.5% as the benefits from removing the divisional management structure in the prior year and further cost reduction measures taken in the first half of 2016 are observed.
- A $4.6 million statutory operating loss after tax was recorded (after the $6.2 million impairment charge and $1.1 million of non-recurring costs associated with the down-sizing of the Brazilian operation).
- US facility successfully exited and 50% size reduction in our Singapore head office.
- Underlying diluted EPS up 60% to 2.5c following a reduction in the global tax charge.
- Basic loss per share of 7.5c recorded reflecting the impairment charge taken in the half year.

Nat Rothschild, Executive Chairman, said:

"I am pleased to report that underlying profitability has been maintained at prior year levels reflecting the actions that we have taken to address the continuing decline in revenues from several of our larger customers.

There has been strong progress at the factory level with improvements in operational efficiency and reductions in inventories and factory operating expenses. Through the difficult actions we have taken in the first half of the year, which have included the downsizing of one of our Chinese facilities and the closure of our Brazil facility, factory profitability should improve in the second half of the year as we run at higher capacity with lower overheads.

Furthermore, work at our previously announced joint venture agreement with a Taiwanese manufacturer continues with the aim of producing competitively priced Volex-branded AC raw cables. We hope to benefit from this arrangement in the next financial year.

We have an encouraging set of projects in the sales pipeline, however, we anticipate that the benefits arising from these will not be realised for at least another twelve months (the lead time to bring on new accounts). In the meantime, 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".

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Volex plc

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RESULTS FOR THE 26 WEEKS ENDED 2 OCTOBER 2016

Introduction

The Board is pleased to report its results for the half year to 2 October 2016 which has seen the Group maintain its underlying profitability despite a 12 % reduction in sales. The significant cost reduction measures taken late last year (which included the removal of the divisional management teams), the ongoing rigorous cost control and favourable foreign exchange rate movements have all helped to offset the lost profit contribution from lower sales.

Of the $23.3 million Group revenue reduction to $166.1 million, a significant proportion (circa 42%) can be attributed to our largest customer. Our reliance on this customer has lessened somewhat in H1 FY2017 with their contribution to group revenue reducing from 26% in FY2016 to 21% in the current half year. This revenue concentration has long been identified as a risk to Volex, however, we would expect the risk to reduce in the future as the account is expected to decline further over the next few years. The continuing contraction of the PC market and product miniaturisation (leading to more power devices which can be charged with a USB cord and a power adapter rather than a conventional powercord) will further reduce demand and hence the need to diversify our customer base through on-boarding new customers and growing other accounts.

This revision of our sales strategy from that of focusing on our large existing customers to targeting new accounts has resulted in personnel changes within our sales function. 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.

In the first half of the year, the Group has reacted to the revenue reduction by further reducing its cost base. The significant actions taken last year (which included not only the removal of the divisional management teams but also the down-sizing of the Board, consolidation of executive management roles, removal of both direct and indirect labour heads at our factories and a significant down-sizing of our Brazilian facility) enabled the Group to report a modest increase to underlying operating profit for H1 FY2017, however, due to the continued contraction the following actions have also been taken:

- 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;
- Commenced a review of our stock-holding hub network in Asia with a view to consolidating hub locations. In the first half, 3 hubs have been closed with further opportunities identified in the second; and
- Closure of a US facility and a 50% reduction in the size of our Singapore headquarters.

The impact of all of the above has been to reduce underlying fixed costs by $3.5 million in the half year.

Furthermore the manufacturing optimisation reviews taking place in each of the factories has helped improve the underlying gross margin despite the deleveraging effect of lower volumes passing through certain factories. As presented within the FY2016 year-end accounts, our Mexico facility had been chosen as the pilot site in which all aspects of the production process are being reviewed and improved. During H1 FY2017 this project has continued as well as being extended to all of our other facilities. The tangible benefit of this factory focus can be seen in the slight margin improvement from 16.7% in H1 FY2016 to 16.9% in H1 FY2017 despite the 12.3% reduction in sales.

The reduction in Power revenue and subsequent downsizing of Power's largest Chinese facility resulted in a fixed asset impairment charge of $6.2 million during H1 FY2017. A further charge of $1.1 million was incurred in relation to the closure of the Brazil factory. Combined with other one-off costs, a total non-recurring charge of $8.7 million was recorded in the half year. As a result a statutory operating loss of $4.6 million is reported for the half year versus a statutory operating profit of $3.9 million in the same period last year.

Further detailed analysis of the trading divisions is given on the subsequent pages.

Trading performance

Power Cords Division

$'000	26 weeks ended 4 October 2015	**26 weeks ended 2 October 2016**	52 weeks ended 3 April 2016
Top 3 customers*	54,098	42,924	111,563
Other customers	63,335	57,479	118,642
Revenue	117,433	**100,403**	230,205
Underlying gross profit	15,220	**14,234**	29,750
Underlying gross margin	*13.0%*	***14.2%***	*12.9%*
Operating costs	(13,862)	**(12,765)**	(27,457)
Underlying operating profit	1,358	**1,469**	2,293
Underlying operating margin	*1.2%*	***1.5%***	*1.0%*

*According to H1 FY2016 revenue distribution

Volex designs and manufactures power cords, duck heads and related products that are sold to the 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.

The Power division revenue for H1 FY2017 was $100.4 million, down 14.5% on the prior period. This downturn was observed across nearly the entire customer base and reflected further softening in Volex's core end markets as well as the impact of competing technologies and intense competition.

The global PC market continues to shrink with global shipments in the period April to September 2016 down 5% 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 7% reduction in shipments (for the period January to June 2016). Our largest customer has seen its tablet sales volume reduce by 5% year on year and its laptop sales reduce by 13%.

In addition to the contraction of 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 and the move to cordless household products are just two 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 first half 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.

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 high 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 the second half of the year, 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 gross profit has reduced to $14.2 million from $15.2 million in H1 FY2016, representing a gross margin of 14.2% (H1 FY2016: 13.0%). The principal reason for the improvement in gross margin is a more favourable product mix. Actions taken to reduce costs include:

- 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 Shenzhen and focus a larger proportion of its production on its largest customer. Zhongshan and Batam enjoy lower labour costs and should further benefit from economies of scale as greater PVC cable volumes pass through these factories;
- Continuing the alternate procurement sourcing programme in which a new cable supplier was integrated into the supply chain, reducing certain cable costs by 3%;
- Extending the manufacturing optimization reviews to each of the Power 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 H1 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 with work on the safety certification set to commence in November 2016 following the on schedule receipt in the first half year of all required business licences.

Operating costs have reduced by $1.1 million to $12.8 million following the actions taken in FY2016 to remove the Power divisional management team.

Given the decline in Power revenues and the downsizing of the Shenzhen facility, the fixed asset base of Shenzhen was reviewed for potential impairment during the half year. Writing off now redundant machinery acquired over the past ten years and aligning the remaining book value with the forecast profitability from the Shenzhen Power business has resulted in a non-cash impairment charge of $6.2 million in the period. This has been reported as a non-recurring item.

Cable Assemblies Division

$'000	26 weeks ended 4 October 2015	**26 weeks ended 2 October 2016**	52 weeks ended 3 April 2016
Top 3 customers*	42,106	37,618	79,934
Other customers	29,890	28,076	57,395
Revenue	71,996	**65,694**	137,329
Underlying gross profit	16,393	**13,788**	30,617
Underlying gross margin	*22.8%*	***21.0%***	*22.3%*
Operating costs	(10,924)	**(8,976)**	(20,775)
Underlying operating profit	5,469	**4,812**	9,842
Underlying operating margin	*7.6%*	***7.3%***	*7.2%*

*According to H1 FY2016 revenue distribution

Volex designs and manufactures a broad range of cables and connectors (ranging from high speed copper and fiber-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.

Revenue for H1 FY2017 was $65.7 million, down 8.8% on the prior period but in line with H2 FY2016. Revenue from the largest Data customer, operating in the Healthcare sector, was actually up 13.8% due to their strategy to consolidate a fragmented supply chain, with Volex benefiting from this effect. However, this growth was off-set by a fall in sales to a leading legacy mobile telecommunications customer which continues to see its market share decline and a fall in sales to our largest transportation customer which is suffering from a cyclical drop in truck sales (US truck sales for the period April to August 2016 are down 15% on the prior year).

The revenue from the remaining customers fell by 6.1% to $28.1 million reflecting an over reliance on legacy business which Volex has been slow to address, such as internal cables used in PC's (significantly down) and household appliances (increased competition). Revenue growth was observed in our Data Centre, Industrial and Medical Robotic end markets both 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 an acoustic headset producer.

The underlying gross profit has reduced to $13.8 million from $16.4 million, representing a gross margin of 21.0% (H1 FY2016: 22.8%). 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 $1.9 million to $9.0 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 fell from $5.5 million in H1 FY2016 to $4.8 million in H1 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 $1.1 million has been recognised in respect of the closure of the factory.

Non-recurring items and share-based payments

Non-recurring items of $8.7 million have been incurred in the current period of which $6.2 million relates to the non-cash impairment of Power assets following the downturn in sales from our largest customer and downsizing of facilities (see Power discussion above) and $1.1 million relates to the closure of our Brazil operations (see Data discussion above). A further $0.6 million was incurred in relation to severance payments arising from the downsizing of functions and facilities across the Group.

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, to advise on manufacturing best practice and implementation. These consultants will complete their work in December 2016 and the cost has therefore been classified as non-recurring.

During H1 FY2017, the Group finalised the sub-let of its US facility incurring a cost of $0.3 million. The sub-lease mirrors the head lease terms through to lease expiry with the exception of a quarter's rent free period included within the provision made.

The prior year $1.1 million restructuring charge included $0.3 million for the departure of Christoph Eisenhardt (the former Chief Executive Officer), $0.4 million for the restructuring of the Power management team and $0.3 million for the right-sizing of our Brazilian operation.

The total cost of the former CEO's divisionalisation strategy, as well as the compensation of his management team, coupled with severances payments between FY2014 and FY2016 is estimated at $12.5 million.

In the prior year, off-setting the non-recurring charge was a $0.9 million credit for share-based payments arising from lapsed share options following the departure of certain employees. The current year charge of $0.1 million does not benefit from any similar lapses.

Tax

The Group incurred a tax charge of $1.1 million (H1 FY2016: $2.0 million). The underlying tax charge was $1.1 million (H1 FY2016: $2.0 million), representing an underlying effective tax rate of 32% (H1 FY2016: 60%), consistent with our expectation of the underlying ETR for the full year.

The reduction in the ETR reflects the work the Group has done to update its taxation of related party transactions and the tax effects of structural changes made within the Group over the past six months.

Half year position and cash flows

Balance sheet and refinancing

Net assets as at H1 FY2017 are $45.2 million, down $6.1 million from the prior year end. This is primarily due to the $6.2 million impairment booked against the fixed assets of the Power business (see Power discussion above).

The $1.8 million increase to the UK defined benefit pension provision (arising from the reduction in UK government gilts) is off-set by the $2.2 million translation gain arising from converting the UK held liabilities into USD for presentation purposes post Brexit.

A $2.5 million reduction in provisions is observed, primarily due to the utilisation of the UK property provision held at prior year end. During H1 FY2017, a $2.5 million exit payment was made to release Volex from all of its obligations under the old UK head office lease. This lease ran to March 2020 with future payments totalling $4.8 million.

The Group was in a net cash position of $5.2 million at H1 FY2017, an improvement of $8.4 million versus prior year end. As reported in the year end accounts, in June 2016 the Group obtained a one year extension on its senior credit facility which now runs to June 2018. $0.6 million of costs were incurred in arranging this extension, all of which have been capitalised and are being amortised over the period to June 2018.

Cash flows

The underlying business generated $13.3 million from its operating activities (H1 FY2016: $0.6 million), with the improvement on prior year primarily as a result of better stock control. In addition, a further $4.2 million (H1 FY2016: $1.9 million) of non-recurring operational cash spend was incurred, including the $2.5 million UK onerous lease exit payment noted above.

$1.0 million of capital expenditure was incurred on tooling and machinery throughout the Group, down $3.5 million on the prior period, reflecting the heavy investment in the prior year on new product roll-outs.

Outlook

Volex's core markets are expected to remain highly competitive in the near term with second half revenues forecast to be marginally below that achieved in the first half.

Our focus for the coming year will continue to be on profitability and cash generation to further cement the foundation for the future. The strong progress achieved in the first half of the year to generate a greater return from our asset base through improved operational efficiencies and supply chain management will continue.

We will continue to prioritise growth in strategic sectors, such as Medical Robotics, over commodity volume business. Within the Industrial market we are identifying and focusing on attractive segments, such as the electric charger market, an area with high potential, which plays to our strengths.

As we build on the progress made in the first half, we are in a better position to win new business. However, the cost base and factory footprint of the Group will be closely monitored to ensure they remain aligned with revenue performance.

Risks and uncertainties

Risks to Volex are anticipated and regularly assessed and internal controls are enhanced where necessary to ensure that such risks are appropriately mitigated. The principal risks and uncertainties facing the Group in the second half of the year remain those detailed in the FY2016 Annual Report and Accounts on pages 17 to 18, a copy of which is available on the website at www.volex.com.

The principal risks and uncertainties are summarised as:

- Competition and pricing pressure;
- Sales Channel Effectiveness;
- Customer concentration;
- Supplier dependency;
- Quality and product failure;
- Key personnel retention;
- Breach of financial covenants and liquidity;
- Copper price volatility; and
- Compliance with legislation and regulations.

Two further risks identified by the Board in the half year period are the impact of disruptive technologies such as improving batteries, wireless technology and USB-C and the exposure to foreign currencies. To help mitigate the first risk, Volex has split its engineering function into a traditional in-house function which helps identify new opportunities and threats and determines how Volex best responds to them and a "field application engineering" function which embeds itself into key customers and keeps Volex abreast of customer specific issues. Further the sales function is incentivised to identify new opportunities that are aligned with Volex's key strengths in high power distribution cables and rapid data transmission with reliable signal integrity. In order to mitigate the second risk, the Volex central finance function closely monitors the exposure to key currencies such as the Chinese Renminbi and Mexican Peso and hedges these currencies where appropriate.

Responsibility statement

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS34 'Interim Financial Reporting' as adopted by the EU.
- the interim management report includes a fair review of the information required by DTR 4.2.7R:
    - an indication of important events that have occurred during the first six months of the financial year, and their impact on the condensed set of financial statements, and
    - a description of the principal risks and uncertainties for the remaining six months of the year.
- the interim management report includes a fair review of the information required by DTR 4.2.8R:
    - related parties transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group in that period, and
    - any changes in the related parties transactions described in the Annual Report 2016 that could have a material effect on the financial position or performance of the Group in the current period.

Nathaniel Rothschild
Executive Chairman
11 November 2016

Daren Morris
Group Chief Financial Officer
11 November 2016

Unaudited consolidated income statement

For the 26 weeks ended 2 October 2016 (26 weeks ended 4 October 2015)

		26 weeks ended 2 October 2016			26 weeks ended 4 October 2015		
	Notes	Before non-recurring items and share-based payments **$'000**	Non-recurring items and share-based payments **$'000**	Total **$'000**	Before non-recurring items and share-based payments $'000	Non-recurring items and share-based payments $'000	Total $'000
Revenue	2	**166,097**	**-**	**166,097**	189,429	-	189,429
Cost of sales		**(138,075)**	**(6,966)**	**(145,041)**	(157,816)	-	(157,816)
Gross profit		**28,022**	**(6,966)**	**21,056**	31,613	-	31,613
Operating expenses		**(23,714)**	**(1,945)**	**(25,659)**	(27,402)	(329)	(27,731)
Operating profit/(loss)	2	**4,308**	**(8,911)**	**(4,603)**	4,211	(329)	3,882
Finance income		**11**	**-**	**11**	9	-	9
Finance costs		**(1,014)**	**-**	**(1,014)**	(927)	-	(927)
Profit/(loss) on ordinary activities before taxation		**3,305**	**(8,911)**	**(5,606)**	3,293	(329)	2,964
Taxation	4	**(1,072)**	**-**	**(1,072)**	(1,970)	-	(1,970)
Profit/(loss) for the period attributable to the owners of the parent		**2,233**	**(8,911)**	**(6,678)**	1,323	(329)	994
Earnings/(loss) per share (cents)							
Basic	5	**2.5**		**(7.5)**	1.5		1.1
Diluted	5	**2.5**		**(7.5)**	1.5		1.1

		52 weeks ended 3 April 2016		
	Notes	Before non-recurring items and share-based payments $'000	Non-recurring items and share based payments $'000	Total $'000
Revenue	2	367,534	-	367,534
Cost of sales		(307,167)	(1,848)	(309,015)
Gross profit		60,367	(1,848)	58,519
Operating expenses		(53,195)	(1,885)	(55,080)
Operating profit/(loss)	2	7,172	(3,733)	3,439
Finance income		18	-	18
Finance costs		(1,915)	-	(1,915)
Profit/(loss) on ordinary activities before taxation		5,275	(3,733)	1,542
Taxation	4	(3,942)	88	(3,854)
Profit/(loss) for the period attributable to the owners of the parent		1,333	(3,645)	(2,312)
Earnings/(loss) per share (cents)				
Basic	5	1.5		(2.6)
Diluted	5	1.5		(2.6)

Unaudited consolidated statement of comprehensive income

For the 26 weeks ended 2 October 2016 (26 weeks ended 4 October 2015)

	26 weeks to 2 October 2016 $'000	26 weeks to 4 October 2015 $'000	(Audited) 52 weeks to 3 April 2016 $'000
Profit/(loss) for the period	**(6,678)**	994	(2,312)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on defined benefit pension schemes	**(1,767)**	126	(405)
Tax relating to items that will not be reclassified	**-**	-	-
	(1,767)	126	(405)
Items that may be reclassified subsequently to profit or loss:			
Gain/(loss) on hedge of net investment taken to equity	**(292)**	106	(135)
Gain/(loss) arising on cash flow hedges during the period	**105**	155	1,097
Exchange gain/(loss) on translation of foreign operations	**2,366**	(2,007)	(360)
Tax relating to items that may be reclassified	**-**	-	-
	2,179	(1,746)	602
Other comprehensive income/(loss) for the period	**412**	(1,620)	197
Total comprehensive income/(loss) for the period	**(6,266)**	(626)	(2,115)

Unaudited consolidated statement of financial position

As at 2 October 2016 (4 October 2015)

	Note	**2 October 2016 $'000**	4 October 2015 $'000	(Audited) 3 April 2016 $'000
Non-current assets				
Goodwill		**2,512**	2,937	2,741
Other intangible assets		**692**	1,506	986
Property, plant and equipment		**24,763**	36,383	33,338
Other receivables		**1,007**	1,010	1,539
Deferred tax asset		**821**	1,005	823
		29,795	42,841	39,427
Current assets				
Inventories		**39,989**	51,631	41,505
Trade receivables		**55,267**	68,316	55,210
Other receivables		**6,663**	7,810	8,378
Current tax assets		**619**	275	367
Derivative financial instruments		**106**	-	144
Cash and bank balances	7	**33,432**	30,022	30,738
		136,076	158,054	136,342
Total assets		**165,871**	200,895	175,769
Current liabilities				
Borrowings	7	**-**	7,069	5,164
Trade payables		**56,956**	70,084	53,814
Other payables		**21,516**	25,178	20,784
Current tax liabilities		**5,765**	5,830	6,183
Retirement benefit obligation		**748**	789	763
Provisions		**1,227**	2,576	1,771
Derivative financial instruments		**-**	1,059	76
		86,212	112,585	88,555
Net current assets		**49,864**	45,469	47,787
Non-current liabilities				
Borrowings	7	**28,270**	28,383	28,823
Other payables		**419**	481	393
Deferred tax liabilities		**1,955**	2,447	2,133
Retirement benefit obligation		**3,772**	2,526	2,567
Provisions		**-**	1,455	1,946
		34,416	35,292	35,862
Total liabilities		**120,628**	147,877	124,417
Net assets		**45,243**	53,018	51,352
Equity attributable to owners of the parent				
Share capital		**39,755**	39,755	39,755
Share premium account		**7,122**	7,122	7,122
Non-distributable reserve		**2,455**	2,455	2,455
Hedging and translation reserve		**(5,785)**	(10,312)	(7,964)
Own shares		**(867)**	(867)	(867)
Retained earnings		**2,563**	14,865	10,851
Total equity		**45,243**	53,018	51,352

Unaudited Consolidated Statement of Changes in Equity

For the 26 weeks ended 2 October 2016 (26 weeks ended 4 October 2015)

	Share capital $'000	Share premium account $'000	Non-distributable reserves $'000	Hedging and translation reserve $'000	Own shares $'000	Retained earnings/ (losses) $'000	Total equity $'000
Balance at 5 April 2015	**39,755**	**7,122**	**2,455**	**(8,566)**	**(867)**	**14,609**	**54,508**
Profit for the period attributable to the owners of the parent	-	-	-	-	-	994	994
Other comprehensive income/ (loss) for the period	-	-	-	(1,746)	-	126	(1,620)
Total comprehensive income/ (loss) for the period	-	-	-	(1,746)	-	1,120	(626)
Reserve entry for share option charges/(credit)	-	-	-	-	-	(864)	(864)
Balance at 4 October 2015	**39,755**	**7,122**	**2,455**	**(10,312)**	**(867)**	**14,865**	**53,018**
Balance 3 April 2016	**39,755**	**7,122**	**2,455**	**(7,964)**	**(867)**	**10,851**	**51,352**
Profit for the period attributable to the owners of the parent	-	-	-	-	-	(6,678)	(6,678)
Other comprehensive income/ (loss) for the period	-	-	-	2,179	-	(1,767)	412
Total comprehensive income/ (loss) for the period	-	-	-	2,179	-	(8,445)	(6,266)
Reserve entry for share option charges/(credit)	-	-	-	-	-	157	157
Balance at 2 October 2016	**39,755**	**7,122**	**2,455**	**(5,785)**	**(867)**	**2,563**	**45,243**

Unaudited consolidated statement of cash flows

For the 26 weeks ended 2 October 2016 (26 weeks ended 4 October 2015)

	Notes	26 weeks to 2 October 2016 $'000	26 weeks to 4 October 2015 $'000	(Audited) 52 weeks to 3 April 2016 $'000
Profit/(loss) for the period		**(6,678)**	994	(2,312)
Adjustments for:				
Finance income		**(11)**	(9)	(18)
Finance costs		**1,014**	927	1,915
Income tax expense		**1,072**	1,970	3,854
Depreciation of property, plant and equipment		**2,830**	3,094	6,162
Impairment of property, plant and equipment		**6,593**	-	1,498
Amortisation of intangible assets		**355**	364	1,018
Loss on disposal of property, plant and equipment		**5**	16	25
Share option charge/(credit)		**170**	(927)	(1,009)
Effects of foreign exchange rate changes		**279**	(88)	(1,203)
Increase/(decrease) in provisions		**(2,664)**	(1,166)	126
Operating cash flow before movements in working capital		**2,965**	5,175	10,056
(Increase)/decrease in inventories		**1,653**	(8,422)	1,897
(Increase)/decrease in receivables		**2,137**	(1,581)	10,609
Increase/(decrease) in payables		**4,566**	7,288	(14,433)
Movement in working capital		**8,356**	(2,715)	(1,927)
Cash generated by operations		**11,321**	2,460	8,129
Cash generated by operations before non-recurring items		**15,510**	4,338	12,597
Cash utilised by non-recurring items		**(4,189)**	(1,878)	(4,468)
Taxation paid		**(1,606)**	(2,842)	(4,489)
Interest paid		**(607)**	(902)	(1,842)
Net cash generated from/(used in) operating activities		**9,108**	(1,284)	1,798
Cash flow from investing activities				
Interest received		**11**	9	18
Proceeds on disposal property, plant and equipment		**99**	2	22
Purchases of property, plant and equipment		**(1,031)**	(4,520)	(5,961)
Purchases of intangible assets		**(76)**	(474)	(626)
Net cash generated from/(used in) investing activities		**(997)**	(4,983)	(6,547)
Cash flow before financing activities		**8,111**	(6,267)	(4,749)
Cash generated/(used) before non-recurring items		**12,300**	(4,389)	(281)
Cash utilised in respect of non-recurring items		**(4,189)**	(1,878)	(4,468)
Cash flow from financing activities				
Repayment of borrowings		**-**	(3,500)	(3,500)
Refinancing costs paid		**(552)**	-	-
New bank loans raised		**-**	6,872	6,872
Net cash generated from/(used in) financing activities	7	**(552)**	3,372	3,372
Net increase/(decrease) in cash and cash equivalents		**7,559**	(2,895)	(1,377)
Cash and cash equivalents at beginning of period	7	**25,574**	26,203	26,203
Effect of foreign exchange rate changes		**299**	(355)	748
Cash and cash equivalents at end of period	7	**33,432**	22,953	25,574

Notes to the Interim Statements

1. Basis of preparation

These interim financial statements have been prepared in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the 52 weeks ended 3 April 2016, which have been prepared in accordance with IFRSs as adopted by the European Union.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The financial information presented for the 26 weeks ended 2 October 2016 and the 26 weeks ended 4 October 2015 ('H1 FY2016') has not been reviewed by the auditors. The financial information for the 52 weeks ended 3 April 2016 ('FY 2016') is extracted and abridged from the Group's full accounts for that year. The statutory accounts for FY 2016 have been filed with the Registrar of Companies for England and Wales and have been reported on by the Group's auditors. The Report of the Auditors was not qualified and did not contain a statement under Section 498 of the Companies Act 2006.

The interim report was approved by the Board of Directors on 11 November 2016.

This interim report can be downloaded or viewed via the Group's website at www.volex.com. Copies of the annual report for the financial year ended 3 April 2016 are available at the Company's registered office at 7/8 St. Martin's Place, London, WC2N 4HA, UK and can also be downloaded or viewed via the Group's website.

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 committed senior credit facility for the foreseeable future and should comply with associated 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. Accordingly, they continue to adopt the going concern basis in preparing these condensed financial statements.

The same presentation and methods of computation are followed in these condensed financial statements as applied in the Group's latest annual financial statements. These condensed financial statements have also been prepared using accounting policies consistent with International Financial Reporting Standards as adopted for use in the European Union ('IFRS') and which are consistent with those disclosed in the annual report and accounts for the year ended 3 April 2016. There are no standards, amendments to standards or interpretations that are both mandatory for the first time for the financial year ending 2 April 2017 and expected to have a material impact on the Group's results.

2. Business and geographical segments

Business 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 products which the Group supplies. In addition to the operating divisions, a Central division exists to capture all of the corporate costs incurred in supporting the operations.

Division	Description
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 and are used in numerous devices including medical equipment, data centres, telecoms networks and the automotive industry.
Central	Corporate costs that are not directly attributable to the manufacture and sale of the Group's products but which support the Group in its operations. Included within this division are the costs incurred by the executive management team and the corporate head office.

The Board believes that the segmentation of the Group based upon product characteristics allows it to best understand the Group's performance and profitability.

The following is an analysis of the Group's revenues and results by reportable segment.

	26 weeks to 2 October 2016		26 weeks to 4 October 2015	
	Revenue $'000	**Profit/(loss) $'000**	Revenue $'000	Profit/(loss) $'000
Power Cords	**100,403**	**1,469**	117,433	1,358
Cable Assemblies	**65,694**	**4,812**	71,996	5,469
Unallocated central costs (excluding share-based payments)		**(1,973)**		(2,616)
Divisional results before share-based payments and non-recurring items	**166,097**	**4,308**	189,429	4,211
Non-recurring items		**(8,741)**		(1,256)
Share-based payments		**(170)**		927
Operating profit		**(4,603)**		3,882
Finance income		**11**		9
Finance costs		**(1,014)**		(927)
Profit before tax		**(5,606)**		2,964
Tax		**(1,072)**		(1,970)
Profit after tax		**(6,678)**		944

2. Business and geographical segments (continued)

	(Audited) 52 weeks to 3 April 2016 Revenue $'000	Profit/(loss) $'000
Power Cords	230,205	2,293
Cable Assemblies	137,329	9,842
Unallocated central costs (excluding share-based payments)		(4,963)
Divisional results before share-based payments and non-recurring items	367,534	7,172
Non-recurring items		(4,742)
Share-based payments		1,009
Operating profit		3,439
Finance income		18
Finance costs		(1,915)
Profit before tax		1,542
Tax		(3,854)
Profit after tax		(2,312)

The accounting policies of the reportable segments are in accordance with the Group's accounting policies.

The non-recurring items charge within operating profit of $8,741,000 (H1 FY2016: $1,256,000, FY2016: $4,742,000) was split $6,485,000 (H1 FY2016: $422,000, FY2016: $1,802,000) to Power Cords, $1,616,000 (H1 FY2016: $320,000, FY2016: $1,349,000) to Cable Assemblies and $640,000 (H1 FY2016: $514,000, FY2016: $1,591,000) to Central.

Other segmental information

	External revenue			Non-current assets (excluding deferred tax assets)		
	26 weeks to 2 October 2016 $'000	26 weeks to 4 October 2015 $'000	(Audited) 52 weeks to 3 April 2016 $'000	**26 weeks to 2 October 2016 $'000**	26 weeks to 4 October 2015 $'000	(Audited) 52 weeks to 3 April 2016 $'000
Geographical segments						
Asia (excluding India)	**96,773**	114,978	225,053	**23,764**	34,943	32,068
North America	**39,503**	42,444	80,802	**1,202**	1,372	1,532
Europe	**25,878**	25,769	50,305	**3,136**	3,885	3,614
India	**2,360**	3,702	6,878	**857**	713	897
South America	**1,583**	2,536	4,496	**15**	923	493
	166,097	189,429	367,534	**28,974**	41,836	38,604

3. Non-recurring items and share-based payments

	26 weeks to 2 October 2016 $'000	26 weeks to 4 October 2015 $'000	(Audited) 52 weeks to 3 April 2016 $'000
Impairment	**6,166**	-	1,498
Restructuring costs	**1,636**	1,155	2,693
Manufacturing optimisation consultancy	**621**	-	-
Movement in onerous lease provision	**318**	101	1,151
Provision for historic sales tax claims	**-**	-	(600)
Total non-recurring items	**8.741**	1,256	4,742
Share-based payments (credit) / charge	**170**	(927)	(1,009)
Non-recurring items and share-based payments	**8,911**	329	3,733

Costs that are one-off in nature and significant, such as restructuring costs or impairment charges, are deemed to be non-recurring by virtue of their nature and size. They are included under the statutory classification appropriate to their nature but are separately disclosed on the face of the income statement to assist in understanding the financial performance of the Group.

Following a further downturn in Power revenue resulting in significant surplus capacity at our Power factories, a full review of the Power cost base was performed. As a consequence, one of the Power factory sites was downsized with one of the three available buildings returned to the landlord. This resulted in impairment of the associated building fit-out costs. Further the number of production lines running in the remaining two buildings was reduced resulting in impairment of the redundant plant, machinery and tooling. This has resulted in a $6,166,000 impairment charge in the half year which followed a $1,498,000 impairment charge in the second half of FY2016.

Volex's operations in Brazil continued to struggle in the first half of the year despite the actions taken in FY2016. As a result, the decision was taken to suspend all manufacturing operations in Brazil until such further time as the Brazilian economy shows signs of recovery. $1,067,000 of restructuring cost has been expensed in H1 FY2017 (H1 FY2016: $315,000, FY2016: $336,000) following this decision covering fixed asset and inventory write downs plus provisions for severance pay and future litigation. The underlying trading loss, included within operating profit before non-recurring items and share-based payments, incurred by the Brazilian operations was $0.3m. Since operations had not fully ceased by 2 October 2016, the Brazil operations do not meet the requirements of a discontinued operation under IFRS 5 '*Non-current Assets Held for Sale and Discontinued Operations*'.

A further $569,000 (H1 FY2016: $840,000, FY2016: $2,357,000) of restructuring cost has been incurred in right-sizing our operations, primarily through severance pay at the Power factory noted above. The prior year figures included $282,000 in relation to the departure of the Chief Executive Officer and further costs covering management changes in the Power division.

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 expires in December 2016 and has therefore been classified as non-recurring.

The Group has incurred a non-recurring charge in the period of $318,000 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. In the prior year (H1 FY2016: $101,000, FY2016: $1,151,000) the onerous lease charge was in relation to a UK property. This property has been exited in H1 FY2017 with all exit payments in line with the provision held.

3. Non-recurring items and share-based payments (continued)

The Group has a share based payment charge of $170,000 in H1 FY2017. The prior year share based credit (H1 FY2016: credit of $927,000, FY2016: credit of $1,009,000) was due to the reversal of the cumulative charge associated with lapsed options following the departure of certain employees.

4. Tax charge

The Group tax charge for the period is based on the forecast tax charge for the year as a whole and has been influenced by the differing tax rates in the UK and the various overseas countries in which the Group operates.

5. Earnings per ordinary share

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

Earnings/(loss)	**26 weeks to 2 October 2016 $'000**	26 weeks to 4 October 2015 $'000	52 weeks to 3 April 2016 $'000
Earnings/(loss) for the purpose of basic earnings per share	**(6,678)**	994	(2,312)
Adjustments for:			
Non-recurring items	**8,741**	1,256	4,742
Share based payments charge/(credit)	**170**	(927)	(1,009)
Tax effect of above adjustments	**-**	-	(88)
Underlying earnings	**2,233**	1,323	1,333

Weighted average number of ordinary shares	No. shares	No. shares	No. shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	**88,956,532**	88,956,531	88,956,532
Effect of dilutive potential ordinary shares – share options	**38,862**	48,995	27,370
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**88,995,394**	89,005,526	88,983,902

Basic earnings/(loss) per share	**Cents**	Cents	Cents
Basic earnings/(loss) per share from continuing operations	**(7.5)**	1.1	(2.6)
Adjustments for:			
Non-recurring items	**9.8**	1.4	5.3
Share based payments charge/(credit)	**0.2**	(1.0)	(1.1)
Tax effect of above adjustments	**-**	-	(0.1)
Underlying basic earnings per share	**2.5**	1.5	1.5

Diluted earnings/(loss) per share			
Diluted earnings/(loss) per share	**(7.5)**	1.1	(2.6)
Adjustments for:			
Non-recurring items	**9.8**	1.4	5.3
Share based payments charge/(credit)	**0.2**	(1.0)	(1.1)
Tax effect of above adjustments	**-**	-	(0.1)
Underlying diluted earnings per share	**2.5**	1.5	1.5

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

6. Own shares

	26 weeks to 2 October 2016 $'000	26 weeks to 4 October 2015 $'000	(Audited) 52 weeks to 3 April 2016 $'000
At the start and end of the period	**867**	867	867

The own shares reserve represents the cost of shares in the Company held by the Volex Group plc Employee Share Trust to satisfy future share option exercises under the Group's share option schemes.

The number of ordinary shares held by the Volex Group plc Employee Share Trust at 2 October 2016 was 1,295,361 (H1 FY2016: 1,295,361, FY2016: 1,295,361).

In H1 FY2016 a further trust, the Volex Group Guernsey Purpose Trust, was terminated. The $1,182,000 of cash held by the trust was transferred to Volex plc and the intercompany balance of $39,000 repaid.

7. Analysis of net debt

	3 April 2016 $'000	Cash flow $'000	Exchange movement $'000	Other non-cash changes $'000	**2 October 2016 $'000**
Cash and cash equivalents	25,574	7,559	299	-	**33,432**
Bank loans	(29,265)	-	290	-	**(28,975)**
Debt issue costs	442	552	(85)	(204)	**705**
Net debt	(3,249)	8,111	504	(204)	**5,162**

	2 October 2016 $'000	4 October 2015 $'000	(Audited) 3 April 2016 $'000
Cash and bank balances	**33,432**	30,022	30,738
Overdrafts (included in short term borrowings)	**-**	(7,069)	(5,164)
Cash and cash equivalents	**33,432**	22,953	25,574

8. Related parties

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Included within the prior year restructuring charge shown in Note 3 is $282,000 for severance payments made to directors.

9. Contingent Liabilities

As a global Group, subsidiary companies, in the normal course of business, engage in significant levels of cross-border trading. The customs, duties and sales tax regulations associated with these transactions are complex and often subject to interpretation. While the Group places considerable emphasis on compliance with such regulations, including appropriate use of external legal advisors, full compliance with all customs, duty and sales tax regulations cannot be guaranteed.

Through the normal course of business, the Group provides manufacturing warranties to its customers and assurances that its products meet the required safety and testing standards. When the Group is notified that there is a fault with one of its products, the Group will provide a rigorous review of the defective product and its associated manufacturing process and if found at fault and contractually liable will provide for costs associated with recall and repair as well as rectify the manufacturing process or seek recompense from its supplier. The Group does not provide for such costs where fault has not yet been determined and investigations are ongoing.