09 November 2022

Volex plc

Half year results for the 26 weeks ended 2 October 2022

A diverse and resilient business delivering profitable growth alongside continued investment to support expansion

Volex plc ("Volex", the "Company", or the "Group"), the global supplier of integrated manufacturing services and power products, today announces its half year results for the 26 weeks ended 2 October 2022 ("H1 FY2023").

Financial Summary	26 weeks to 2 October 2022	26 weeks to 3 October 2021	% Change
Revenue	**$357.5m**	**$292.7m**	22.1%
Underlying* operating profit	**$32.1m**	**$27.3m**	17.6%
Statutory operating profit	**$24.5m**	**$21.2m**	15.6%
Underlying* profit before tax	**$29.1m**	**$25.5m**	14.1%
Statutory profit before tax	**$21.5m**	**$19.4m**	10.8%
Basic underlying* earnings per share	**14.4c**	**13.8c**	4.3%
Interim dividend per share	**1.3p**	**1.2p**	8.3%
Net debt (before operating lease liabilities)	**$98.8m**	**$22.3m**	
Net debt	**$117.0m**	**$40.1m**	

* Before adjusting items (non-recurring items and amortisation of acquired intangibles) and share-based payments

Financial and Operational Highlights

- Organic revenue growth of 14.3% delivering total revenue for H1 FY2023 of $357.5m, which also included $35m from acquisitions
- Underlying operating profit increased by 17.6% to $32.1m, underpinned by robust customer demand and proactive management of inflationary cost increases
- Underlying operating margin of 9.0% demonstrates effective inflation management and cost control
- Robust customer demand across our markets, supported by additional contract wins with new and existing customers
- Review Display Systems Group ("RDS") acquired in the UK for initial consideration of $6m to enhance our capabilities and accelerate growth in this market
- Integration and transition plans for recent acquisitions are progressing well
- Good progress made towards five-year growth plan supported by continued customer-led investment programme
- Interim dividend increased by 8.3% to 1.3 pence per share

Market Highlights

- Electric Vehicles – strong momentum continues with 53% organic revenue growth delivered through a diverse product set

- Consumer Electricals – continued new customer project wins, despite a challenging market, leveraging the Group's global footprint and low-cost manufacturing infrastructure
- Medical – resilient demand continues as supply chain challenges begin to subside
- Complex Industrial Technology – strong growth reflecting improving supply chain and the delivery of new customer projects

Outlook

- Continuing confidence in our ability to deliver our strategic objectives and to utilise our compelling commercial proposition in markets with structural, long-term growth drivers
- We are mindful of broader macroeconomic developments but remain confident that our diversified end market exposure and unique global footprint stand us in good stead
- Our strong financial position creates a platform for long-term growth through organic investment and acquisitions
- We remain on track to deliver revenues and underlying operating profit in line with market expectations

Nat Rothschild, Volex's Executive Chairman said:

"We have built a strong, resilient business, aligned to key market sectors with long-term structural growth characteristics. We have shown that we are capable of managing supply chain and inflationary pressures effectively, while simultaneously continuing to win new projects and expand opportunities with existing customers.

"We continue to report strong organic sales growth, building on the momentum generated last year whilst maintaining our margins within our target range and demonstrating our ability to effectively pass through inflationary-driven increases.

"In June, we set out an ambitious new five-year plan, to grow our revenues to $1.2 billion by FY2027 and these results demonstrate the value added by our investment programme and our ongoing ability to deliver against this plan.

"We are confident that our strategy and operating model provide us with the opportunity to deliver long-term organic growth alongside complementary, earnings-enhancing acquisitions. Our strong performance in the first half of the year, clear strategy and pipeline of customer opportunities underpins our confidence to reaffirm our outlook for the remainder of the year."

Analyst Presentation

A live presentation for analysts will be held online at 12.00 pm GMT on 9 November 2022. If you are an analyst and would like to join for this briefing, please send an email to Volex@powerscourt-group.com. Log in details for the meeting will be communicated to attendees.

Investor Presentation

A live presentation will be held online at 2.00 pm GMT on 9 November 2022 on the Investor Meet Company ("IMC") platform. This online presentation is open to all existing and potential shareholders. Questions can be submitted during the live presentation.

Investors can sign up to IMC and add to meet Volex via:
https://www.investormeetcompany.com/volex-plc/register-investor

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About Volex plc

Volex plc (AIM: VLX) is a global leader in integrated manufacturing for performance-critical applications and a supplier of power products. We serve a diverse range of markets and customers, with particular expertise in cable assemblies, higher-level assemblies, data centre power and connectivity, electric vehicles, and consumer electricals. We are headquartered in the UK and operate from 19 manufacturing locations with a global workforce of over 8,000 employees across 22 countries. Our products are sold through our own locally based sales teams and through authorised distributor partners to Original Equipment Manufacturers and Electronic Manufacturing Services companies worldwide. All of the products and services that we offer are integral to the increasingly complex digital world in which we live, providing power and connectivity from the most common household items to the most complex medical equipment. For more information, please visit www.volex.com

Definitions

The Board of Volex considers that current consensus market expectations for revenue are $691.7 million (with a range of $690 million to $693 million) and for underlying operating profit are $62.8 million (with a range of $62.3 million to $64.0 million).

The Group presents some significant items separately to provide clarity on the underlying performance of the business. This includes significant one-off costs and income such as acquisition related costs, the non-cash amortisation of intangible assets acquired as part of business combinations, and share-based payments. Further detail on adjusting items is provided in Note 3.

Underlying operating profit is operating profit before adjusting items and share-based payments. Underlying free cash flow is net cash flow before financing activities excluding cash flows associated with the acquisitions of businesses and cash utilised in respect of adjusting items. Net debt (before operating lease liabilities) represents cash and cash equivalents, less bank loans and debt issue costs, but excluding operating lease liabilities. The lease liabilities include $18.2 million of operating lease liabilities ($17.8 million at 3 October 2021).

Organic revenue growth is calculated using constant exchange rates ("CER") by taking the total reported revenue (excluding the impact of acquisitions and disposals) divided by the preceding financial year's revenue at the current year's exchange rates.

Return on capital employed is calculated as the last twelve months underlying operating profit as a percentage of average net assets excluding net cash/debt.

Forward looking statements

This announcement contains certain forward-looking statements which have been made by the Directors in good faith using information available up until the date they approved the announcement. Forward-looking statements should be regarded with caution as by their nature such statements involve risk and uncertainties relating to events and circumstances that may occur in the future. Actual results may differ from those expressed in such statements, depending on the outcome of these uncertain future events.

RESULTS FOR THE 26 WEEKS ENDED 2 OCTOBER 2022

Overview

Volex deploys its extensive manufacturing experience and design expertise to support the delivery of diverse, complex and safety-critical solutions to a broad range of global customers. Our market leading capability is focused on profitable sectors that deliver organic growth and attractive returns.

During the period, revenue grew by 22.1%, including acquisitions, compared to the prior year. At constant exchange rates, organic revenue growth was 14.3%. This builds on the momentum delivered in FY2022 when organic revenue growth for the full year was 19.4%, as key markets recovered from the effects of Covid-19. The current organic growth rate is ahead of our average growth rate over the last three years, demonstrating the impact of the recent strategy in accelerating the performance of the business.

With a range of complementary capabilities and manufacturing specialisms, Volex is a robust and resilient business. This creates opportunities to enhance the depth and breadth of customer relationships. Incremental sales are achieved through leveraging an extensive global footprint as well as investing in additional capabilities that support customers' requirements.

Volex is well positioned in key markets that demonstrate long-term structural growth drivers, including Electric Vehicles, Medical and Complex Industrial Technology. Our diverse customer base and ability to add value in key production processes has delivered growth despite a challenging manufacturing backdrop. Global events have disrupted supply chains, extended lead times and increased costs. However, our proactive approach to addressing each of these challenges, combined with our expertise in procurement and planning tools, have maintained production output with only a modest increase in inventory levels, minimising the risk of unscheduled interruptions. Higher material and labour costs have been passed through to customers while value is maintained through the continuous optimisation of processes. Volex's global footprint satisfies the demands from customers who are looking to evolve and reconfigure their procurement strategies through localisation.

The underlying operating margin for the first half of the year was 9.0% and the Group has maintained underlying operating margins between 9% and 10% for the previous two financial years. This demonstrates the consistency of the operating model and the ability to manage inflationary pressures in a dynamic market.

A new five-year plan was announced in June 2022, targeting Group revenues of $1.2 billion by the end of FY2027, including revenues from acquisitions of circa $200 million.

Trading performance overview

The half year to 2 October 2022 has seen the Group continue to deliver robust organic growth and profitability. We are winning new projects across our business with both new and existing customers. Although some challenges around the availability of selected components and variability in lead times remain, the situation continues to improve.

$m	**26 weeks ended 2 October 2022 Total**	26 weeks ended 3 October 2021 Total
Revenue	**357.5**	292.7
Cost of Sales	**(283.9)**	(230.3)
Underlying gross profit*	**73.6**	62.4
Underlying gross margin	***20.6%***	*21.3%*
Underlying operating costs*	**(41.5)**	(35.1)
Underlying operating profit*	**32.1**	27.3
Underlying operating margin	***9.0%***	*9.3%*
Underlying EBITDA*	***38.1***	31.8

* Before adjusting items and share-based payment charges

Revenue for the first half of the year increased by 22.1% in total, organic growth was 14.3%, compared to H1 FY2022. Customer demand has been strong across our markets throughout the period, supported by new contract wins. Gross margin is slightly lower than the first half of the previous year, but consistent with FY2022 as a whole. The small reduction in gross margin is primarily due to a change in sales mix during the period from customer growth and the impact of acquisitions, with net inflation offset by cost optimisation.

The underlying operating margin of 9.0% is broadly in line with the full year operating margin for FY2022 of 9.1%. Underlying profit before tax is $29.1 million, an increase of 14.1% on the previous period. Underlying basic earnings per share of 14.4 cents is 4.3% higher than the comparative period. Statutory profit before tax, which includes the impact of adjusting items and share-based payment expenses, was $21.5 million, an increase of 10.8% on the prior period. The underlying effective tax rate for the period was 20.6% (H1 FY2022: 14.7%), with the increase due to the impact of foreign exchange rate movements and the impact that changes in the UK tax rate had on deferred tax assets in the prior period.

Underlying free cash flow for the first half of the year was $0.1 million which includes investment in capital equipment as well as working capital to support business growth and reduce the impact of supply chain related disruption on customer projects. Net debt increased by $21.7 million from the year end, which includes $7.5 million in respect of acquisitions completed in prior years. Leverage, expressed as the ratio of net debt excluding operating leases to underlying EBITDA, was 1.4x (YE FY2022: 1.1x). This provides headroom for future investment and acquisition.

Acquisition of Review Display Systems

Volex completed the acquisition of the Review Display Systems Group ("RDS"), incorporated in the United Kingdom, at the end of October 2022. RDS offers a complete turnkey service for the design and manufacture of industrial electronic display, embedded and Internet of Things ("IoT") enabled systems. Alongside this, the business is focused on the design-in and specialist technical distribution of electronic displays, touchscreens, embedded intelligence and wireless mesh networking solutions and IoT system solutions. RDS provide a comprehensive service, covering all aspects of the product development process including electronic design for both hardware and firmware, optimum component selection, mechanical design and final assembly and manufacture.

RDS will combine with and complement GTK, our successful and growing UK-based subsidiary. GTK specialises in the manufacture and provision of customised electronic solutions, producing complex cable assemblies and integrated solutions for global blue-chip customers. The two businesses will be managed under a single leadership structure to identify and deliver synergy opportunities.

RDS reported revenue of £9.5 million and EBITDA of £1.0 million for the year ended 31 March 2022. RDS is being acquired for initial consideration of £5.4 million on a cash and debt-free basis. There are potential earn-out payments of up to £2.9 million over two years, subject to the business achieving stretching earn-out targets. To achieve the full earn-out payment, RDS will need to generate EBITDA of £1.8m in the second year of ownership. The acquisition is being funded from existing debt facilities.

Interim dividend

The Board have declared an interim dividend of 1.3 pence, an increase of 8.3% on the previous year. Since the dividend was reintroduced in FY2020, it has increased every year and is now 30% higher. We are committed to a progressive dividend policy, striking a balance between delivering growth through investment and returning cash to shareholders.

The interim dividend will be paid on 16 December 2022 to those shareholders on the register on 18 November 2022, the ex-dividend date will be 17 November 2022. Shareholders may elect to receive the interim dividend as shares in Volex, in lieu of cash, under the Volex plc Scrip Dividend Scheme. The reference price for the Scrip Dividend will be announced on 24 November 2022. Shareholders who wish to elect to receive the 2022 interim dividend in shares must (i) complete a Scrip Dividend Mandate Form and return it to Link Group, (ii) make a Scrip election online via www.signalshares.com or, (iii) submit a Dividend Election Input Message in CREST, in each case by no later than 5.00 p.m. on 2 December 2022. Those shareholders who have opted in to a permanent scrip election by completing (and not cancelling) a Scrip Dividend Mandate Form either in hard copy or via www.signalshares.com do not need to complete a new mandate form for the interim dividend. However, shareholders holding their shares in CREST need to make an election for each dividend and would need to submit a Dividend Election Input Message in respect of the interim dividend. A copy of the terms and conditions for the Volex plc Scrip Dividend Scheme are available on the Company's website https://www.volex.com/wp-content/uploads/2022/07/Volex-Plc-Scrip-Dividend-Scheme-Terms-Conditions-Final.pdf.

Strategy

Having set out an ambitious five-year plan in June, we continue to invest in our existing operations to support high-growth areas of the business and to further optimise our manufacturing processes. This includes introducing printed circuit board assembly ("PCBA") capability to our advanced manufacturing centre in Tijuana, Mexico, supporting customers looking to relocate key aspects of production to North America and de-risk supply chains. This investment, in conjunction with our two existing PCBA factories in the US, as well as our factory in India, positions us well to support customer requirements.

We are actively managing and developing our pipeline of potential acquisition opportunities. This is a key element of our growth plans, and we apply strict criteria and a set methodology to identify businesses that can enhance our capabilities, broaden customer relationships and access attractive markets. We are mindful of the macroeconomic environment, and we are using a robust approach to assess valuations for target companies.

These initiatives form part of our strategy to grow our revenues to $1.2 billion by the end of FY2027, including circa $200 million of revenue generated by acquisitions. The investments that we are making in this financial year in infrastructure and product development, combined with the demand we are seeing from customers, put us in a strong position to achieve our strategic goals.

Revenue by customer sector

Electric Vehicles

The strong momentum in Electric Vehicles has continued, with an organic revenue increase of 52.5% year-on-year. This saw revenue increase to $69.1 million (H1 FY2022: $45.3 million).

Compared to the second half of FY2022, EV revenues have grown organically by 17.4% in the first half of the year.

Consumer demand for electric vehicles continues to accelerate as the technology becomes widely adopted and the range of vehicles and manufacturers expands. Our engineering specialists have been successfully developing a range of solutions to address different requirements in the market. In addition to our market leading position in connectivity for universal home charging solutions, we provide solutions to support faster modes of charging in a domestic context and out of the home.

Consumer Electricals

Consumer Electricals delivered organic growth of 3.6%. Revenue for the first half of the year was $138.2 million (H1 FY2022: $127.4 million).

The improvements we have delivered in vertical integration and automation in our Consumer Electricals business have created a market-leading, highly competitive proposition, allowing us to gain market share through winning new customer projects.

Our world-class production facilities and continuous improvement activities mean that, even after passing through input cost increases to customers, our competitive pricing allows us to win new business. Copper costs have increased by approximately 7% compared with the same period a year ago. We expect to pass through lower copper costs to customers in the second half resulting in a slight reduction in revenue but with limited effect on profit.

Medical

There was a strong return of demand in the Medical sector post Covid-19 in FY2022 and these demand levels have continued in the first half, with major customers reporting significant order books. Revenue increased to $66.8 million (H1 FY2022: $62.0 million), with organic growth of 12.0%. Higher demand levels are expected to be sustained over an extended period as the complex nature of large medical equipment means that it will take some time for the elevated demand to be satisfied.

Growth in the Medical sector is underpinned by advances in medical technology, an ageing population and initiatives to reduce patient waiting times. Our advanced facilities allow us to support the latest technical requirements in the sector and we have extensive experience of surpassing stringent quality standards.

Complex Industrial Technology

With improvements in the availability of components, we have seen solid growth from our Complex Industrial Technology customers, delivering organic growth of 9.3%, as well as the benefit from acquisitions made in the previous year, with revenue of $83.4 million (H1 FY2022: $58.0 million). Demand from our data centre customers was flat year-on-year, with a step up in our customers' requirements expected at the end of the year.

In Complex Industrial Technology, we have a range of solutions, deploying the latest technology in an industrial context, helping our customers grow and deliver operating efficiencies. With a customer-centric approach and experienced production engineers who maintain rigorous quality standards, Volex is a manufacturing partner for some of the biggest technology names.

For data centre customers, we are continuing to supply a range of high-speed cables, including the new generation of cables with transmission rates of 400 Gbps. We are continuing to win new technology projects. Some of these are currently at the prototype stage and we expect to experience significant additional demand when volumes increase to full production levels. Our investment in design and product development is resulting in a number of new and innovative products to support our long-term growth in this area.

Revenue by market

We are a global, interconnected and integrated business. Our global footprint with manufacturing capabilities in multiple locations allows us to ensure continuity of supply. This is a significant differentiator for our blue-chip customers with international operations.

Many customers are looking to simplify their supply chain processes and source products closer to their manufacturing locations. In particular, we are seeing demand for cost efficient alternatives to China. With significant experience in onboarding complex requirements, we are expanding our capacity in key locations to meet this demand. This includes new space in Mexico, Poland, Indonesia and India.

North America is our largest customer region and we work with major technology companies and global innovators. North America is 46.9% of overall revenue (H1 FY2022: 41.4%). Revenue in this market grew by 38.3% in the period to $167.5 million (H1 FY2022: $121.1 million). This includes some of the strong growth that we experienced from electric vehicle customers and the impact of the acquisitions completed in the second half of FY2022.

Revenues in Europe reduced by 3.5% to $97.4 million (H1 FY2022: $100.9 million). With much of this business priced in Euro, there was an adverse impact of $10.5 million from changes in foreign exchange rates. Offsetting this, the Group has seen growth across its key customer markets in this region including medical, industrial and electric vehicles.

Asia revenue was $92.6 million (H1 FY2022 $70.7 million). The majority of revenue in this region is in Consumer Electricals. Demand in the first half remained strong due to new customer projects and strong demand from key customers.

Gross margin

Our integration into customer processes and our ability to add value through our advanced manufacturing capabilities, allows us to build strong relationships with our customers. Given the critical nature of many of the projects we support, we take our responsibility as a supplier extremely seriously. We have secured incremental price increases on a fair and transparent basis, maintaining cost competitiveness while also protecting our margins.

We have seen extended lead times and increased costs for some raw materials. We are able to pass through component cost increases to our customers, being an established practice for our industry. We are working closely with our customers to manage lead times and meet their expectations. Indeed, we believe that our customer relationships have strengthened due to our support in navigating the current supply chain complexities.

With inflation being managed effectively and proactively, gross margins have remained consistent. The gross margin in the first half of the year was 20.6% which compares with a gross margin of 20.5% achieved over the full year in FY2022 and a gross margin of 21.3% for the first half of FY2022. Inflation resulted in adverse movement of 0.8% year-on-year, which was offset by a favourable cost optimisation impact of 0.9%. Acquisitions and mix had an adverse impact of 1.2% in total. There was also a benefit from foreign exchange due to the strength of the dollar which improved gross margin by 0.4%. This demonstrates that we have been effective in passing through higher input costs to customers and identifying efficiency savings.

Underlying operating profit

Underlying operating costs increased by $6.4 million to $41.5 million (H1 FY2022: $35.1 million). $3.2 million of the increase was attributable to the four acquisitions that were made in the second half of FY2022. The remaining increase reflects business growth, inflation and investment in engineering and sales capability. There was also a benefit from the strength in the US dollar. Underlying operating costs as a percentage of revenue have reduced in the period from 12.0%

in H1 FY2022 to 11.6% reflecting management's continued tight control over operating expenditure and the efficiencies delivered to offset the impact of inflation on salary costs.

Underlying operating profit increased 17.6% to $32.1 million (H1 FY2022: $27.3 million). This includes the benefit from the organic growth as well as the acquisitions that were completed in the second half of FY2022. The underlying operating margin for the first half of the year was 9.0% which is in line with the operating margin for the previous full year which was 9.1%.

Adjusting items and share-based payments

The Group presents some significant items separately to provide clarity on the underlying performance of the business. This includes significant one-off costs such as restructuring and acquisition related costs, the non-cash amortisation of intangible assets acquired as part of business combinations, and share based payments, as well as associated tax.

Adjusting items and share-based payments totalled $7.6 million in the period (H1 FY2022: $6.1 million). These costs are made up of $4.3 million (H1 FY2022: $5.0 million) of amortisation of acquisition-related intangible assets, $2.6 million (H1 FY2022: $2.6 million) of share-based payments expense and $0.7 million (H1 FY2022: $1.1 million) of acquisition costs mainly related to on-going activities to develop our acquisition pipeline. In the previous year, we recognised a gain of $2.6 million on the forgiveness of Paycheck Protection Program (PPP) loans provided to parts of the Group's North America operations.

Net finance costs

Net finance costs increased to $3.7 million (H1 FY2022: $1.9 million) mainly due to the increased utilisation of the revolving credit facility following the acquisitions made in FY2022 and higher interest rates. The financing element for leases for the year was $0.5 million (H1 FY2022: $0.3 million).

During the period, the Group entered into an interest rate swap in respect of $50 million of drawn debt. This fixes the interest on this element of the debt to provide stability should there be variability in interest rates in the next four years.

Taxation

The Group's income tax expense for the period was $4.9 million (H1 FY2022: $2.2 million), representing an effective tax rate of 22.8% (H1 FY2022: 11.2%). The underlying tax charge of $6.0 million (H1 FY2022: $3.8 million) represents an effective tax rate of 20.6% (H1 FY2022: 14.7%). The tax expense and the effective tax rate are affected by the recognition of deferred tax assets, as required by International Financial Reporting Standards. The assets recognised in the period are principally due to the recognition of historical operating losses and unclaimed capital allowances.

The underlying current tax charge is calculated by reference to the taxable profits in each individual entity and the local statutory tax rates. An underlying deferred tax credit of $1.8 million (H1 FY2022: tax credit of $1.4 million) arose due to an increase in the net deferred tax asset recognised. In a number of jurisdictions, the taxable profits are calculated in local currency which can give rise to taxable profits when the local currency depreciates. During the first half of the year, this has resulted in an additional $1.0 million of tax expense (H1 FY2022: $0.2 million).

The Group operates in a number of different tax jurisdictions and is subject to periodic tax audits by local authorities in the normal course of business on a range of tax matters in relation to corporate tax. As at 2 October 2022, the Group has net current tax liabilities of $9.5 million (FY2022: $8.2 million) which include $6.7 million (FY2022: $7.2 million) of provisions for tax uncertainties.

The carrying amount of deferred tax assets is reviewed at each reporting date and recognised to the extent that it is probable that there are sufficient taxable profits to allow all or part to be recovered. Deferred tax assets have been recognised based on future forecast taxable profits. As at the reporting date the Group has recognised deferred tax assets of $20.3 million (FY2022: $20.6 million) and deferred tax liabilities of $6.1 million (FY2022: $7.0 million).

Net debt and cash flows

During the first half of the year, inventory has increased to support the growth of the business and also to secure critical components in a market where there are regular issues with variable lead times and part shortages. Securing sufficient inventory to support customer requirements is an important way to ensure that customer commitments are met which protects revenue. Inventory is kept under close review at both a factory level and a regional level to optimise holding levels. As the supply chain situation improves, there will be an opportunity to reduce inventory.

Underlying EBITDA increased by 19.8% to $38.1 million (H1 FY2022: $31.8 million). The Group generated underlying free cash flow of $0.1 million (H1 FY2022: $3.0 million). This included a working capital outflow of $21.2 million (two-thirds of which supported the growth of the business), as well as net capital expenditure of $10.0 million and tax and net interest paid of $5.9 million. The adverse working capital movement is due to the significant growth in the business and includes longer inventory holding periods resulting from complexities in global supply chains. Compared with H1 FY2022 there were an extra 4 days of inventory held by the business at the end of the period. Inventory levels are expected to normalise, but this may not occur in the second half of the year. Accounts receivable and accounts payable balances also increased as a result of the growth in the business. Net debt (before operating lease liabilities) increased from the year end to $98.8 million ($74.7 million at 3 April 2022). The Group also had operating lease liabilities of $18.2 million ($20.6 million at 3 April 2022). This produces a statutory net debt position of $117.0 million (YE FY2022: $95.3 million).

Acquisition strategy

Acquiring quality businesses and successfully integrating them is a significant part of our strategy. We identify highly performing businesses in sectors where we have deep understanding and experience. We are attracted to businesses with blue-chip, long-term customers and proven capabilities. Our acquisition pipeline is focused on businesses which will allow the Group to add additional value and deliver further access to existing or adjacent markets. The geographic location of the target is also a strategic consideration, particularly given the way in which global supply chains are reconfiguring. Targets that require significant integration or restructuring effort are only considered where we can identify the management resources to lead this activity.

We look to optimise the value created from each acquisition, and only progress opportunities that meet strict criteria which are tailored to each transaction based on the specific characteristics of the target. In general, acquisitions should enhance the Group's margin profile. We identify potential acquisitions through a variety of methods, seeking out businesses that are not on the market as well as those already in an active process. All these opportunities are qualified and approved by an investment committee before we progress to negotiation. We only proceed to due diligence where there is alignment on the commercial terms.

Having completed 10 acquisitions in four years from investment of some $200 million, we have a well-developed approach and a significant track record in execution. The integration and transition activities for Irvine, Prodamex, TC and inYantra, which were all acquired in FY2022, are well underway.

We have an interesting acquisition pipeline containing highly attractive targets that we are pursuing, all of which fit within the core competency of our senior operations team. We qualify every acquisition extensively using our deep industry knowledge to find the best opportunities. We firmly believe that our strength in this area will be a significant value driver.

Investing in our business

We are investing in our business to deliver our five-year plan. Our astute investment decisions have allowed the Group to achieve a return on capital employed of 20.2% (H1 FY2022: 25.7%). Given the rapid growth and continuing customer project wins, we are increasing our production space in key locations. This includes our sites in India, Mexico, Indonesia and Poland.

Our investment in development activities and new products has allowed us to secure incremental customer projects and has contributed to our revenue growth. We will continue these investment programmes in a targeted way, focusing on activities that add the most value.

Total capital expenditure for the first half of the year was $15.7 million which included $5.7 million for new printed circuit board assembly equipment that was obtained under a finance lease arrangement. 90% of capital expenditure approved in the first half of the year related to projects that will drive business growth. The average cash payback period for these projects is 20 months.

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 FY2022 Annual Report and Accounts on pages 38 to 43, a copy of which is available on the website at www.volex.com.

Outlook

Volex is a dynamic and resilient business, with compelling positions in profitable markets with structural growth drivers, creating confidence in our ability to deliver our strategic objectives. By maintaining a flexible approach, the business is well placed to manage growth and profitability.

The Group is heading into the second half of the year with a clear strategy, a strong pipeline of customer project opportunities and significant momentum from the growth experienced in the first half. We are mindful of broader macroeconomic developments but remain comfortable that our diversified end market exposure stands us in good stead. These factors support the confidence of the Board in delivering on long-term objectives as well as meeting the full year consensus market expectations.

Nat Rothschild
Group Executive Chairman
9 November 2022

Jon Boaden
Group Chief Financial Officer
9 November 2022

Unaudited consolidated income statement

For the 26 weeks ended 2 October 2022 (26 weeks ended 3 October 2021)

		26 weeks ended 2 October 2022			26 weeks ended 3 October 2021		
	Notes	**Before Adjusting items and share based payments $'m**	**Adjusting items and share-based payments (note 3) $'m**	**Total $'m**	Before Adjusting items and share based payments $'m	Adjusting items and share-based payments (note 3) $'m	Total $'m
Revenue	2	**357.5**	**-**	**357.5**	292.7	-	292.7
Cost of sales		**(283.9)**	**-**	**(283.9)**	(230.3)	-	(230.3)
Gross profit		**73.6**	**-**	**73.6**	62.4	-	62.4
Operating expenses		**(41.5)**	**(7.6)**	**(49.1)**	(35.1)	(6.1)	(41.2)
Operating profit	2	**32.1**	**(7.6)**	**24.5**	27.3	(6.1)	21.2
Share of net profit from associates		**0.7**	**-**	**0.7**	0.1	-	0.1
Finance income		**0.1**	**-**	**0.1**	0.2	-	0.2
Finance costs		**(3.8)**	**-**	**(3.8)**	(2.1)	-	(2.1)
Profit on ordinary activities before taxation		**29.1**	**(7.6)**	**21.5**	25.5	(6.1)	19.4
Taxation	4	**(6.0)**	**1.1**	**(4.9)**	(3.8)	1.6	(2.2)
Profit for the period		**23.1**	**(6.5)**	**16.6**	21.7	(4.5)	17.2
Profit is attributable to:							
Owners of the parent		**22.8**	**(6.5)**	**16.3**	21.7	(4.5)	17.2
Non-controlling interests		**0.3**	**-**	**0.3**	-	-	-
		23.1	**(6.5)**	**16.6**	21.7	(4.5)	17.2
Earnings per share (cents)							
Basic	5	**14.4**		**10.3**	13.8		11.0
Diluted	5	**13.7**		**9.8**	13.0		10.3

Audited consolidated income statement

For the 26 weeks ended 2 October 2022 (26 weeks ended 3 October 2021)

	Notes	52 weeks ended 3 April 2022 Before Adjusting items and share based payments $'m	Adjusting items and share-based payments (note 3) $'m	Total $'m
Revenue	2	614.6	-	614.6
Cost of sales		(488.8)	-	(488.8)
Gross profit		125.8	-	125.8
Operating expenses		(69.6)	(15.2)	(84.8)
Operating profit	2	56.2	(15.2)	41.0
Share of net profit from associates		0.4	-	0.4
Finance income		0.3	-	0.3
Finance costs		(5.5)	-	(5.5)
Profit on ordinary activities before taxation		51.4	(15.2)	36.2
Taxation		(9.1)	3.3	(5.8)
Profit for the period attributable to the owners of the parent		42.3	(11.9)	30.4
Earnings per share (cents)				
Basic	5	26.9		19.3
Diluted	5	25.2		18.1

Unaudited consolidated statement of comprehensive income

For the 26 weeks ended 2 October 2022 (26 weeks ended 3 October 2021)

	26 weeks to 2 October 2022 $'m	26 weeks to 3 October 2021 $'m	(Audited) 52 weeks to 3 April 2022 $'m
Profit for the period	**16.6**	17.2	30.4
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain on defined benefit pension schemes	**0.5**	0.4	0.7
Tax relating to items that will not be reclassified	**(0.1)**	-	(0.1)
	0.4	0.4	0.6
Items that may be reclassified subsequently to profit or loss:			
(Loss)/gain arising on cash flow hedges during the period	**(1.3)**	(0.1)	0.1
Exchange loss on translation of foreign operations	**(19.4)**	(1.7)	(5.9)
Tax relating to items that may be reclassified	**1.8**	-	0.1
	(18.9)	(1.8)	(5.7)
Other comprehensive expense for the period	**(18.5)**	(1.4)	(5.1)
Total comprehensive (expense)/income for the period	**(1.9)**	15.8	25.3
Total comprehensive (expense)/income for the period is attributable to:			
Owners of the parent	**(1.7)**	15.8	25.3
Non-controlling interests	**(0.2)**	-	-
	(1.9)	15.8	25.3

Unaudited consolidated statement of financial position

As at 2 October 2022 (3 October 2021)

	Note	**2 October 2022 $'m**	3 October 2021 $'m	(Audited) 3 April 2022 $'m
Non-current assets				
Goodwill		**75.3**	64.6	82.9
Other intangible assets		**41.2**	35.1	47.0
Property, plant and equipment		**45.6**	33.5	43.4
Right of use assets		**23.0**	16.5	19.4
Investments in associates		**2.2**	1.0	1.5
Other receivables		**1.2**	1.2	2.1
Derivative financial instruments		**1.3**	-	-
Deferred tax assets		**20.3**	23.7	20.6
		210.1	175.6	216.9
Current assets				
Inventories		**127.0**	96.9	119.3
Trade receivables		**142.2**	111.3	119.0
Other receivables		**13.5**	13.8	16.7
Current tax assets		**1.1**	2.2	1.9
Derivative financial instruments		**0.2**	0.5	0.4
Cash and bank balances	8	**23.0**	21.7	29.1
		307.0	246.4	286.4
Total assets		**517.1**	422.0	503.3
Current liabilities				
Borrowings	8	**-**	4.4	5.0
Lease liabilities		**5.0**	3.8	4.3
Trade payables		**93.8**	87.1	84.7
Other payables		**58.5**	49.5	61.9
Current tax liabilities		**10.6**	9.8	10.1
Retirement benefit obligation		**0.3**	1.1	1.1
Provisions		**1.7**	1.8	2.3
Derivative financial instruments		**2.5**	0.2	0.1
		172.4	157.7	169.5
Net current assets		**134.6**	88.7	116.9
Non-current liabilities				
Borrowings	8	**115.9**	39.1	98.5
Non-current lease liabilities		**19.1**	14.5	16.6
Other payables		**0.9**	3.7	1.0
Deferred tax liabilities		**6.1**	7.5	7.0
Retirement benefit obligation		**1.7**	3.0	2.0
Provisions		**0.1**	0.2	0.2
		143.8	68.0	125.3
Total liabilities		**316.2**	225.7	294.8
Net assets		**200.9**	196.3	208.5
Equity attributable to owners of the parent				
Share capital	6	**62.7**	62.5	62.5
Share premium account		**60.7**	60.9	60.9
Non-distributable reserve		**2.5**	2.5	2.5
Hedging and translation reserve		**(28.2)**	(5.9)	(9.8)
Own shares	7	**(2.2)**	(1.8)	(0.2)
Retained earnings		**98.2**	78.1	85.2
Total attributable to owners of the parent		**193.7**	196.3	201.1
Non-controlling interests		**7.2**	-	7.4
Total equity		**200.9**	196.3	208.5

Unaudited Consolidated Statement of Changes in Equity

For the 26 weeks ended 2 October 2022 (26 weeks ended 3 October 2021)

	Share capital $'m	Share premium account $'m	Non-distributable reserves $'m	Hedging and translation reserve $'m	Own shares $'m	Retained earnings $'m	Equity attributable to owners $'m	Non-Controlling interests $'m	Total equity $'m
Balance 4 April 2021	**62.0**	**60.9**	**2.5**	**(4.1)**	**(3.3)**	**66.0**	**184.0**	**-**	**184.0**
Profit for the period attributable to the owners of the parent	-	-	-	-	-	17.2	**17.2**	-	**17.2**
Other comprehensive income for the period	-	-	-	(1.8)	-	0.4	**(1.4)**	-	**(1.4)**
Total comprehensive income for the period	-	-	-	(1.8)	-	17.6	**15.8**	-	**15.8**
Shares issued	0.5	-	-	-	-	-	**0.5**	-	**0.5**
Own shares sold/(utilised) in the period	-	-	-	-	3.4	(3.4)	**-**	-	**-**
Own shares purchased in the period	-	-	-	-	(1.9)	-	**(1.9)**	-	**(1.9)**
Dividend	-	-	-	-	-	(4.7)	**(4.7)**	-	**(4.7)**
Reserve entry for share option charges	-	-	-	-	-	2.2	**2.2**	-	**2.2**
Tax effect of share options	-	-	-	-	-	0.4	**0.4**	-	**0.4**
Balance at 3 October 2021	**62.5**	**60.9**	**2.5**	**(5.9)**	**(1.8)**	**78.1**	**196.3**	**-**	**196.3**

Unaudited Consolidated Statement of Changes in Equity (continued)

For the 26 weeks ended 2 October 2022 (26 weeks ended 3 October 2021)

	Share capital $'m	Share premium account $'m	Non-distributable reserves $'m	Hedging and translation reserve $'m	Own shares $'m	Retained earnings $'m	**Equity attributable to owners $'m**	Non-Controlling interests $'m	**Total equity $'m**
Balance 3 April 2022	**62.5**	**60.9**	**2.5**	**(9.8)**	**(0.2)**	**85.2**	**201.1**	**7.4**	**208.5**
Profit for the period	-	-	-	-	-	16.3	**16.3**	0.3	**16.6**
Other comprehensive (expense)/income for the period	-	-	-	(18.4)	-	0.4	**(18.0)**	(0.5)	**(18.5)**
Total comprehensive (expense)/income for the period	-	-	-	(18.4)	-	16.7	**(1.7)**	(0.2)	**(1.9)**
Own shares sold/(utilised) in the period	-	-	-	-	1.7	(1.7)	**-**	-	**-**
Own shares purchased in the period	-	-	-	-	(3.7)	-	**(3.7)**	-	**(3.7)**
Dividend	-	-	-	-	-	(4.6)	**(4.6)**	-	**(4.6)**
Shares issued	0.2	(0.2)	-	-	-	1.3	**1.3**	-	**1.3**
Reserve entry for share option charges	-	-	-	-	-	1.2	**1.2**	-	**1.2**
Tax effect of share options	-	-	-	-	-	0.1	**0.1**	-	**0.1**
Balance at 2 October 2022	**62.7**	**60.7**	**2.5**	**(28.2)**	**(2.2)**	**98.2**	**193.7**	**7.2**	**200.9**

Unaudited consolidated statement of cash flows

For the 26 weeks ended 2 October 2022 (26 weeks ended 3 October 2021)

	Notes	**26 weeks to 2 October 2022 $'m**	26 weeks to 3 October 2021 $'m	(Audited) 52 weeks to 3 April 2022 $'m
Profit for the period		**16.6**	17.2	30.4
Adjustments for:				
Finance income		**(0.1)**	(0.2)	(0.3)
Finance costs		**3.8**	2.1	5.5
Income tax expense		**4.9**	2.2	5.8
Share of net profit from associates		**(0.7)**	(0.1)	(0.4)
Depreciation of property, plant and equipment		**3.8**	3.0	6.4
Depreciation of right-of-use asset		**1.8**	1.5	3.4
Amortisation of intangible assets		**4.7**	5.1	10.4
Loss on disposal of property, plant and equipment		**-**	-	(0.2)
Share option charge		**2.6**	2.6	4.4
Forgiveness of PPP loan	3	**-**	(2.6)	(2.6)
Contingent consideration adjustment		**-**	-	(0.2)
Decrease in provisions		**(1.0)**	(0.9)	(1.7)
Operating cash flow before movements in working capital		**36.4**	29.9	60.9
Increase in inventories		**(12.5)**	(20.4)	(28.1)
Increase in receivables		**(27.4)**	(13.4)	(14.2)
Increase in payables		**17.7**	15.1	7.9
Movement in working capital		**(22.2)**	(18.7)	(34.4)
Cash generated by operations		**14.2**	11.2	26.5
Cash generated by operations before adjusting items		**15.8**	11.8	28.5
Cash utilised by adjusting items		**(1.6)**	(0.6)	(2.0)
Taxation paid		**(3.6)**	(3.0)	(6.5)
Interest paid		**(2.4)**	(0.9)	(1.5)
Net cash generated from operating activities		**8.2**	7.3	18.5
Cash flow from investing activities				
Interest received		**0.1**	-	0.1
Acquisition of businesses, net of cash acquired		**-**	-	(35.7)
Contingent consideration for businesses acquired		**(7.5)**	(10.8)	(19.2)
Proceeds on disposal of property, plant and equipment		**0.1**	-	0.5
Purchases of property, plant and equipment		**(8.1)**	(3.9)	(10.8)
Purchases of intangible assets		**(2.0)**	(1.0)	(4.2)
Proceeds from the repayment of preference shares		**0.2**	-	-
Net cash used in investing activities		**(17.2)**	(15.7)	(69.3)
Cash flow before financing activities		**(9.0)**	(8.4)	(50.8)
Cash used before adjusting items		**(7.4)**	(7.8)	(48.8)
Cash utilised in respect of adjusting items		**(1.6)**	(0.6)	(2.0)

Unaudited consolidated statement of cash flows (continued)
For the 26 weeks ended 2 October 2022 (26 weeks ended 3 October 2021)

	Notes	**26 weeks to 2 October 2022 $'m**	26 weeks to 3 October 2021 $'m	(Audited) 52 weeks to 3 April 2022 $'m
Cash flow before financing activities		**(9.0)**	(8.4)	(50.8)
Cash flow from financing activities				
Dividend paid		**(3.3)**	(4.7)	(7.2)
Net purchase of shares for share schemes		**(3.5)**	(2.0)	(5.1)
Refinancing costs paid		**-**	(0.1)	(2.5)
New bank loan raised		**19.0**	8.2	69.3
Repayment of borrowings		**(2.3)**	(2.9)	(3.4)
Outflow from factoring		**(0.7)**	(2.9)	(6.0)
Interest element of lease payments		**(0.5)**	(0.3)	(1.0)
Receipt from lease debtor		**0.2**	0.3	0.5
Capital element of lease payments		**(2.1)**	(1.9)	(4.2)
Net cash generated from/(used in) financing activities		**6.8**	(6.3)	40.4
Net decrease in cash and cash equivalents	8	**(2.2)**	(14.7)	(10.4)
Cash and cash equivalents at beginning of period	8	**25.9**	36.5	36.5
Effect of foreign exchange rate changes	8	**(0.7)**	(0.1)	(0.2)
Cash and cash equivalents at end of period	8	**23.0**	21.7	25.9

Notes to the Interim Statements

1. Basis of preparation

These interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the AIM Rules for Companies'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the 52 weeks ended 3 April 2022, which were prepared in accordance with UK-adopted international accounting standards and the requirements of the Companies Act 2006.

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 2022 (‘H1 FY2023’) and the 26 weeks ended 3 October 2021 (‘H1 FY2022’) has not been reviewed by the auditors. The financial information for the 52 weeks ended 3 April 2022 (‘FY 2022’) is extracted and abridged from the Group’s full accounts for that year. The statutory accounts for FY2022 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 UK adopted International Accounting Standard 34 ‘Interim Financial Reporting’ 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 9 November 2022.

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 3 April 2022 are available at the Company’s registered office at Unit C1 Antura, Bond Close, Basingstoke, Hampshire, England, RG24 8PZ, and can also be downloaded or viewed via the Group’s website.

These condensed financial statements have also been prepared using accounting policies consistent with those disclosed in the annual report and accounts for the year ended 3 April 2022, which were prepared in accordance with UK-adopted international accounting standards and the requirements of the Companies Act 2006.

Going Concern

As at 2 October 2022 the Group had net debt of $117.0m with undrawn committed borrowing available under its revolving credit facility of $82.3m (FY2022: $96.0m).

The Group’s forecast and projections, taking reasonable account of possible changes in trading performance and the cash outflow associated with the recently announced acquisition of Review Display Systems Group (“RDS”) (see note 11) show that the Group should continue to operate with sufficient headroom under the revolving credit facility for the foreseeable future. The Directors 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.

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 Executive members of the Company's Board and the Chief Operating Officer for the purpose of resource allocation and assessment of Group performance is based upon the regional performance of where the customer is based and the products are delivered to. In addition to the operating divisions, a Central division exists to capture all of the corporate costs incurred in supporting the operations.

Unallocated central costs represent 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 following is an analysis of the Group's revenues and results by reportable segment.

	26 weeks to 2 October 2022		26 weeks to 3 October 2021	
	Revenue $'m	**Profit/(loss) $'m**	Revenue $'m	Profit/(loss) $'m
North America	**167.5**	**16.1**	121.1	9.9
Asia	**92.6**	**5.1**	70.7	5.2
Europe	**97.4**	**14.2**	100.9	15.2
Unallocated central costs (excluding share-based payments)		**(3.3)**		(3.0)
Divisional results before share-based payments and adjusting items	**357.5**	**32.1**	292.7	27.3
Adjusting items		**(5.0)**		(3.5)
Share-based payments		**(2.6)**		(2.6)
Operating profit		**24.5**		21.2
Share of net profit from associates		**0.7**		0.1
Finance income		**0.1**		0.2
Finance costs		**(3.8)**		(2.1)
Profit before tax		**21.5**		19.4
Tax		**(4.9)**		(2.2)
Profit after tax		**16.6**		17.2

2. Business and geographical segments (continued)

	52 weeks to 3 April 2022	
	Revenue $'m	Profit/(loss) $'m
North America	272.1	21.4
Asia	142.7	11.6
Europe	199.8	32.1
Unallocated central costs (excluding share-based payments)	–	(8.9)
Divisional results before share-based payments and Adjusting items	614.6	56.2
Adjusting items		(10.8)
Share-based payments		(4.4)
Operating profit		41.0
Share of profit result from associates		0.4
Finance income		0.3
Finance costs		(5.5)
Profit before tax		36.2
Tax		(5.8)
Profit after tax		30.4

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 $5.0m (H1 FY2022: $3.5m, FY2022: $10.8m) was split $2.4m (H1 FY2022: credit $0.4m, FY2022: $2.0m) to North America, $2.2m (H1 FY2022: $3.9m, FY2022: $7.2m) to Europe, $0.4m (H1 FY2022: $nil, FY2022: $1.1m) to Asia and $nil to central (H1 FY2022: $nil, FY2022: $0.5m).

Other segmental information

The Group's revenue from external customers and information about its non-current assets (excluding deferred tax assets) by geographical location are provided below:

	External revenue			**Non-current assets** (excluding deferred tax assets)		
	26 weeks to 2 October 2022 $'m	26 weeks to 3 October 2021 $'m	(Audited) 52 weeks to 3 April 2022 $'m	**26 weeks to 2 October 2022 $'m**	26 weeks to 3 October 2021 $'m	(Audited) 52 weeks to 3 April 2022 $'m
Geographical segments						
North America	**167.5**	121.1	272.1	**52.2**	20.7	49.3
Asia	**92.6**	70.7	142.7	**49.7**	26.4	47.2
Europe	**97.4**	100.9	199.8	**87.9**	104.8	99.8
	357.5	292.7	614.6	**189.8**	151.9	196.3

Revenue is attributed to countries on the basis of the geographical location of the customer and delivery of the product.

3. Adjusting items and share-based payments

	26 weeks to 2 October 2022 $'m	26 weeks to 3 October 2021 $'m	(Audited) 52 weeks to 3 April 2022 $'m
Amortisation of acquired intangibles	**4.3**	5.0	10.3
Acquisition costs	**0.7**	1.0	2.5
Adjustments to fair value of contingent consideration	–	0.1	(0.2)
Restructuring costs	–	–	0.8
PPP loan forgiveness	–	(2.6)	(2.6)
Total adjusting items	**5.0**	3.5	10.8
Share-based payments charge	**2.6**	2.6	4.4
Total adjusting items and share-based payments before tax	**7.6**	6.1	15.2
Adjusting items tax credit	**(1.1)**	(1.6)	(3.3)
Adjusting items and share-based payments after tax	**6.5**	4.5	11.9

Adjusting items include costs and income 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 FY2023, the amortisation charge on these intangible assets totalled $4.3m (FY2022 H1: $5.0m, FY2022: $10.3m).

Acquisition-related costs of $0.7m (FY2022 H1: $1.0m, FY2022: $2.5m) are mainly related to acquisitions that have or are being pursued. These costs represented legal and professional fees associated with the transactions. In the prior year, the Group's acquisition related costs of $2.5m primarily related to the four acquisitions which were completed.

There was no remeasurement of contingent consideration during the period (FY2022 H1: $0.1m, FY2022: gain of $0.2m).

During the prior year a gain of $2.6m was recognised on the forgiveness of PPP loans provided to parts of the Group's North America's operations. These loans were provided at the start of the pandemic and were previously recognised as a financial liability within current borrowings in the FY2021 balance sheet. Upon receipt of notification of forgiveness of the debts during the current period, a gain on extinguishment of the debt was recognised as an adjusting item.

4. Tax charge

The Group's income tax expense for the period was \$4.9 million (H1 FY2022: \$2.2 million), representing an effective tax rate of 22.8% (H1 FY2022: 11.2%). The underlying tax charge of \$6.0 million (H1 FY2022: \$3.8 million) represents an effective tax rate of 20.6% (H1 FY2022: 14.7%). The tax expense and the effective tax rate are affected by the recognition of deferred tax assets, as required by International Financial Reporting Standards. The assets recognised in the period are principally due to the recognition of historical operating losses and unclaimed capital allowances.

The underlying current tax charge is calculated by reference to the taxable profits in each individual entity and the local statutory tax rates. An underlying deferred tax credit of \$1.8 million (H1 FY2022: tax credit of \$1.4 million) arose due to an increase in the net deferred tax asset recognised. In a number of jurisdictions, the taxable profits are calculated in local currency which can give rise to taxable profits when the local currency depreciates. During the first half of the year, this has resulted in an additional \$1.0 million of tax expense (H1 FY2022: \$0.2 million).

The Group operates in a number of different tax jurisdictions and is subject to periodic tax audits by local authorities in the normal course of business on a range of tax matters in relation to corporate tax. As at 2 October 2022, the Group has net current tax liabilities of \$9.5 million (FY2022: \$8.2 million) which include \$6.7 million (FY2022: \$7.2 million) of provisions for tax uncertainties.

The carrying amount of deferred tax assets is reviewed at each reporting date and recognised to the extent that it is probable that there are sufficient taxable profits to allow all or part to be recovered. Deferred tax assets have been recognised based on future forecast taxable profits. As at the reporting date the Group has recognised deferred tax assets of \$20.3 million (FY2022: \$20.6 million) and deferred tax liabilities of \$6.1 million (FY2022: \$7.0 million).

5. Earnings per ordinary share

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

Earnings	**26 weeks to 2 October 2022 $'m**	26 weeks to 3 October 2021 $'m	(Audited) 52 weeks to 3 April 2022 $'m
Earnings attributable to the ordinary equity holders of the company for the purpose of basic earnings per share	**16.3**	17.2	30.4
Adjustments for:			
Adjusting items	**5.0**	3.5	10.8
Share-based payments charge	**2.6**	2.6	4.4
Tax effect of above adjustments and other adjusting item tax movements	**(1.1)**	(1.6)	(3.3)
Underlying earnings	**22.8**	21.7	42.3

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	**158,522,434**	156,562,086	157,245,284
Effect of dilutive potential ordinary shares – share options	**8,243,213**	9,649,535	10,309,105
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**166,765,647**	166,211,621	167,554,389

Basic earnings per share	**Cents**	Cents	Cents
Basic earnings per share from continuing operations	**10.3**	11.0	19.3
Adjustments for:			
Adjusting items	**3.2**	2.2	6.9
Share-based payments charge	**1.6**	1.6	2.8
Tax effect of above adjustments and other adjusting items tax movements	**(0.7)**	(1.0)	(2.1)
Underlying basic earnings per share	**14.4**	13.8	26.9

Diluted earnings per share	**Cents**	Cents	Cents
Diluted earnings per share	**9.8**	10.3	18.1
Adjustments for:			
Adjusting items	**3.0**	2.1	6.5
Share-based payments charge	**1.6**	1.5	2.6
Tax effect of above adjustments and other adjusting items tax movements	**(0.7)**	(0.9)	(2.0)
Underlying diluted earnings per share	**13.7**	13.0	25.2

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 2 October 2022 $'m	26 weeks to 3 October 2021 $'m	(Audited) 52 weeks to 3 April 2022 $'m
Issued and fully paid: 159,096,324 (FY2022: 158,718,709) Ordinary shares of 25p each	**62.7**	62.5	62.5

Shareholders were able to elect to receive ordinary shares in place of the final dividend for the year to 3 April 2022. This resulted in the issue of 377,615 (H1 FY2022: nil, FY2022: nil) new fully paid ordinary shares.

7. Own shares

	26 weeks to 2 October 2022 $'m	26 weeks to 3 October 2021 $'m	(Audited) 52 weeks to 3 April 2022 $'m
At the start of the period	**0.2**	3.3	3.3
Disposed of in the period on exercise of options	**(1.7)**	(3.4)	(7.5)
Purchase of shares	**3.7**	1.9	4.4
At end of the period	**2.2**	1.8	0.2

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

During H1 FY2023 the EBT purchased 1,006,166 shares at a cost of $3.7m. During the period 502,011 shares were utilised on the exercise of share awards. The number of ordinary shares held by the Volex Group plc Employee Share Trust at 2 October 2022 was 557,360 (H1 FY2022: 1,000,838, FY2022: 53,205).

8. Analysis of net debt

	3 April 2022 $'m	New leases $'m	Cash flow $'m	Exchange movement $'m	Other non-cash changes $'m	**2 October 2022 $'m**
Cash & cash equivalents	25.9	-	(2.2)	(0.7)	-	**23.0**
Bank loans	(101.8)	-	(16.7)	1.1	-	**(117.4)**
Factoring	(0.7)	-	0.7	-	-	**-**
Debt issue costs	2.2	-	-	(0.3)	(0.4)	**1.5**
Lease liability	(20.9)	(6.7)	2.6	1.4	(0.5)	**(24.1)**
Net debt	(95.3)	(6.7)	(15.6)	1.5	(0.9)	**(117.0)**

	2 October 2022 $'m	3 October 2021 $'m	3 April 2022 $'m
Cash and bank balances	**23.0**	21.7	29.1
Overdrafts	**-**	-	(3.2)
Cash and cash equivalents	**23.0**	21.7	25.9

The carrying amount of the Group's financial assets and liabilities is considered to be equivalent to their fair value.

9. 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 27.4% interest in Kepler SignalTek Limited, which is accounted for as an associate. During the period the Group accrued financial income of $0.1m on the preference shares (H1 FY2021: $0.1m, FY2022: $0.2m). The balance due from the associate as at the period end date was $1.8m (H1 FY2022: $2.2m, FY2022: $2.0m).

The Group also has a 43% interest in Volex-Jem Co. Ltd. During the current and prior period, no transactions have occurred between the Group and Volex-Jem Co. Ltd or 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 $0.1m (H1 FY2022: $0.1m, FY2022: $0.1m).

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 FY2022 and in line with the Director shareholding notices disclosed on the Volex website (www.volex.com).

10. 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 advisers, 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 holds a provision to cover potential costs of recall or warranty claims for products which are in the field but where a specific issue has not been reported.

11. Events after the balance sheet date

On 28 October 2022 the Group completed the acquisition of the entire issued share capital of Review Display Systems Group for an initial consideration of $6.0m, on a debt-free basis. Contingent consideration of $3.0m is linked to EBITDA performance over a 2 year period.