14 November 2019

VOLEX plc

Half year results for the 26 weeks ended 29 September 2019

'Acquisitions on track, margin expansion and cash generation ahead of plan'

Volex plc ('Volex'), the global provider of Complex Assemblies, today announces its interim results for the 26 weeks to 29 September 2019 ('H1 FY2020').

Financial Summary	**26 weeks to 29 September 2019**	**26 weeks to 30 September 2018**	% Change
Revenue	**$195.7m**	**$182.4m**	7.3
Underlying* operating profit**	**$15.9m**	**$9.9m**	61.7
Statutory operating profit	**$10.4m**	**$5.7m**	82.5
Underlying* profit before tax	**$15.3m**	**$9.0m**	70.0
Statutory profit before tax	**$9.7m**	**$4.9m**	98.0
Basic earnings per share	**5.3c**	**2.7c**	96.3
Underlying diluted earnings per share	**8.5c**	**5.8c**	46.6
Interim dividend per share	**1.0p**	**-**	-
Net cash (before IFRS 16 Leases adjustment)***	**$7.9m**	**$24.9m**	(68.3)

* Before adjusting items (non-recurring items and amortisation of acquired intangibles) and share-based payments
** The Group has adopted the cumulative catch-up approach to the adoption of IFRS 16 ('Leases'). The impact during H1 FY2020 is a $0.4 million increase to operating profit and $0.2 million increase in finance costs.
*** Net cash is presented before the $7.2 million lease liability recognised on adoption of IFRS 16 Leases.

Operational highlights

- In July, we acquired Servatron, a US-based manufacturer of printed circuit board assemblies, box builds and complete sub-assembly solutions. The acquisition of Servatron in the North American market, as with that of Silcotec in the European market, allows us to continue to move up the value curve by offering more complex integrated manufacturing solutions to existing Volex customers
- We have identified further opportunities to restructure our operations to improve efficiencies and further reduce costs across our global factory footprint
- We have delivered further supply-chain improvements, including a major step towards vertically integrating our Power Cords business through the purchase in June of a Chinese cable manufacturing business, Ta Hsing
- We are in the process of significantly expanding the manufacturing capacity in our Batam factory to allow for the production of high-speed data cables outside of China for the first time
- We have been successful in winning two new global customers in our Power Cords division which will contribute to revenue in the second half

Financial highlights

- Underlying gross margins have improved significantly from 18.7% for H1 FY2019 to 23.1% for H1 FY2020 across our Power Cords and Complex Assemblies divisions as a result of rigorous cost control and profit analysis across individual product lines to ensure that margins are at acceptable levels. A beneficial change in the product mix has led to a higher proportion of higher-margin Complex Assemblies activity during the period

- Overall revenue has increased by 7.3% to $195.7 million as we reposition the business through targeted acquisitions and continue to reduce exposure to low-margin legacy customers
- Operating cash flow (before movements in working capital) has shown significant improvement, up by 108% to $17.5 million, due to the combined impact of the acquisitions and improved margins

Nat Rothschild, Executive Chairman, said:

"I am delighted to announce that Volex plc will recommence the payment of a dividend, starting with an interim dividend of one pence per share. This is the first dividend we have paid since 2013 and it has been made possible due to the significant re-positioning seen across our business during that period. We are now cash generative, creating healthy profits across our two business divisions, and in acquisitive growth mode.

We have a clear strategy to grow this business and increase shareholder value. We understand where we have the capability and expertise to be competitive in our chosen markets. For the first time, the higher-margin Complex Assemblies business made up the majority of our revenue in the first half of FY2020, in accordance with our strategy of repositioning Volex towards higher-margin value-added business. We are well known as a high-volume manufacturer of power cords but it is our Complex Assemblies business that now leads the way in terms of profit generation.

We continue to invest through acquisitions of complementary capabilities and, alongside our customers, in new programmes for data centres and electric vehicles. The businesses that we acquired in the prior year are now embedded within our organisation and operating successfully within the Group. We made another two acquisitions in the first half of this year. Servatron, a US-based integrated solutions manufacturer, expands our capability set and provides additional routes to service customer demand. Ta Hsing, a Chinese manufacturer of cable products, provides us with additional control over our power product supply chain while also reducing our costs.

Within Complex Assemblies we continue to deliver solutions to customers who value our engineering expertise. We use our knowledge in this area to ensure we deliver to the highest quality standards with economical pricing in defensible niche markets such as medical, instrumentation and advanced data centre applications.

Certain customer segments play to the strengths in our Power Cords division. We work best with customers who value high-quality products at a competitive price point. We are highly skilled at developing solutions that balance aesthetics and reliability, which positions us well to work with premium brands. We are working hard to develop new customer relationships as well as deliver innovation and efficiency to our existing customers.

Outlook

Looking forward, we are taking the opportunity to selectively invest in increasing capacity in our key facilities and leverage our global footprint. We are continuing to vertically integrate our power cord manufacturing capability and optimise our supply chain and production capacity to reflect economic trends.

Volex has again delivered a solid first-half performance with growth in trading profit and margins. Despite macroeconomic headwinds, our business is proving resilient. There are further significant opportunities for each of our business units to improve both sales and margin performance through rigorous execution of the strategy, in both the short and longer term. The Board remains confident of delivering its full-year expectations and in the Company's ability to drive shareholder value."

Contact details

Volex plc	+44 7909 995 887
Nat Rothschild, Executive Chairman	
Daren Morris, Chief Financial Officer and Company Secretary	
N+1 Singer - Nominated Adviser & Joint Broker	+44 20 7496 3000
Shaun Dobson	
Whitman Howard - Joint Broker	+44 20 7659 1234
Hugh Rich	
Nick Lovering	

RESULTS FOR THE 26 WEEKS ENDED 29 September 2019

Overview

The Board is pleased to report the results for the half year to 29 September 2019, which has seen the Group continue to grow and deliver improved margins.

$'000	**26 weeks ended 29 September 2019 Total**	26 weeks ended 30 September 2018 Total
Revenue	**195,706**	182,427
Cost of Sales	**(150,429)**	(148,404)
Underlying gross profit*	**45,277**	34,023
Underlying gross margin	***23.1%***	*18.7%*
Operating costs	**(29,331)**	(24,138)
Underlying operating profit*	**15,946**	9,885
Underlying operating margin	***8.1%***	*5.4%*

* Before adjusting items and share-based payment charges

Profitability in H1 FY2020 has seen a significant improvement in comparison to H1 FY2019. There are several reasons behind this. The Complex Assemblies business delivers higher margins because it is manufacturing products that require more intensive processing and development. Revenues from Complex Assemblies as a proportion of the combined Group have increased significantly since the comparative period as four of the five recent acquisitions sit within this division.

Margins have also improved due to lower input costs. This has come from a combination of negotiated price reductions from suppliers, lower commodity costs, including for copper, and favourable foreign exchange rates. This has been achieved without the need to add significant additional overhead or central costs.

Revenue has reduced slightly in our Power Cords division as we carefully manage the optimum customer and product mix to improve profitability. In Power Cords we have been very selective in which customer opportunities to pursue to help deliver consistent margins and to retain our commitment to high levels of quality and customer service. We continue to deliberately reduce our exposure to one major legacy customer which is the main reason for the decline in revenue. Our Complex Assemblies division is growing significantly as we see the benefit of our sales strategy bearing fruit and the acquisitions that have taken place over the last 18 months perform well.

One of our strategic objectives for the year is to continue the integration of the businesses we acquired in the last financial year as well as identify further acquisition targets. During the first half of FY2020 we have delivered successfully on both fronts. Our increased profitability in Complex Assemblies includes the contribution of the three businesses we acquired in FY2019: MC Electronics, Silcotec Europe and GTK. Each of these businesses is trading strongly and is operating effectively within the Group.

We acquired Servatron in July 2019 and Ta Hsing in June 2019. Servatron is a strategic addition to our Complex Assemblies division. It brings some strong customer relationships as well as technical capabilities that we did not possess within the Group. It also brings cross-selling opportunities as we introduce the Servatron skill set to our broader customer base. Ta Hsing produces wire and cable products and is a key supplier of our Power Cords division. Our acquisition of this business provides us with an opportunity to vertically integrate an important part of our supply chain.

During the period we recognised some costs associated with the relocation of one of our Chinese factories. We had reached the end of our lease for the manufacturing site and this provided us with an opportunity to rationalise our requirements and move into a building that better fits our future needs. This will result in some restructuring and transfer costs which have been recognised as an operating expense.

Volex plc will start paying a dividend in FY2020. This will commence with an interim dividend of 1.0 pence per share. This dividend will be paid on 5 February 2020 to those shareholders on the register as at 10 January 2020. The divisions are delivering strong and consistent cash flows and this supports our intention to maintain a sustainable and progressive dividend policy as we move forward.

Trading performance

Complex Assemblies Division

$'000	**26 weeks ended 29 September 2019**	26 weeks ended 30 September 2018	52 weeks ended 31 March 2019
Revenue	**104,613**	78,192	173,219
Underlying gross profit	**26,917**	15,224	37,141
Underlying gross margin	***25.7%***	*19.5%*	*21.4%*
Operating costs	**(15,196)**	(9,976)	(23,668)
Underlying operating profit	**11,721**	5,248	13,473
Underlying operating margin	***11.2%***	*6.7%*	*7.8%*

Volex designs and manufactures a broad range of cables and connectors that transfer electrical, 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 FY2020 was $104.6 million, up 33.8% on the prior period. This includes two months of Servatron revenue in H1 FY2020 and a full period of the three FY2019 acquisitions.

There has been an improvement to both underlying gross margin and underlying operating margin. This has been achieved through an improvement in product mix, and savings in production costs. The strength of the US dollar, which is the primary sales currency, has also helped margins.

The acquisitions in FY2019 delivered blue-chip customers, processes and excellent people to our organisation. There are areas of the market where we deliver products that exceed our customers' rigorous quality standards in applications where accuracy and reliability are critical. Our performance in the healthcare and data centre segments continues to be particularly strong. As we move forward, we are looking at how to leverage the experience we have in these segments to adjacent markets such as aerospace and defence.

Our high-speed data cables offer a market-leading solution in the demanding data centre space. Production of these cables was predominantly in China, and a significant volume of the sales are in the US. As a result of the trade tariffs introduced in 2018 on certain goods imported from China to the US, we have made a decision to move a proportion of production of these cables to our factory in Indonesia. This facility will ramp up to production volumes of these products in H2 FY2020. This demonstrates the value of our global manufacturing capability.

Servatron was acquired at the end of July, and the results above include two months of revenue which is $6.3 million. The acquisition introduces new capabilities to the Group in respect of printed circuit board assemblies, higher levels of system integration and complementary test technology. As already mentioned, there are significant cross-selling opportunities, and the ability to respond to the frequent requests we receive from our customers to deliver more complex assemblies.

The process of integrating and embedding the acquisitions into our global business has provided a platform to share best practice and drive consistency across the Group. This will benefit customer satisfaction and retention as well as providing an opportunity to further enhance margins.

Power Cords Division

$'000	**26 weeks ended 29 September 2019**	26 weeks ended 30 September 2018	52 weeks ended 31 March 2019
Revenue	**91,093**	104,235	198,885
Underlying gross profit	**18,360**	18,799	36,377
Underlying gross margin	***20.2%***	*18.0%*	*18.3%*
Operating costs	**(11,213)**	(10,735)	(23,148)
Underlying operating profit	**7,147**	8,064	13,229
Underlying operating margin	***7.8%***	*7.7%*	*6.7%*

Volex designs and manufactures power cords that are sold to the manufacturers of a broad range of electrical and electronic devices and appliances. Volex products are used in home entertainment and home computing devices, domestic and personal healthcare appliances, power tools and electric vehicles. Many of our customers are global household names operating in premium segments of the consumer market.

Revenues in the Power Cords segment have fallen in comparison to the first half of the previous financial year. The reduction was expected and is largely due to our decision to reduce our business with a significant consumer electronics customer. There will be further decline from this customer in the second half of the year, which will be partially offset by growth from programmes with new customers. We are also evaluating acquisition opportunities in the power space which is highly fragmented and ripe for consolidation.

Gross margins have improved from 18.0% to 20.2%. This has been achieved by identifying the correct price points for products and working on delivering efficiency. Most sales are in US dollars but a proportion of the cost base is in the local currency relevant to the production location. The strength of the dollar has helped improve margins, as have lower commodity costs, particularly in respect of copper.

Volex Power Cords products are known for their quality and solid engineering. A number of our competitors price very aggressively to secure market share, but it does not make commercial sense for Volex to compete on price in these situations because the margins are not acceptable given our quality requirements. We continue to focus on being profitable and delivering cost-effective solutions in the most efficient way. This includes our efforts to rationalise our product set. By producing fewer variants of our key products, we can reduce our costs, improving our pricing to customers and increasing our margins. An additional advantage of streamlining our offer is that we can simplify the quotation process and improve customer response times. It will take time for the benefits from this activity to come through because it will be necessary to seek relevant safety approval certificates.

The market for Power Cords is changing to accommodate consumer demands. We deploy our best-in-class engineering experience to help customers meet the challenges of safely delivering power to their new products. It is a combination of our ability to innovate as well as deliver on our commitment to quality that has helped us win new global customers during the period.

There is a culture of continual improvement across our manufacturing sites and we are investing in new technology to automate specific areas of our production. This activity is concentrated on where it will deliver the biggest benefit. As our manufacturing costs are reduced, we are able to re-engage with price-sensitive customers with a view to winning back share.

Group adjusting items and share-based payments

Adjusting items and share-based payments totalled $5.6 million in the period (H1 FY2019: $4.2 million).

Associated with the acquisitions, Volex has recognised certain intangible assets including customer relationships and order backlogs. As at 29 September 2019, the intangibles associated with Ta Hsing and Servatron are provisional and subject to change during the annual subsequent measurement period following each acquisition. The amortisation of these intangibles is non-cash and totals $2.8 million for the period.

During the acquisition process, we identify where there are key senior managers who have a critical role to play in the integration and successful operation of the acquired operation. Retaining these individuals is an important part of our acquisition strategy. As well as offering a competitive salary we also use share awards with strict performance criteria to retain key people and recognise exceptional performance in respect of the acquired business. This has resulted in an increase in the level of share-based payments during the period.

In H1 FY2019, the Group recognised $1.9 million of restructuring costs. In H1 FY2020, there have been no restructuring costs recognised as adjusting items. The prior period included $1.5 million associated with restructuring of the Shenzhen factory, a further $0.7 million expense relating to the closure of the facility in India and the release of a $0.3 million provision relating to an old potential claim. Where restructuring or re-configuration activity has occurred in the current period, it has been recognised as an operating expense in the relevant division. This is because the extent of the restructuring is not considered significant enough to require separate presentation.

During H1 FY2019 we incurred a total of $0.8 million of professional fees on the acquisitions of MC Electronics and Silcotec as well as certain post-acquisition retention payments. During the first half of FY2020, costs associated with the acquisitions have been less than $0.2 million.

Group taxation

The Group incurred a tax charge of $2.0 million (H1 FY2019: $1.5 million), representing an underlying effective tax rate of 15.7% (H1 FY2019: 18.1%). This is slightly higher than the estimated ETR for the full year. The decrease in ETR compared to 2019 is mainly due to the utilisation of tax losses within the Group.

Group net debt and cash flows

Net cash (before the IFRS 16 adjustment) decreased from $20.7 million at 31 March 2019 to $7.9 million at 29 September 2019. The Group generated a free cash flow after capital expenditure and tax, but before the cost of acquisitions, of $11.7 million. This included a cash operating inflow of $16.1 million and an adverse working capital movement of $1.3 million, as well as capital expenditure of $1.9 million and tax paid of $2.3 million. Under IFRS 16 Leases, a liability is recognised for the present value of the future commitment under operating leases. This liability totalled $7.2 million and is required to be shown within net debt. This produces a statutory net cash position of $0.6 million. As at 1 November 2019, net cash stood at $18.2 million.

The Servatron acquisition required $13.4 million of cash consideration and involved the assumption of $5.4 million of net debt. Ta Hsing cost $5.7 million after taking into account the cash on hand in the business.

In July, the Group extended its $30 million revolving credit facility with Lloyds Bank plc and HSBC UK Bank plc for three years on improved terms. The key terms of the extension were: a 40 basis point reduction in the non-utilisation fee and a 70 basis point reduction in interest-rate margin; fewer restrictions in key operational covenants; and a $10 million uncommitted "accordion" feature to provide further capacity, up to a total RCF limit of $40 million, for potential future acquisitions to support the group's strategy.

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. There are a number of potential risks that could have a material impact on the Group's financial performance. The principal risks and uncertainties include competitive threats, legal and regulatory issues, dependency on key suppliers or customers, movements in commodity prices or exchange rates, and quality issues. These risks and the relevant risk-mitigation activities are set out in the FY2019 Annual Report and Accounts on pages 24 to 27, a copy of which is available on the website at www.volex.com.

Nat Rothschild
Group Executive Chairman
13 November 2019

Daren Morris
Group Chief Financial Officer
13 November 2019

Unaudited consolidated income statement

For the 26 weeks ended 29 September 2019 (26 weeks ended 30 September 2018)

	Notes	**26 weeks ended 29 September 2019** Before Adjusting items $'000	Adjusting items and share-based payments $'000	Total $'000	26 weeks ended 30 September 2018 Before Adjusting items $'000	Adjusting items and share-based payments $'000	Total $'000
Revenue	2	**195,706**	**-**	**195,706**	182,427	-	182,427
Cost of sales		**(150,429)**	**-**	**(150,429)**	(148,404)	(1,666)	(150,070)
Gross profit		**45,277**	**-**	**45,277**	34,023	(1,666)	32,357
Operating expenses		**(29,331)**	**(5,559)**	**(34,890)**	(24,138)	(2,495)	(26,633)
Operating profit/(loss)	2	**15,946**	**(5,559)**	**10,387**	9,885	(4,161)	5,724
Share of net loss from associates		**-**	**-**	**-**	(210)	-	(210)
Finance income		**93**	**-**	**93**	42	-	42
Finance costs		**(776)**	**-**	**(776)**	(703)	-	(703)
Profit/(loss) on ordinary activities before taxation		**15,263**	**(5,559)**	**9,704**	9,014	(4,161)	4,853
Taxation	4	**(2,401)**	**451**	**(1,950)**	(1,628)	88	(1,540)
Profit/(loss) for the period attributable to the owners of the parent		**12,862**	**(5,108)**	**7,754**	7,386	(4,073)	3,313
Earnings per share (cents)							
Basic	5	**8.8**		**5.3**	6.0		2.7
Diluted	5	**8.5**		**5.1**	5.8		2.6

	Notes	52 weeks ended 31 March 2019 Before Adjusting items $'000	Adjusting Items and share-based payments $'000	Total $'000
Revenue	2	372,104	-	372,104
Cost of sales		(298,586)	-	(298,586)
Gross profit		73,518	-	73,518
Operating expenses		(51,912)	(8,614)	(60,526)
Operating profit/(loss)	2	21,606	(8,614)	12,992
Share of net loss from associates		(210)	-	(210)
Finance income		129	-	129
Finance costs		(1,276)	-	(1,276)
Profit/(loss) on ordinary activities before taxation		20,249	(8,614)	11,635
Taxation	4	(2,650)	221	(2,429)
Profit/(loss) for the period attributable to the owners of the parent		17,599	(8,393)	9,206
Earnings per share (cents)				
Basic	5	13.1		6.9
Diluted	5	12.7		6.7

Unaudited consolidated statement of comprehensive income

For the 26 weeks ended 29 September 2019 (26 weeks ended 30 September 2018)

	26 weeks to 29 September 2019 $'000	26 weeks to 30 September 2018 $'000	(Audited) 52 weeks to 31 March 2019 $'000
Profit for the period	**7,754**	3,313	9,206
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (loss)/gain on defined benefit pension schemes	**(488)**	331	305
Tax relating to items that will not be reclassified	-	-	-
	(488)	331	305
Items that may be reclassified subsequently to profit or loss:			
(Loss)/gain arising on cash flow hedges during the period	**(771)**	(626)	180
Exchange (loss)/gain on translation of foreign operations	**(1,558)**	437	579
Tax relating to items that may be reclassified	-	-	-
	(2,329)	(189)	759
Other comprehensive (loss)/income for the period	**(2,817)**	142	1,064
Total comprehensive income for the period	**4,937**	3,455	10,270

Unaudited consolidated statement of financial position

As at 29 September 2019 (30 September 2018)

	Note	**29 September 2019 $'000**	30 September 2018 $'000	(Audited) 31 March 2019 $'000
Non-current assets				
Goodwill		**25,751**	7,587	17,531
Other intangible assets		**18,498**	6,131	11,115
Property, plant and equipment		**22,152**	20,583	20,420
Right of use assets		**5,709**	-	-
Investments in associates		**-**	-	-
Other receivables		**2,829**	2,321	2,704
Deferred tax asset		**3,353**	4,311	4,271
		78,292	40,933	56,041
Current assets				
Inventories		**54,394**	51,536	49,122
Trade receivables		**76,587**	72,106	71,307
Other receivables		**7,162**	6,917	8,448
Current tax assets		**1,772**	713	1,092
Derivative financial instruments		**-**	46	374
Cash and bank balances	8	**17,880**	24,647	20,913
		157,795	155,965	151,256
Total assets		**236,087**	196,898	207,297
Current liabilities				
Borrowings	8	**9,922**	-	320
Trade payables		**39,815**	46,350	45,863
Other payables		**35,958**	30,074	30,212
Current tax liabilities		**4,299**	6,416	4,811
Retirement benefit obligation		**989**	881	975
Lease liabilities		**3,568**	-	-
Provisions		**661**	703	1,121
Derivatives financial instruments		**393**	476	-
		95,605	84,900	83,302
Net current assets		**62,190**	71,065	67,954
Non-current liabilities				
Borrowing		**38**	-	-
Other payables		**1,557**	1,419	988
Non current tax liabilities		**1,134**	-	1,134
Deferred tax liabilities		**6,529**	2,568	4,447
Retirement benefit obligation		**1,378**	1,466	1,460
Derivative financial instruments		**-**	10	-
Lease liabilities		**3,715**	-	-
Provisions		**263**	343	318
		14,614	5,806	8,347
Total liabilities		**110,219**	90,706	91,649
Net assets		**125,868**	106,192	115,648
Equity attributable to owners of the parent				
Share capital	6	**59,566**	58,111	58,792
Share premium account		**46,414**	42,807	44,532
Non-distributable reserve		**2,455**	2,455	2,455
Hedging and translation reserve		**(9,720)**	(8,339)	(7,391)
Own shares	7	**(1,509)**	(792)	(1,890)
Retained earnings		**28,662**	11,950	19,150
Total equity		**125,868**	106,192	115,648

Unaudited Consolidated Statement of Changes in Equity

For the 26 weeks ended 29 September 2019 (26 weeks ended 30 September 2018)

	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 1 April 2018	**39,755**	**7,122**	**2,455**	**(8,150)**	**(867)**	**7,829**	**48,144**
Profit for the period attributable to the owners of the parent	-	-	-	-	-	3,313	3,313
Other comprehensive income/ (loss) for the period	-	-	-	(189)	-	331	142
Total comprehensive income/ (loss) for the period	-	-	-	(189)	-	3,644	3,455
Shares issued	18,205	35,685	-	-	-	-	53,890
Exercise of deferred bonus shares	151	-	-	-	-	(151)	-
Own shares sold/(utilised) in the period	-	-	-	-	75	(31)	44
Reserve entry for share option charges/(credit)	-	-	-	-	-	659	659
Balance at 30 September 2018	**58,111**	**42,807**	**2,455**	**(8,339)**	**(792)**	**11,950**	**106,192**
Balance 31 March 2019	**58,792**	**44,532**	**2,455**	**(7,391)**	**(1,890)**	**19,150**	**115,648**
Profit for the period attributable to the owners of the parent	-	-	-	-	-	7,754	7,754
Other comprehensive income/ (loss) for the period	-	-	-	(2,329)	-	(488)	(2,817)
Total comprehensive income/ (loss) for the period	-	-	-	(2,329)	-	7,266	4,937
Shares issued	692	1,882	-	-	-	-	2,574
Exercise of deferred bonus shares	82	-	-	-	-	(82)	-
Own shares sold/(utilised) in the period	-	-	-	-	381	(139)	242
Reserve entry for share option charges/(credit)	-	-	-	-	-	2,467	2,467
Balance at 29 September 2019	**59,566**	**46,414**	**2,455**	**(9,720)**	**(1,509)**	**28,662**	**125,868**

Unaudited consolidated statement of cash flows

For the 26 weeks ended 29 September 2019 (26 weeks ended 30 September 2018)

	Notes	**26 weeks to 29 September 2019 $'000**	26 weeks to 30 September 2018 $'000	(Audited) 52 weeks to 31 March 2019 $'000
Profit for the period		**7,754**	3,313	9,206
Adjustments for:				
Finance income		**(92)**	(42)	(129)
Finance costs		**775**	703	1,276
Income tax expense		**1,950**	1,540	2,429
Share of net loss from associates		**-**	210	210
Depreciation of property, plant and equipment		**1,836**	1,594	3,318
Impairment of property, plant and equipment		**-**	249	-
Effects of foreign exchange rate changes		**7**	-	67
Amortisation of intangible assets		**2,811**	630	2,451
Loss on disposal of property, plant and equipment		**521**	125	324
Share option charge		**2,629**	832	2,388
(Decrease)/increase in provisions		**(741)**	(748)	(390)
Operating cash flow before movements in working capital		**17,450**	8,406	21,150
Decrease/(increase) in inventories		**1,153**	(2,790)	606
Decrease/(increase) in receivables		**4,534**	(12,888)	(10,196)
(Decrease)/increase in payables		**(6,974)**	(11,497)	(15,068)
Movement in working capital		**(1,287)**	(27,175)	(24,658)
Cash generated by operations		**16,163**	(18,769)	(3,508)
Cash generated by operations before adjusting items		**17,574**	(16,219)	(236)
Cash utilised by adjusting items		**(1,411)**	(2,550)	(3,272)
Taxation paid		**(2,330)**	(942)	(2,501)
Interest paid		**(483)**	(438)	(734)
Net cash generated from/(used in) operating activities		**13,350**	(20,149)	(6,743)
Cash flow from investing activities				
Interest received		**7**	42	11
Acquisition of businesses, net of cash acquired	9	**(22,701)**	(9,398)	(23,843)
Proceeds on disposal property, plant and equipment		**177**	10	512
Purchases of property, plant and equipment		**(1,915)**	(1,257)	(3,180)
Purchases of intangible assets		**(7)**	(161)	(163)
Utilisation of own shares		**394**	42	(1,023)
Purchase of preference shares		**-**	(1,000)	(1,300)
Net cash generated (used in)/from investing activities		**(24,045)**	(11,722)	(28,986)
Cash flow before financing activities		**(10,695)**	(31,871)	(35,729)
Cash (used)/generated before adjusting items		**(9,284)**	(29,321)	(32,457)
Cash utilised in respect of adjusting items		**(1,411)**	(2,550)	(3,272)

Unaudited consolidated statement of cash flows (continued)

For the 26 weeks ended 29 September 2019 (26 weeks ended 30 September 2018)

	Notes	**26 weeks to 29 September 2019 $'000**	26 weeks to 30 September 2018 $'000	(Audited) 52 weeks to 31 March 2019 $'000
Cash flow before financing activities		**(10,695)**	(31,871)	(35,729)
Cash flow from financing activities				
Repayment of borrowings		**(7,097)**	(12,826)	(12,826)
Refinancing costs paid		**(592)**	-	-
New bank loan paid		**7,000**	-	-
Payment of lease liabilities		**(1,257)**	-	-
Proceeds on issue of shares		**-**	46,685	46,685
Net cash generated (used in)/from financing activities	8	**(1,946)**	33,859	33,859
Net (decrease)/increase in cash and cash equivalents		**(12,641)**	1,988	(1,870)
Cash and cash equivalents at beginning of period	8	**20,593**	22,981	22,981
Effect of foreign exchange rate changes		**(550)**	(322)	(518)
Cash and cash equivalents at end of period	8	**7,402**	24,647	20,593

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 31 March 2019, which were 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 29 September 2019 ('H1 FY2020') and the 26 weeks ended 30 September 2018 ('H1 FY2019') has not been reviewed by the auditors. The financial information for the 52 weeks ended 31 March 2019 ('FY 2019') is extracted and abridged from the Group's full accounts for that year. The statutory accounts for FY 2019 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 Directors confirm that, to the best of their knowledge, the interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union and the AIM Rules for Companies, and that the interim report includes a fair review of the information required. The interim report was approved by the Board of Directors on 13 November 2019.

This interim report can be downloaded or viewed via the Group's website at www.volex.com. Copies of the annual report for the 52 weeks ended 31 March 2019 are available at the Company's registered office at Holbrook House, 34-38 Hill Rise, Richmond, Surrey, London, TW10 6UA, UK, and can also be downloaded or viewed via the Group's website.

In July 2019 the Group extended its multi-currency revolving credit facility ('RCF') to July 2022 on improved terms. The facility has an available limit of $30,000,000 (FY2019: $30,000,000). As at 29 September 2019 the Group had net funds of $637,000, or $7,920,000 excluding IFRS 16 lease liabilities (FY2019: $20,690,000, H1 FY2019: $24,936,000). The reduction during the period includes a $22,701,000 (FY2019: $23,843,000, H1 FY2019: $9,398,000) net outflow associated with the completion of two acquisitions.

The Group's forecast and projections, taking reasonable account of possible changes in trading performance, show that the Group should continue to operate with net funds (excluding lease liability) for the foreseeable future. As of 14 November 2019, the Group is not committed to any further acquisitions. Should any opportunities under review develop, the Group will consider the appropriate funding sources at the time. The Directors therefore believe that the Group is well placed to manage its business within the available facilities. Accordingly, they continue to adopt the going concern basis in preparing these condensed 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 consistent with those disclosed in the annual report and accounts for the year ended 31 March 2019, with the exception of the adoption of IFRS 16 Leases.

The Group implemented IFRS 16 Leases with effect from 1 April 2019. The standard provides a single lessee accounting model, requiring the recognition of right-of-use assets and lease obligations. The Group has applied IFRS 16 using the modified retrospective approach under which the cumulative effect of initial application has been recognised in retained earnings on 1 April 2019. The comparative information has not been restated and continues to be reported under IAS 17. As part of the transition the Group has adopted a number of the practical expedients:

- leases less than 12 months at transition have been treated as short-life leases;
- leases of low value (defined as less than $5k) continue to be accounted for under an accruals basis;
- a portfolio approach has been adopted which allows a single discount rate to be applied to a portfolio of leases with reasonably similar characteristics; and
- onerous lease provisions can be offset against the right-of-use asset.

1. Basis of preparation (continued)

On transition, the Group recognised $6,997,000 of right-of-use assets, $7,245,000 of lease liabilities and an amount of $247,000 recognised against the onerous lease provision. The Group recognised depreciation of $1,288,000 and interest costs of $210,000 in respect of leases in the period ended 29 September 2019.

Reconciliation of the lease liabilities at 1 April 2019 to the operating lease commitments at 31 March 2019

	$'000
Operating lease commitments disclosed as at 31 March 2019	**10,227**
Discounted using the lessee's incremental borrowing rate	(1,535)
Less: short-term leases not recognised as a liability	(965)
Less: low-value leases not recognised as a liability	(2)
Less: adjustments due to treatment of extension and termination options	(480)
Lease liability recognised as at 1 April 2019	**7,245**
Of which:	
Current lease liabilities	(4,011)
Non-current lease liabilities	(3,234)

Impact of standards issued but not yet applied by the Group

There are no new standards, amendments to standards or interpretations that are 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, floor-cleaning equipment and electric vehicles.
Complex Assemblies (formerly Cable Assemblies)	The sale and manufacture of products for the transfer of electronic, radio-frequency and optical data. These can range from simple USB cables to high-speed complex assemblies and are used in numerous devices including medical equipment, data centres, telecoms networks and industrial robotics.
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.

2. Business and geographical segments (continued)

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

	26 weeks to 29 September 2019		26 weeks to 30 September 2018	
	Revenue $'000	**Profit/(loss) $'000**	Revenue $'000	Profit/(loss) $'000
Power Cords	**91,093**	**7,147**	104,235	8,064
Complex Assemblies	**104,613**	**11,721**	78,192	5,248
Unallocated central costs (excluding share-based payments)		**(2,922)**		(3,427)
Divisional results before share-based payments and adjusting items	**195,706**	**15,946**	182,427	9,885
Adjusting items		**(2,931)**		(3,329)
Share-based payments		**(2,628)**		(832)
Operating profit		**10,387**		5,724
Share of net loss from associates		**-**		(210)
Finance income		**93**		42
Finance costs		**(776)**		(703)
Profit before tax		**9,704**		4,853
Tax		**(1,950)**		(1,540)
Profit after tax		**7,754**		3,313

	52 weeks to 31 March 2019	
	Revenue $'000	Profit/(loss) $'000
Power Cords	198,885	13,229
Complex Assemblies	173,219	13,473
Unallocated central costs (excluding share-based payments)	–	(5,096)
Divisional results before share-based payments and Adjusting items	372,104	21,606
Adjusting items		(6,226)
Share-based payments		(2,388)
Operating profit		12,992
Share of net loss from associates		(210)
Finance income		129
Finance costs		(1,276)
Profit before tax		11,635
Tax		(2,429)
Profit after tax		9,206

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

The adjusting items charge within operating profit for the period of $2,931,000 (H1 FY2019: $3,329,000, FY2019: $6,226,000) was split nil (H1 FY2019: $1,889,000, FY2019: $1,672,000) to Power Cords, $2,769,000 (H1 FY2019: $1,440,000, FY2019: $3,589,000) to Complex Assemblies and $162,000 (H1 FY2019: $nil, FY2019: $965,000) to Central.

2. Business and geographical segments (continued)

Other segmental information

	External revenue			Non-current assets (excluding deferred tax assets)		
			(Audited)			(Audited)
	26 weeks to 29 September 2019 $'000	26 weeks to 30 September 2018 $'000	52 weeks to 31 March 2019 $'000	**26 weeks to 29 September 2019 $'000**	26 weeks to 30 September 2018 $'000	52 weeks to 31 March 2019 $'000
Geographical segments						
Asia (excluding India)	**75,303**	86,744	164,343	**19,264**	16,953	16,618
North America	**68,231**	58,325	119,623	**15,963**	2,125	2,067
Europe	**52,172**	35,238	85,883	**39,709**	17,052	33,083
India	**-**	2,120	2,255	**2**	492	2
	195,706	182,427	372,104	**74,938**	36,622	51,770

3. Adjusting items and share-based payments

			(Audited)
	26 weeks to 29 September 2019 $'000	26 weeks to 30 September 2018 $'000	52 weeks to 31 March 2019 $'000
Amortisation of acquired intangibles	**2,769**	566	1,983
Acquisition costs	**162**	824	1,821
Restructuring costs	**-**	1,939	1,942
Pension past service costs	**-**	-	480
Total adjusting items	**2,931**	3,329	6,226
Adjusting items tax expenses	**(451)**	(88)	(221)
Total adjusting items	**2,480**	3,241	6,005
Share-based payments charge	**2,628**	832	2,388
Adjusting items and share-based payments	**5,108**	4,073	8,393

Adjusting items include costs that are one-off in nature and significant (such as significant restructuring costs, impairment charges or acquisition related costs) and the non-cash amortisation of intangible assets recognised on acquisition.

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

Associated with the acquisitions, the Group has recognised certain intangible assets related to customer relationships and order backlogs. During H1 FY2020, the amortisation charge on these intangible assets totalled $2,769,000 (FY2019 H1 $566,000, FY2019: $1,983,000). The amortisation of these intangibles is non-cash and split between Silcotec ($821,000), MC Electronics ($78,000), GTK ($824,000) and Servatron ($1,046,000). As at 29 September 2019, the attributed values of the intangibles related to Servatron and Ta Hsing are provisional.

Acquisition-related costs of $162,000 (FY2019 H1: $824,000, FY2019: $1,821,000) are split between $104,000 for Servatron and $58,000 for Ta Hsing. These costs cover legal fees associated with the transactions.

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

In the prior year, the Group incurred $1,942,000 (H1 FY2019: $ 1,939,000) of restructuring costs. Following a further decline in revenue with the Power Cords division's largest customer, further restructuring costs of $1,459,000 were incurred at our Shenzhen factory, primarily in relation to severance costs. In addition, during the prior period, the decision was taken to close the Indian factory. As part of this closure, the Group incurred $478,000 of closure costs, principally in relation to severance fees, retention bonuses paid to several key staff (in order that they remain and work on an orderly closure of the factory) and the write-off of assets no longer deemed recoverable. Following a review of the organisational structure, a number of senior roles were also made redundant, resulting in an expense of $270,000. Off-setting these charges was a $265,000 credit resulting from the release of a provision made several years ago for minimum order quantity commitments that became time barred.

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

4. 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 29 September 2019 $'000**	26 weeks to 30 September 2018 $'000	52 weeks to 31 March 2019 $'000
Earnings for the purpose of basic earnings per share	**7,754**	3,313	9,206
Adjustments for:			
Adjusting items	**2,931**	3,329	6,226
Share based payments charge	**2,628**	832	2,388
Tax effect of above adjustments and other adjusting item tax movements	**(451)**	(88)	(221)
Underlying earnings	**12,862**	7,386	17,599

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	**146,651,798**	123,824,603	134,382,209
Effect of dilutive potential ordinary shares – share options	**5,807,934**	3,503,812	3,892,712
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**152,459,732**	127,328,415	138,274,921

Basic earnings per share	**Cents**	Cents	Cents
Basic earnings per share from continuing operations	**5.3**	2.7	6.9
Adjustments for:			
Adjusting items	**2.0**	2.7	4.6
Share based payments charge	**1.8**	0.7	1.8
Tax effect of above adjustments and other adjusting items tax movements	**(0.3)**	(0.1)	(0.2)
Underlying basic earnings per share	**8.8**	6.0	13.1

5. Earnings per ordinary share (continued)

Diluted earnings per share	**26 weeks to 29 September 2019 $'000**	26 weeks to 30 September 2018 $'000	52 weeks to 31 March 2019 $'000
Diluted earnings per share	**5.1**	2.6	6.7
Adjustments for:			
Adjusting items	**2.0**	2.6	4.5
Share based payments charge	**1.7**	0.7	1.7
Tax effect of above adjustments and other adjusting items tax movements	**(0.3)**	(0.1)	(0.2)
Underlying diluted earnings per share	**8.5**	5.8	12.7

The underlying earnings per share has been calculated on the basis of continuing activities before adjusting 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. Share capital

	26 weeks to 29 September 2019 $'000	26 weeks to 30 September 2018 $'000	(Audited) 52 weeks to 31 March 2019 $'000
Issued and fully paid:			
149,868,439 (FY2019: 147,367,933) Ordinary shares of 25p each	**59,566**	58,111	58,792

On 31 July 2019, the Group issued 2,233,712 shares as part of the acquisition of Servatron.

On 7 August 2019, the Group issued 266,794 shares under the 2018 deferred share bonus plan.

7. Own shares

	26 weeks to 29 September 2019 $'000	26 weeks to 30 September 2018 $'000	(Audited) 52 weeks to 31 March 2019 $'000
At the start of the period	**1,890**	867	867
Disposed of in the period on exercise of options	**(381)**	(75)	(75)
Purchase of shares	**-**	-	1,098
At end of the period	**1,509**	792	1,890

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.

On the 26 and 29 April 2019, the Trust disposed of 748,294 shares to satisfy the exercise of share options. The number of ordinary shares held by the Volex Group plc Employee Share Trust at 29 September 2019 was 1,410,983 (H1 FY2019: 1,159,278, FY2019: 2,159,277).

8. Analysis of net funds/(debt)

	1 April 2019 $'000	IFRS 16 Transition $'000	Business combination $'000	Cash flow $'000	Exchange movement $'000	Other non-cash changes $'000	**29 September 2019 $'000**
Cash and cash equivalents	20,593	-	(5,771)	(6,870)	(550)	-	**7,402**
Bank loans	-	-	(135)	97	-	-	**(38)**
Debt issue costs	97	-	-	592	(6)	(127)	**556**
Lease liability		(7,245)	(1,589)	1,335	216	-	**(7,283)**
Net funds	20,690	(7,245)	(7,495)	(4,846)	(340)	(127)	**637**

	29 September 2019 $'000	30 September 2018 $'000	(Audited) 31 March 2019 $'000
Cash and bank balances	**17,880**	24,647	20,913
Overdrafts (included in short term borrowings)	**(10,478)**	-	(320)
Cash and cash equivalents	**7,402**	24,647	20,593

The carrying amount of the Group's financial assets and liabilities is generally the same as their fair value.

9. Acquisitions

Servatron Inc

On 31 July 2019 Volex plc completed the acquisition of Servatron Inc ('Servatron'), a North American-based manufacturer of printed circuit board assemblies ('PCBA'), box builds and complete sub-assembly solutions. Servatron's business is a complementary fit with Volex's strategy to maintain and build leading positions in niche sectors with structural growth drivers and defensive characteristics. Servatron adds complementary technologies including PCBA manufacturing, state-of-the-art test capabilities, and higher-level system integration.

Servatron brings expertise in test technologies, higher levels of system integration and PCBA assembly expertise. Combining our cable-assemblies expertise and R&D skills will drive revenues for the Group and strengthen our footprint in North America. The acquisition provides the opportunity to increase organic growth through value-added services for existing cable harness customers and incorporates into our business a skilled local workforce and management team.

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

Fair value of consideration transferred	**$'000**
Cash paid	13,355
Ordinary shares issued	2,574
Contingent consideration	3,230
Total purchase consideration	**19,159**

The fair value of the 2,233,712 shares issued as part of the consideration was based on the published closing share price on 31 July 2019, the last trading date preceding the share issue of £0.93.

9. Acquisitions (continued)

The contingent consideration is dependent upon certain EBITDA targets being met post-acquisition during the 2020 and 2021 calendar years. The fair value above has been based on the probable outcome of each based upon the information available at 29 September 2019. As more information comes to light, the fair value will be adjusted.

As part of the acquisition it was agreed 3,000,000 share options would be granted to incentivise and retain key local management. The options are dependent upon Servatron achieving certain profit and employment targets. As these options are conditional on continued employment these are accounted for as post-acquisition expense.

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

	Provisional Fair Value $'000
Identifiable intangible assets	10,500
Other intangibles	49
Property, plant and equipment	1,933
Inventories	5,483
Trade receivables	5,019
Trade payables	(1,040)
Other debtors and creditors	(2,461)
Overdraft	(3,677)
Bank loan	(135)
Deferred taxes	(2,490)
Lease obligation	(1,589)
Total identifiable assets	**11,592**
Goodwill	7,567
Consideration	**19,159**

An exercise has been conducted to assess the provisional fair value of assets and liabilities acquired. This exercise identified customer relationships and order backlog intangible assets.

The fair value adjustments are provisional and will be finalised within 12 months of the acquisition date. Any resulting changes in the fair values will have an impact on the acquisition accounting and will result in a reallocation between the assets and goodwill and a possible adjustment to the amortisation charge shown in the income statement.

The provisional goodwill balance recognised above includes certain intangible assets that cannot be separately identified and measured due to their nature. This includes control over the acquired business, the skills and experience of the assembled workforce, and the anticipated synergies arising on integration.

In H1 FY2020, Servatron contributed $6,282,000 to Group revenue and $466,000 to adjusted operating profit. Associated acquisition costs of $104,000 and intangible asset amortisation of $1,046,000 have both been expensed as adjusting items in the period.

9. Acquisitions (continued)

Ta Hsing Industries Limited

On 26 June 2019 the Group completed the acquisition of Ta Hsing Industries Limited ('Ta Hsing'), a supplier of power cables to the Power Cords division. Ta Hsing has a manufacturing site in Shenzhen, in the People's Republic of China, and is headquartered in Hong Kong. The acquisition allows Volex to vertically integrate through the in-house production of PVC resin and cable extrusion capabilities, while also expanding the design and manufacturing capability. The acquisition also brings a small number of new customers to Volex.

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

Fair value of consideration transferred	**$'000**
Cash paid	3,575
Contingent consideration	1,822
Total purchase consideration	**5,397**

The contingent consideration is payable in three instalments across 2020 and 2021. The consideration has been measured at fair value, with one of the instalments being dependent upon a new lease agreement being obtained for the primary manufacturing site and any warranty claims.

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

	Provisional Fair value $'000
Property, plant and equipment	584
Inventories	1,370
Trade receivables	5,472
Trade payables	(694)
Other debtors and creditors	(663)
Cash and cash equivalent	854
Short term bank loan	(2,948)
Deferred taxes	-
Total identifiable assets	**3,975**
Goodwill	1,422
Consideration	**5,397**

An exercise has been conducted to assess the provisional fair value of assets and liabilities assumed. This exercise included an independent external valuation of the machinery located in the Shenzhen facility. Following this review, a $574,000 increase to the book value of the property, plant and equipment was recorded.

Since Volex was Ta Hsing's largest customer, the Group has not recognised an intangible associated with the customer relationship or open order book that Ta Hsing had with Volex at the acquisition date due to the definition of an asset not being met, as no future economic benefits will be derived from outside the Group.

The fair value adjustments are provisional and will be finalised within 12 months of the acquisition date. Any resulting changes in the fair values will have an impact on the acquisition accounting and will result in a reallocation between the assets and goodwill and a possible adjustment to the amortisation charge.

The provisional goodwill balance recognised above includes certain intangible assets that cannot be separately identified and measured due to their nature. This includes control over the acquired business, the skills and experience of the assembled workforce, and the anticipated synergies arising on integration.

9. Acquisitions (continued)

Immediately after the acquisition, the Group funded Ta Hsing with $2,948,000 in order that it could pay off its external loan. This funding has been recorded as an intercompany balance between Volex Cables (HK) Limited and Ta Hsing and therefore has been excluded from the consideration paid.

In H1 FY2019, Ta Hsing contributed $762,000 to the Group's external revenue and $359,000 to adjusted operating profit. Associated acquisition costs of $58,000 have been expensed as adjusting items in the period.

Net cash outflow on acquisitions	**$'000**
Cash consideration	
- Servatron	13,355
- Ta Hsing	3,575
Total cash consideration	**16,930**
Add: overdraft and short-term debt liabilities acquired	
- Servatron	3,677
- Ta Hsing	2,094
Net cash outflow	**22,701**

10. 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.

The Group has a 26.09% interest in Kepler SignalTek Limited which is accounted for as an associate. During the period the Group accrued financial income of $85,000 on the preference shares (H1 FY2019 $38,000, FY2019: $117,000). The balance due from the associate as at the period end date was $1,910,000 (H1 FY2019: $1,445,000, FY2019: $1,825,000).

The Group also has a 43% interest in Volex-Jem Co. Ltd. During the period the Group purchased $107,000 (H1 FY2019: $2,552,000, FY2019: $4,067,000) materials from Volex – Jem Cable Precision (Dongguan) Co. Limited, an entity controlled by Volex-Jem Co. Ltd. The balance due to the associates as at the period end was $88,000 (H1 FY2019: $1,316,000, FY2019: $1,141,000).

A number of share transactions with directors have occurred during the period in line with share awards outstanding at the prior year end and as disclosed in the annual accounts for FY2019 and in line with the director shareholding notices disclosed on the Volex website (www.volex.com).

11. 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.