22 June 2023

Volex plc

("Volex", the "Company", or the "Group")

Preliminary Group Results
for the 52 weeks ended 2 April 2023

On track with five-year plan with strong growth and margin progression

Volex plc (AIM: VLX), the specialist integrated manufacturer of critical power and data transmission products, announces its preliminary results for the 52 weeks ended 2 April 2023 ("FY2023").

Financial Highlights	52 weeks to 2 April 2023	52 weeks to 3 April 2022	Year on year change
Revenue	**$722.8m**	$614.6m	**17.6%**
Underlying[1] operating profit	**$67.3m**	$56.2m	**19.8%**
Statutory operating profit	**$53.8m**	$41.0m	**31.2%**
Underlying[1] profit before tax	**$59.3m**	$51.4m	**15.4%**
Statutory profit before tax	**$45.8m**	$36.2m	**26.5%**
Underlying[1] basic earnings per share	**30.2c**	26.9c	**12.3%**
Final dividend (per share)	**2.6p**	2.4p	**8.3%**
Net debt (before operating lease liabilities)[2]	**$76.4m**	$74.4m	**2.7%**
Net debt	**$103.7m**	$95.3m	**8.8%**

[1] Before adjusting items and share-based payments charge (see note 3 for more details)

[2] Represents cash and cash equivalents, less bank loans, debt issue costs and finance leases, but excluding operating lease liabilities (see definitions section for more details)

Financial and strategic highlights

- Group revenue increased by 17.6% to $722.8m (FY2022: $614.6m) driven by strong organic growth and acquisitions
- Organic constant-currency revenue growth of 11.4% delivering total revenue for FY2023 of $722.8m
- Further improvement in underlying operating margin to 9.3% (FY2022: 9.1%) demonstrating effective management of inflation and cost control
- Final dividend increased by 8.3% to 2.6 pence per share

- Year-end net debt covenant leverage decreased to 1.0x from 1.2x in FY2022 driven by our cash generative model and working capital unwind
- Excellent progress made towards five-year growth plan supported by continued customer-led investment programme
- Further investment in increasing capacity across India, Mexico, Poland and Indonesia
- Review Display Systems Group ("RDS") acquired for initial consideration of $5.5m to enhance our capabilities and accelerate growth in the UK

Market highlights

- Electric Vehicles – strong demand continues with sales up 33% organically over last year with an increasingly diverse customer base and expanding product set
- Consumer Electricals – slightly higher volumes were more than offset by lower input cost pass-through on copper and PVC which resulted in a small organic revenue reduction of 3%
- Medical – continued strong demand for medical products as healthcare providers look to accelerate the rollout of new technology driving an organic revenue increase of 16%
- Complex Industrial Technology – strong growth reflecting improving supply chain and the delivery of new customer projects resulting in an organic revenue increase of 19%

Outlook

- Entered the new financial year with good momentum and high levels of customer demand
- Supply chains much improved, enabling step-up in production
- Confident in making continued excellent progress towards five-year plan

Dividend

Subject to approval by shareholders at the upcoming AGM on 27 July 2023, the proposed final dividend of 2.6p per ordinary share will be paid on 25 August 2023 to shareholders on the register on 21 July 2023. The ex-dividend date will be 20 July 2023.

Shareholders may elect to receive the final dividend as shares in the Company, in lieu of cash, under the Volex plc Scrip Dividend Scheme. The reference price for the Scrip Dividend will be announced on 27 July 2023. Shareholders who wish to elect to receive the final dividend in shares must (i) complete a Scrip Dividend Mandate Form (available on the Company's website) 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 4 August 2023. Those shareholders who have opted into 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 final 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 final 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.

Nat Rothschild, Volex's Executive Chairman said:

"Our dynamic and diverse business has continued to demonstrate strong growth, whilst delivering excellent operating margins of 9.3% in a high inflationary environment, highlighting our ability to successfully manage inflation.

"With strong cash generation, a healthy balance sheet and access to funding we are well placed to capitalise on the significant opportunities across our markets. The investments we have made in FY2023 are focused on our pursuit of further growth, benefitting from the leading position we have in attractive sectors. With an exciting acquisition pipeline and further organic projects we will continue to deliver against this strategy.

"With our track record over the past five years, we are confident that our strategy and operating model continues to provide us with the opportunity to deliver long-term organic growth alongside complementary, earnings-enhancing acquisitions.

"We have seen a strong start to the new financial year with high levels of customer demand. We remain confident of achieving our five–year plan target of revenues of $1.2 billion by the end of FY2027."

Analyst Presentation

A live presentation for analysts will be held online at 10.30 a.m. BST on 22 June 2023. 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 10.30 a.m. BST on 23 June 2023 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 leading specialist integrated manufacturer of critical power and data transmission 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 power products. With sales teams located around the globe, combined with authorised distribution partners, we have the ability to service our customers' needs and deliver our products to Original Equipment Manufacturers ('OEMs') and Electronic Manufacturing Services ('EMS') companies worldwide. The critical 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. We are headquartered in the UK and operate from 19 manufacturing locations with a global workforce of over 8,000 employees across 22 countries.

Important notices:

Peel Hunt LLP ("Peel Hunt"), which is authorised and regulated in the United Kingdom by the FCA, is acting as Corporate Broker to Volex and no one else in connection with the matters described in this Announcement and will not be responsible to anyone other than Volex for providing the protections afforded to clients of Peel Hunt, or for providing advice in connection with the matters referred to herein. Neither Peel Hunt nor any of its group undertakings or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Peel Hunt in connection with this Announcement or any matter referred to herein.

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Definitions

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 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 payment expense.

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, debt issue costs and finance leases, but excluding operating lease liabilities. The lease liabilities include $27.3 million of operating lease liabilities (FY2022: $20.9 million).

Net debt covenant leverage is net debt (before operating lease liabilities) divided by underlying EBITDA adjusted for depreciation of right-of-use assets.

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.

Executive Chairman's Statement

The Group has delivered another year of excellent progress, sustaining double-digit organic revenue growth and further improving underlying operating margins.

Our success is a combination of targeted investment into the business and a strategic focus on key market sectors which have and will continue to deliver significant growth. It is also a clear indication of our teams' abilities to harness the structural growth drivers in our chosen markets.

The last three years have been challenging for global manufacturing, and yet with margins sustainably within our target range, we have proven that we have a robust business, capable of navigating logistical challenges and exceeding customer expectations.

Our focus on building a business based on innovation, service and quality continues to be the key differentiator in our market. Price is a factor, but it is not the only consideration. Whilst we remain committed to providing exceptional value to our customers and supporting their growth through our unrivalled global footprint, we are equally focused on providing our shareholders with an attractive investment opportunity.

We continued to invest in our business as we delivered revenue growth of 17.6% in FY2023 and an increase in underlying operating profit of 19.8%. We also achieved significant constant currency organic revenue growth of 11.4%, giving us a three-year average constant currency organic annual rate of 12.9%. Operating margins rose to 9.3% (FY2022: 9.1%), reflecting the strength and consistency of our commercial proposition. Our covenant leverage has improved ahead of expectations to 1.0x in the past year and is now 0.2x lower than it was at the beginning of FY2023. It is these strong performance metrics that make us believe we are well positioned for future growth as we continue to innovate and expand globally.

Our renewed competitiveness fuelled by our investment in vertical integration, manufacturing efficiency and continuous improvement initiatives, is accelerating new contract wins and increasing market share. These awards have been secured by our ability to offer best-in-class products and services, underpinned by a global supply chain that is lean and responsive.

Strategic focus

We are benefitting from very significant structural changes in the manufacturing landscape as our customers reconfigure their supply chains. For a combination of logistical and geopolitical reasons, there is a marked increase in initiatives to reduce complexity and bring the source of critical components nearer to the point of final assembly. This plays to our strengths given our expertise in delivering reliable, resilient and flexible manufacturing solutions.

Our investments in new capacity are helping to meet the demand for localisation. In particular, we are expanding our sites in India, Mexico, Poland and Indonesia following positive feedback from existing and potential customers.

We are already seeing the benefits arising from this strategy having announced a major Electric Vehicles ("EV") power products contract win for our site in Tijuana, Mexico in May. We have a detailed plan to successfully onboard EV products into Mexico, and the opportunity to grow this business while still maintaining attractive margins is significant.

Success in markets with significant structural growth drivers

There are significant growth drivers that support our expansion plans in key markets. Electrification is transforming the automotive industry and contributing to carbon reduction targets around the globe.

Adoption of Electric Vehicles is accelerating as consumers recognise the advantages. As the market grows, we are broadening our product suite, utilising our specialist manufacturing expertise to encompass on-car assemblies as well as a variety of charging infrastructure products.

The growth we have seen in the Medical sector is underpinned by continued innovation, with healthcare providers improving patient outcomes through cutting-edge imaging and diagnostic technology. Customers in our diverse Complex Industrial Technology sector are also experts in delivering transformational technology through advanced engineering. Our specialist manufacturing locations support this progress by delivering mission critical assemblies.

We continued to win market share as the Consumer Electricals market experienced a period of normalisation off the back of higher demand in the previous two years. This was achieved because we have highly competitive operations with an unparalleled global footprint.

People and culture

Volex has made tremendous progress since I joined the business in 2015, having first become a Volex shareholder in 2008.

We have grown into an ambitious, successful organisation with a clear strategic focus and this has been achieved through the creation of an exceptional team who understand every aspect of our operations and work tirelessly to deliver exceptional results to our customers.

We operate with agility, empowering our people to make decisions and think entrepreneurially, allowing us to demonstrate leadership in our chosen markets.

We are an international business with a global perspective and a solution focused mindset. We believe that our people are at the heart of everything we do, so we aim to provide them with the opportunity to be successful in every aspect of their career.

By being open and collaborative, we create an environment where everyone can thrive and contribute. Our performance culture is designed to allow a group of remarkably talented people to work together, contributing to alignment and accountability within a decentralised operating model. This is supported by a leadership team who nurture talent and encourage development, creating an environment where collaboration can flourish.

Delivering our strategic ambitions

A year ago, we set out an ambitious five-year plan, to double our revenues to $1.2 billion by the end of FY2027, through a combination of acquisitions and organic growth.

Our compelling performance this financial year further supports our confidence in achieving these objectives while our key positioning in attractive markets with structural growth drivers is a major element of this strategy.

At the same time, we need to scale our operations to ensure continued efficiency in our business. We are enhancing our capabilities to deliver more to our customers and support their increasing requirements.

Our manufacturing sites are well-invested, with key processes vertically integrated and well-defined quality assurance procedures. This allows us to sustain high levels of customer satisfaction while maintaining price competitiveness.

It is difficult to replicate these capabilities which supports the long-term profitable relationships we maintain with our customers. We believe that our business model is a competitive advantage, which will allow us to continue growing and providing value to all stakeholders.

Acquisitions

The execution of our acquisition strategy has significantly enhanced our business, bringing diversification, value-add capabilities and significant new global customer relationships.

We maintain a disciplined acquisition strategy by concentrating on businesses that provide access to compelling markets, connect us to new customers, enhance our geographic footprint or enable us to consolidate within fragmented sectors. During the year, we acquired RDS, a specialist designer and manufacturer of digital display solutions, enhancing our capabilities in the European market.

Sustainability

As a responsible business, we recognise the impact that we have on the world around us. We take sustainability seriously and we are focused on reducing our environmental impact. This has seen us reduce our carbon intensity by 31% over the last three years.

We have launched an ambitious new plan to achieve net zero on scope 1 and 2 emissions by 2035. This is creating a framework for action at every level of the organisation as we identify and implement meaningful changes to be cleaner and greener.

We are improving our energy efficiency and reducing the amount of waste we create by increasing recycling, reusing materials and finding alternative uses for waste. We are also actively working to reduce our water consumption by increasing water recycling and optimising the use of grey water in our facilities.

Dividend

Having delivered another year of strong growth, and with a robust balance sheet, the Board is pleased to propose a final dividend of 2.6 pence per share. Together with the interim dividend payment of 1.3 pence, this gives rise to a total dividend for the year of 3.9 pence, an increase of 8.3% on the prior year. The Board considers this to be an appropriate and sustainable level of dividend that reflects our confidence in the Company’s ability to deliver sustained growth.

Outlook

We entered the new financial year with good momentum, with high levels of customer demand. Our supply chains are now much improved and are therefore enabling us to step up production, particularly for high value-add complex products.

With a diverse offering, proven success in attracting and retaining customers, and extensive experience operating in our highly attractive markets, we believe that Volex has the potential to grow significantly.

We are confident that with a strong strategy, clear demand for our products and solutions, and ambitious team members, we will continue to make excellent progress towards our five-year plan financial targets.

Review of FY2023 Performance

	2023			2022		
	Before adjusting items and share-based payments $m	**Adjusting items and share-based payments $m**	**Total $m**	Before adjusting items and share-based payments $m	Adjusting items and share-based payments $m	Total $m
Revenue						
North America	339.8	-	339.8	272.1	-	272.1
Asia	171.4	-	171.4	142.7	-	142.7
Europe	211.6	-	211.6	199.8	-	199.8
	722.8	**-**	**722.8**	**614.6**	**-**	**614.6**
Cost of sales	(565.8)	-	(565.8)	(488.8)	-	(488.8)
Gross profit	157.0	-	157.0	125.8	-	125.8
Operating expenses	(89.7)	(13.5)	(103.2)	(69.6)	(15.2)	(84.8)
Operating profit	67.3	(13.5)	53.8	56.2	(15.2)	41.0
Share of net profit from associates	1.1	-	1.1	0.4	-	0.4
Finance income	0.4	-	0.4	0.3	-	0.3
Finance costs	(9.5)	-	(9.5)	(5.5)	-	(5.5)
Profit on ordinary activities before taxation	59.3	(13.5)	45.8	51.4	(15.2)	36.2
Taxation	(10.7)	2.3	(8.4)	(9.1)	3.3	(5.8)
Profit after tax	**48.6**	**(11.2)**	**37.4**	**42.3**	**(11.9)**	**30.4**

The Group has delivered strong revenue growth and excellent profitability, in line with the five-year plan. In a high-inflation environment the diverse and resilient business performed strongly, managing operational complexity while improving profitability. Though the impact of government restrictions and lockdowns related to Covid-19 remained at relatively low levels throughout the year, market dislocation complicated supply chains, resulting in increased prices and longer lead times across multiple components. Lead times are stabilising and incidences of component shortages have decreased compared to FY2022.

Demand from customers across the Group remained strong throughout the year. We continued to experience rapid growth in the Electric Vehicles sector as we consolidated our position as market leader for grid cords, while bringing new products to market and winning several new customers.

Despite gaining market share, organic revenue in our Consumer Electricals business was marginally lower year-on-year, principally as a result of reduced prices for copper and PVC, the costs of which are passed through to customers.

Trading performance overview

The Group generated revenue of $722.8 million (FY2022: $614.6 million). This included organic revenue growth of 11.4%, the contribution from the newly-acquired RDS business and the full year effect of our FY2022 acquisitions. Organic revenue growth included 33% in Electric Vehicles, as well as 16% in Medical and 19% in Complex Industrial Technology.

Consumer Electricals volumes were broadly flat with PVC and copper price deflation resulting in a small organic revenue reduction of 3%.

Underlying operating profit increased by 20% to $67.3 million (FY2022: $56.2 million), driven by organic revenue growth and acquisitions. Statutory operating profit was $53.8 million (FY2022: $41.0 million), including adjusting items and share-based payments of $13.5 million (FY2022: $15.2 million).

The underlying operating margin was 9.3%, an improvement on the 9.1% achieved in the prior year. The margin benefited from higher volumes, increased pricing, strong cost controls and vertical integration efficiencies, partially offset by the impact of the sales mix. Achieving this improvement despite the macro-headwinds and inflationary pressures in the second half of the year demonstrates the resilience of the business.

With strong free cash flow generation, after capital investment, dividend payments and acquisitions spend of approximately $45 million, net debt was $76.4 million at 2 April 2023 (3 April 2022: $74.4 million), excluding $27.3 million (3 April 2022: $20.9 million) of operating lease liabilities. The covenant net debt/adjusted EBITDA ratio was 1.0 times (FY2022: 1.2 times) well below the covenant limit of 2.75 times.

Impact of the macroeconomic backdrop

Volex continues to be well positioned to navigate the challenges of a dynamic macro-environment. This is underpinned by our diverse markets, capabilities and global manufacturing footprint. These strengths have been central to the continued strong progress made, overcoming disruption to global supply chains, the challenges posed by Covid-19 and the war in Ukraine.

It has been a year of volatile inflation, with large cost increases over several components, while PVC and copper, the principal constituents of power cords, have experienced significant deflation. Contracts with power cord customers, where copper is a significant percentage of our bill of materials, allow for the pass-through of changes in cost to the customer, although there can be a short lag in the implementation of pricing changes. Lower levels of cost pass-through, compared to the high levels experienced in the prior year, resulted in reduced revenue in our Consumer Electricals sector.

Other price inflation is passed on to customers through regular price discussions, which either happen on a regular basis such as quarterly, or on an ad hoc basis where required by changes in the costs.

Working capital has increased due to our sales growth, although inventory levels have eased slightly as the supply chain disruption has shown signs of improvement, but lead times remain higher than historical levels.

Government restrictions relating to the Covid-19 pandemic have remained at low levels in FY2023, although there have been instances of local and national lockdowns in Asia which have had some limited and temporary impacts on trade. We did not experience any significant downtime at our sites in FY2023 and we continue to adhere to stringent health and safety measures across the business.

Our direct operational exposure to Russia and Ukraine is minimal. We have no facilities or employees in either country and have no significant dependency on direct supplies of components or materials from either Russia or Ukraine.

Revenue by customer sector

Electric Vehicles

The electric vehicle industry is expected to continue its rapid expansion as consumer uptake increases, assisted by legislation encouraging adoption. Volex has achieved continued strong growth due to our market leading position and strong reputation as a grid cord manufacturer. Building on our significant experience with technology related to EV charging, we have expanded our product set to support faster AC charging and out-of-home charging solutions. This will help us to further broaden our customer base. We are continuing to invest in new products and in our manufacturing processes to retain our place as one of the lowest cost producers. This is important as competition increases.

Organic revenue from our Electric Vehicles customers increased year-on-year by 33% to $138.3 million (FY2022: $104.2 million), with demand remaining strong. This growth is being driven by Volex's continuing position as a low-cost manufacturer following our vertical integration activity. We have successfully continued to expand our product offerings and customer base in line with our strategy in this space.

Consumer Electricals

Consumer Electricals revenue was marginally lower in FY2023 at $261.8 million (FY2022: $262.4 million). Our revenue benefited from a full year of revenues from Prodamex, which was acquired in FY2022, as well as the consumer portion of inYantra revenue. On an organic basis, revenue for this sector declined by 3%, with the war in Ukraine adversely impacting the consumer electricals market in Europe, along with the impact of high inflation in the Western world reducing consumer spend. Two of the most significant components in our power cords, copper and PVC, have reduced in price during the year, allowing us to pass on lower costs to customers and reducing revenue. Volumes are broadly flat year-on-year.

Trends towards increased localisation favour our global manufacturing footprint, which give us the flexibility to manufacture for customers from locations close to where they are. We are also delivering cross-selling success, using our global domestic appliance presence.

Medical

The demand levels in the Medical sector remained strong throughout the year, driven by backlogs which had built up through the Covid-19 pandemic. Consequently, Medical revenues were up 16% on an organic basis at $145.0 million (FY2022: $128.3 million). This sector also benefited from the acquisition of RDS at the end of October and the remainder of the first 12 months revenue from our acquisition of Irvine in FY2022.

There remains a global backlog in medical procedures following the pressures on healthcare systems that arose during the pandemic, which should mean that medium-term demand for medical technology continues to be elevated. The medical products we manufacture are complex, with specified bills-of-materials. Extended lead times can delay individual projects but the high mix of products we manufacture allows us to maintain efficient production through dynamic planning.

Complex Industrial Technology

Revenue from Complex Industrial Technology increased organically by 19% to $177.7 million (FY2022: $119.7 million). Total revenue includes five months of post-acquisition revenue from RDS and the full year effect from the FY2022 acquisitions. Excluding Data Centre customers, revenues were 18% higher than last year on an organic basis. Order books are strong with key customers placing demand well in advance of production, due to longer lead times for certain components. Component availability has begun to improve in FY2023 as supply chain pressures decrease.

Data Centre customers are reported within Complex Industrial Technology and represented 21.2% (FY2022: 26.2%) of revenue in this sector. The revenue in this sub-sector grew by 20% year-on-year, partly as a result of destocking in the prior year in preparation for the transition to the new 400 gigabit-per-second cables. There continued to be shortages of the new network equipment needed to support the adoption of 400 gigabit-per-second architecture in data centres, which impacted sales in the first half of the year. However, demand increased in the second half of the year as the network equipment situation improved.

Revenue by reportable segment

Volex is a diverse and resilient business with a global footprint. There is an increasing and accelerating requirement from customers to have manufacturing in multiple locations, reducing the risk of supply chain disruption from any particular country. We operate with a regional focus to meet this need and therefore analyse our customer revenue geographically on this basis. We allocate geographic revenue based on where the customer relationship is, reflecting our customer-centric nature.

North America

North America is our largest customer segment, and we work with some of its largest technology companies and global innovators. North America comprises 47.0% of Group revenue (FY2022: 44.3%). Revenue grew by 24.9% to $339.8 million (FY2022: $272.1 million). This reflects some of the strong organic growth we experienced with our Electric Vehicles customers, as well as the annualised impact from the acquisitions of Irvine, Prodamex and TC part-way through FY2022.

Asia

Asia makes up 23.7% of Group revenue (FY2022: 23.2%). Asia revenue increased by 20.1% to $171.4 million (FY2022: $142.7 million) with the majority of revenue in the Consumer Electricals sector. The increase is largely as a result of the acquisition of inYantra at the end of FY2022, which has been partially offset by lower copper prices.

Europe

Europe makes up 29.3% of Group revenue (FY2022: 32.5%). Revenue in Europe increased by 5.9% to $211.6 million (FY2022: $199.8 million) driven by an increased demand for Electric Vehicles offset by a moderate decrease in European domestic appliances sales as a result of the impact of the war in Ukraine on energy prices and consumer spending appetite.

Realising our strategy

Our strategy is built around five key pillars: product development; revenue growth; operational excellence; investment and acquisition; and people.

We aim to develop the right products and capabilities to be the manufacturing partner of choice for our customers. We have invested in product development through research and development, working with our customers to understand their product requirements.

Customers are at the heart of what we do and we pride ourselves on our regular and transparent communication with them. We deliver customer value, alongside exceptional quality and customer service. To meet these high standards, we closely monitor our manufacturing facilities and processes, identifying ways to improve which will increase efficiency and quality. Our continued investment in vertical integration gives us greater control over the supply chain and protecting margins. The customer service we provide drives organic revenue growth as customers are onboarded and increase our allocation of their products.

Delivering excellent customer service and improving processes requires great people. We have strengthened the organisation by bringing in talented leaders, in addition to creating development opportunities for existing employees. Effective communication is important and we use a variety of channels to drive employee engagement. We have continued with our site excellence awards as a way of recognising exceptional performance and teamwork.

Acquisitions are another key pillar of our strategic plan and we are constantly assessing businesses that are going through a sales process, or building relationships with potential acquisition targets that show strategic alignment, but are not yet available for sale. We have successfully deployed over $210 million on 11 strategic acquisitions over the last five years, which has contributed to expanding our product offering, improving our international manufacturing footprint, and are accretive to earnings and margin.

Creating value through organic investment

Over the past few years, we have increased the focus on organic investment in the business. Building on our track record of creating value, we focus on growth areas, while employing stringent financial criteria. Payback on these investments is typically achieved within two years. Our investment in the business not only maintains and enhances our assets, but also meets identified increased customer demand and develops new products to enable our future growth.

Total gross capital investment increased to $27.0 million (FY2022: $15.0 million), amounting to 3.7% of revenue (FY2022: 2.4% of revenue). This spend includes $8.7m of assets which were purchased under lease agreements. Capital investment in the year was slightly lower than planned, as extended lead times meant that some investment was deferred into FY2024. In the year, investment was focused on high-growth areas, including EV and data centre capabilities, as well as surface mount technology, consistent with our strategy, and the first phase of the new global ERP system. We have expanded our capabilities in printed circuit board assembly and are now able to deliver this from our site in Tijuana. We expect our investment to increase in FY2024, as we pursue growth opportunities in our markets.

We have also continued to invest in expanding our research and development activities. This includes the recruitment of additional specialists to drive our product development programmes. We expect to continue to enhance our research and development teams through FY2024.

Creating value through acquisitions

The successful acquisition and integration of quality businesses continues to be a major part of our strategy. Our typical acquisition target is a strong, well-managed business in a sector where we have a deep understanding. We are attracted to businesses with blue chip, long-term customers and good capabilities, enabling us to benefit from cross-selling opportunities. Targets requiring significant integration or restructuring effort are only contemplated when we can identify the right management resources to lead this activity.

We identify potential acquisitions through a variety of methods, seeking out off-market transactions, as well as those being run in a process. All opportunities are qualified and discussed by an investment committee before we progress to negotiation. In an environment where factors outside of managements control (such as Covid-19) impacted profitability at potential targets, both positively and negatively, valuation can be complex, and we have taken a prudent approach in this regard. We proceed to due diligence only when we have an alignment on commercial terms and we only pursue opportunities that meet the strict value criteria that we tailor for each transaction, based on its specific characteristics.

Having acquired 11 businesses in the last five years, we have become skilled at integrating new operations into our organisation. We tailor the integration programme to the requirements of the individual transaction, focusing on cost synergies and opportunities to cross-sell.

Acquisitions remain a high priority and we will continue to actively pursue a number of opportunities, at different stages of qualification. We have good access to funding, with significant undrawn facilities. The completion of any acquisition is dependent on the business meeting our stringent requirements following appropriate due diligence and negotiations.

During FY2023 we successfully completed the acquisition of Review Display Systems Limited (“RDS”) for cash consideration of $5.5 million, paying an Enterprise Value/EBITDA multiple of 5.7 times, which demonstrates our continued ability to acquire quality businesses at attractive valuations. RDS contributed revenues of $5.7 million to the Group in FY2023.

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 will combine with and complement GTK, our successful and growing UK-based subsidiary.

Sustainability

We have continued to develop our approach to conducting business in a sustainable way. It is vitally important to our business, customers, employees, the communities we operate in and our shareholders. During the year we have designed standardised sustainability performance metrics and implemented a Group-wide sustainability reporting platform. We have also developed a kaizen-based framework to drive sustainability-related improvement activities at all our factories. This programme, once implemented, will ensure that every factory identifies and then reports on key improvement initiatives within the sustainability framework.

Our enhanced focus on sustainability will lead to a significant number of improvement activities happening in all of our sites and it will be exciting to see the cumulative impact of these improvements on our Group's overall performance.

Chief Financial Officer's Review

	52 weeks to 2 April 2023		52 weeks to 3 April 2022	
	Revenue $'000	**Profit/(loss) $'000**	Revenue $'000	Profit/(loss) $'000
North America	339.8	30.9	272.1	21.4
Asia	171.4	12.5	142.7	11.6
Europe	211.6	31.5	199.8	32.1
Unallocated Central costs	-	(7.6)	-	(8.9)
Divisional results before share-based payments and adjusting items	**722.8**	**67.3**	**614.6**	**56.2**
Adjusting operating items		(9.8)		(10.8)
Share-based payment charge		(3.7)		(4.4)
Operating profit		53.8		41.0
Share of net profit from associates		1.1		0.4
Finance income		0.4		0.3
Finance costs		(9.5)		(5.5)
Profit before taxation		45.8		36.2
Taxation		(8.4)		(5.8)
Profit after taxation		**37.4**		**30.4**

Basic Earnings per share:		
Statutory	23.2 cents	19.3 cents
Underlying*	30.2 cents	26.9 cents

* Before adjusting items and share-based payments charge, net of tax.

Statutory results

Revenue grew 17.6% to $722.8 million (FY2022: $614.6 million). Statutory operating profit increased by $12.8 million to $53.8 million (FY2022: $41.0 million) which is an increase of 31.2% compared to the prior year. Net finance costs were $9.1 million (FY2022: $5.2 million), resulting in a profit before tax of $45.8 million (FY2022: $36.2 million) which is an increase of 26.5%. There was a tax charge for the year of $8.4 million (FY2022: $5.8 million). Basic earnings per share were 23.2 cents (FY2022: 19.3 cents), an increase of 20.2%.

Alternative performance measures

The Group makes use of underlying and other alternative performance measures in addition to the measures set out in International Financial Reporting Standards ('IFRS'). Underlying earnings measures exclude the impact of adjusting items and share-based payments, with further detail regarding the adjustments shown in note 3. The Board and management team make use of alternative performance measures because they believe they provide additional information on the underlying performance of the business and help to make meaningful year-on-year comparisons.

Group revenue

Group revenue increased by 17.6% to $722.8 million (FY2022: $614.6 million) driven by strong organic growth from customer demand, project wins with both new and existing customers and the contribution from acquisitions. With the US dollar strengthening during FY2023, sales in currencies other than US dollars resulted in a foreign exchange loss of approximately 3.4%. Group organic revenue growth was 11.4%, of which the majority was driven by volumetric growth of approximately 8.1%, and approximately 2.6% from inflation-related price increases.

Organic revenue from the fast-growing Electric Vehicles sector was particularly strong, increasing 32.9% to $138.3 million (FY2022: $104.2 million), as we diversified our product offering. Demand in the Consumer Electricals sector fell in FY23 with organic decline of 3.2%, the main cause of which was the deflation in the cost of the key commodities copper and PVC where price decreases were passed on to customers. Additionally, there was a fall in demand in the second half of FY2023 for consumer product power cords due to moderation in global consumer spending power driven by macroeconomic factors. Overall Consumer Electricals revenue was broadly flat at $261.8 million (FY2022: $262.4 million). Our Medical revenue saw growth in FY2023 driven by the continued backlogs built up during the Covid-19 pandemic and the acquisition of RDS during the year. Medical revenues increased 16.1% on an organic basis to $145.0 million (FY2022: $128.3 million). Revenue from Complex Industrial Technology increased to $177.7 million (FY2021: $119.7 million), 18.7% higher on an organic basis. Excluding data centre customers, revenues were 17.7% higher on an organic basis. Data Centre revenues were $37.7 million, (FY2022: $31.4 million). Demand for Data Centres products grew by 20.3% during the year.

Gross margin

The Group's gross margin was 21.7% (FY2022: 20.5%). This was due in part to deflation in the cost of core components of PVC and copper. Where our contracts with power cord customers allow us to pass on the cost of raw materials to customers, the cost of sales as a percentage of revenue decreases, which increases the gross margin percentage. Most raw materials purchases are also denominated in US dollars but other costs, such as labour costs, are paid in local currencies. With a strong dollar versus other currencies, this had a small beneficial impact.

Operating profit

Underlying operating profit increased 19.8% to $67.3 million (FY2022: $56.2 million). This was favourably impacted by the strong organic growth and a full year of contribution from acquisitions acquired in FY2022. The ratio of underlying operating expenses to revenue marginally increased to 12.4%, from 11.3% in the prior year and there continues to be a strong focus on cost control and continuous improvement activities. Statutory operating profit increased by 31.2% to $53.8 million (FY2022: $41.0 million), also reflecting the factors above.

The Group's underlying operating margin of 9.3% was better than the 9.1% achieved in FY2022. Despite headwinds from inflation in a number of areas, including materials and utilities, operating margin benefited from better gross margins, continued cost control improvements over our cost base and vertical integration activities across our sites. The stronger dollar also helped in relation to costs such as rent, utilities and salaries paid in local currencies.

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.

Acquisition costs of $1.3 million (FY2022: $2.5 million) were incurred in the year. As well as undertaking third-party due diligence, the Group uses its own experts and in-depth understanding of the sector to conduct a robust assessment of all acquisition targets.

Amortisation of acquired intangibles decreased to $8.9 million (FY2022: $10.3million) due to the DE-KA open order book being fully amortised in the prior year.

The charge recognised through the income statement for share-based payment awards comprises $4.6 million (FY2022: $3.8 million) in respect of senior management, credit of $0.9 million (FY2022: $0.6 million charge) in respect of acquisitions where awards lapsed in the year and $nil (FY2022: $nil) for associated payroll taxes.

Share-based payments include awards made to incentivise senior management as well as awards granted to the senior management of acquired companies. The awards made to acquired company management form an important part of the negotiation of consideration for an acquisition. They are used to reduce the cash consideration, and as an incentivisation and retention tool. In accordance with IFRS, where these awards include ongoing performance features, they are recognised in the income statement rather than as part of the cost of acquisition.

Net finance costs

Net finance costs increased to $9.1 million (FY2022: $5.2 million) mainly due to the working capital requirements for the supply chain disruption experienced in FY2023 and the utilisation of the revolving credit facility following the acquisitions of Irvine, TC, Prodamex and inYantra during FY2022 and RDS in FY2023. The financing element for leases for the year was $1.7 million (FY2022: $1.0 million). The Group recognises interest income of $0.2 million (FY2022: $0.2 million) in relation to accrued interest receivable on the 10% preference shares issued by our associate, Kepler SignalTek.

Taxation

The Group's income tax expense for the period was $8.4m (FY2022: $5.8m), representing an effective tax rate ("ETR") of 18.3% (FY2022: 16.0%). The tax expense and the effective tax rate is affected by the recognition of deferred tax assets, as required by International Financial Reporting Standards. The assets recognised this year and in previous years are principally due to the recognition of historical operating losses, unclaimed capital allowances and other temporary differences. The decision to recognise these assets is based on an assessment, in the relevant jurisdiction, of the probability of future taxable profits which will be reduced by the historical losses and allowances. As the profitability of the Group's operations has increased in recent years, this threshold has been met in certain countries.

Tax credits and charges relating to the underlying operations of the Group, including losses that have arisen through underlying activities, are reported in underlying profit after tax. The recognised deferred tax assets are expected to be recovered from profits arising from our underlying operations. Tax charges and credits arising from transactions reported as adjusting items and share-based payments are reported outside of underlying profit after tax. The deferred tax assets are recovered in future periods by reducing cash tax payable and recognising a deferred tax expense in the income statement.

The impact of deferred tax asset recognition on underlying profit after tax was $5.8 million (FY2022: $2.9 million). During FY2023 management considered all available evidence, including the continued growth in the Group's profitability, and determined that all the remaining unrecognised tax losses in a key jurisdiction should be recognised as a deferred tax asset. The Group has $28.8 million (FY2022: $64.1 million) of tax losses for which no deferred tax asset is currently recognised due to uncertainty over forecast future profitability in the respective jurisdictions where the tax losses arose. Depending on the Group's future growth and performance in those jurisdictions it is possible that some of the unrecognised tax losses may become recoverable, leading to additional deferred tax assets being recognised in future periods and reducing the effective tax rate.

The underlying ETR (representing the income tax expense on profit before tax, adjusting items and share-based payments) was 18.0% (FY2022: 17.7%). The ETR was again affected by changes in foreign exchange rates where local entities calculate tax in local currency rather than the functional currency for Group reporting. The impact of foreign exchange volatility on the underlying ETR was 3.2% adverse (FY2022: 4.7%), mainly arising in Turkey.

The net favourable impact on the underlying ETR from judgements over deferred tax asset recognition across multiple territories was 7.1% (FY2022: 4.3%). Deferred tax assets arising from historical tax losses are now fully recognised in a major jurisdiction and therefore the impact of deferred tax asset recognition on the ETR is expected to be reduced going forwards.

Cash tax paid during the period was $7.9 million (FY2022: $6.5 million), representing an underlying cash ETR of 13.3% (FY2022: 12.6%). The underlying cash ETR continues to be below the reported underlying ETR due to the utilisation of tax losses and the timing of cash tax payments.

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 and transfer pricing. As at 2 April 2023, the Group has net current tax liabilities of $13.7 million (FY2022: $8.2 million) which include $10.4 million (FY2022: $7.2 million) of provisions for tax uncertainties.

Earnings per share

Underlying diluted earnings per share increased 14.3% to 28.8 cents (FY2022: 25.2 cents). Basic earnings per share increased to 23.2 cents (FY2022: 19.3 cents).

The weighted average number of shares in the year was 158.7 million (FY2022: 157.2 million).

Foreign exchange

The majority of the Group's revenue is in US dollars, with sales in other currencies including euro and British pounds sterling. Most raw materials purchases are also denominated in US dollars but other costs such as rent, utilities and salaries are paid in local currencies. This creates a small operating profit exposure to movements in foreign exchange, some of which is hedged. Foreign exchange gains recognised in the income statement for the period were $0.6 million (FY2022: $0.6 million loss).

Cash flow

Operating cash flow before movements in working capital was $78.4 million (FY2022: $60.9 million). While benefiting from the strong operating performance, operating cash flow reflects the increased investment in the business. In addition, there was an adverse working capital movement of $8.6 million, which compares to a $34.4 million adverse movement in FY2022. The reasons for this working capital movement are set out below:

- An increase in inventory leading to a cash outflow of $0.2 million (FY2022: $28.1 million cash outflow). Supply chain lead times have stabilised and incidences of component shortages have decreased compared to FY2022, which have resulted in the level of inventory being held having stabilised. Inventories have increased where required due to growth in our operations and new customer projects;
- The acquisition of more working capital heavy complex projects over this period has also contributed to the higher working capital days.
- An increase in receivables leading to a cash outflow of $15.4 million (FY2022: $14.2 million cash outflow) with the increase reflecting growth of the business; and
- An inflow related to payables of $7.0 million (FY2022: $7.9 million cash inflow). This was also due to the growth of the business.

Total gross capital expenditure increased to $27.0 million from $15.0 million in FY2022. Of the $27.0 million, $18.3 million related to cash spend and the remaining $8.7 million related to new finance leases accounted for as right-of-use assets under IFRS16. During the year, the Group has invested in expanding facilities in Batam, Indonesia and Pune, India in order to increase capacity and capabilities as the Group continues to grow. We have continued with our investment in automation, vertical integration and in our higher-growth sectors.

Free cash flow was $38.1 million (FY2022: $4.1 million). Free cash flow represents net cash flows before financing activities excluding the net outflow from the acquisition of subsidiaries.

Net financing outflows were $31.4 million (FY2022: inflows $40.4 million). This included dividend payments of $5.7 million (FY2022: $7.2 million) which were lower than the prior year due to the take-up of the scrip dividend in FY2023. In FY2022, net financing inflows included legal costs and arrangement fees of $2.5 million relating to the drawing of the revolving credit facility ("RCF") to fund acquisitions.

Total cash expenditure on acquisitions (net of cash acquired) was $12.2 million (FY2022: $54.9 million), including $7.1 million (FY2022: $19.2 million) in respect of contingent consideration.

The Group is expecting to make payments of $3.5 million in FY2024 in relation to contingent consideration for acquisitions made in FY2023 and previous years.

The cash outflow associated with the settlement of awards under share-based payment arrangements was $7.2 million (FY2022: $5.1 million).

Net debt and gearing

At 2 April 2023, the Group's net debt was $76.4 million before operating lease liabilities and $103.7 million including operating lease liabilities. At 3 April 2022, net debt before operating lease liabilities was $74.4 million and $95.3 million including operating lease liabilities.

At 2 April 2023 the Group's covenant basis net debt/underlying EBITDA ratio was 1.0 times (3 April 2022: 1.2 times). For further details on the Group's covenants, see the section on 'Banking facilities, covenants and going concern'.

Dividend

The Board's dividend policy, while taking into account earnings cover, also takes into account other factors such as the expected underlying growth of the business, its capital and other investment requirements. The strength of the Group's balance sheet and its ability to generate cash are also considered.

A final dividend of 2.6 pence per share (FY2022: 2.4 pence) will be recommended to shareholders at the Annual General Meeting, reflecting the Board's confidence and the Group's robust financial position. The cash cost of this dividend is expected to be approximately $5.1 million.

Together with an interim dividend of 1.3 pence per share paid in December 2022, this equates to a full year dividend of 3.9 pence per share (FY2022: 3.6 pence per share), an increase of 8.3%. If approved, the final dividend will be paid on 25 August 2023 to all shareholders on the register at 21 July 2023. The ex-dividend date will be 20 July 2023.

Banking facilities, covenants and going concern

As at the FY2023 year end, the Group banking facilities remained at $300 million, which are due to expire in February 2026. The facility comprises a $125 million revolving credit facility, a $75 million term loan and an additional $100 million uncommitted accordion. During FY2023, the first of two options to extend for an additional year was taken.

As at 2 April 2023, drawings under the facility were $91.5 million (FY2022: $103.8 million) with $1.7 million drawn under the cash pool (FY2022: $3.2 million).

At the year end the net debt to underlying EBITDA ratio was 1.0x and interest cover was 11.0 times, well within the covenant terms.

The Group's financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity with the realisation of assets and the settlement of liabilities in the normal course of business. When assessing the going concern status of the Group, the Directors have considered in particular its financial position, including its significant balance of cash and cash equivalents and the borrowing facility in place, including its terms, remaining duration and covenants.

The Directors have prepared a cash flow forecast for the period to end of September 2024, which is based on the FY2024 Board-approved budget. The Directors have performed sensitivity analysis on the cash flow forecast using a base case and downside scenario that take into account the principal risks and uncertainties identified by the Directors. The Directors have considered the potential impact of climate change on the going concern assessment and do not believe there to be a significant impact in the going concern period. The severe but plausible downside scenario models a 15% reduction in year-on-year revenue, equivalent to the worst result in recent history, and still provides significant covenant and liquidity headroom. The Directors have considered the impact of potential acquisitions in both the base case and severe but plausible downside scenarios, where appropriate.

Based on their assessment and these sensitivity scenarios, the Directors are satisfied that there are no material uncertainties regarding the Group's going concern status and that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. The Directors therefore consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Financial instruments and cash flow hedge accounting

In September 2022 an interest rate swap was entered into following market evaluation, which has enabled the Group to fix the interest rate paid on a notional value of $50 million.

For most products we sell to Consumer Electricals customers, the price of copper has an impact on the cost of key raw materials. This risk is minimised by passing the variability in cost through to the end customer in the majority of cases. Where the customer contract does not provide for the pass-through of risk, the Group enters into forward contracts to mitigate the Group's exposure to copper price volatility.

The forward contracts act as an economic hedge against the impact of copper price movements. They meet the hedge accounting requirements of IFRS 9 and therefore are accounted for as cash flow hedges of forecast future purchases of copper. As at 2 April 2023, a financial asset of $nil (FY2022:$nil) has been recognised in respect of the fair value of open copper contracts. This credit is retained in reserves until such time as the forecast copper consumption takes place, at which point it will be recycled through the income statement.

A charge of $0.3 million has been recognised in cost of sales for FY2023 (FY2022: credit of $0.1 million) in respect of copper hedging contracts that closed out during the period. This charge has arisen since the average London Metal Exchange copper price in the period has been below the contracted price.

The Group also has certain foreign operations whose net assets are exposed to foreign currency translation risk. The Group's policy is to hedge this exposure through designating certain amounts of foreign currency denominated debt as a hedging instrument.

Defined benefit pension schemes

The Group's net pension deficit under IAS 19 as at 2 April 2023 was $2.6 million (FY2022: $3.1 million). The largest element of the pension obligation relates to a defined benefit scheme in the United Kingdom which has been closed to new entrants for some years. The scheme's assets and liabilities are recorded in British pounds sterling with a small part of the decrease due to the movement in exchange rates.

Consolidated Income Statement

For the 52 weeks ended 2 April 2023 (52 weeks ended 3 April 2022)

			2023				2022
	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	**722.8**	**–**	**722.8**	614.6	–	614.6
Cost of sales		**(565.8)**	**–**	**(565.8)**	(488.8)	–	(488.8)
Gross profit		**157.0**	**–**	**157.0**	125.8	–	125.8
Operating expenses		**(89.7)**	**(13.5)**	**(103.2)**	(69.6)	(15.2)	(84.8)
Operating profit	2	**67.3**	**(13.5)**	**53.8**	56.2	(15.2)	41.0
Share of net profit from associates		**1.1**	**–**	**1.1**	0.4	–	0.4
Finance income		**0.4**	**–**	**0.4**	0.3	–	0.3
Finance costs		**(9.5)**	**–**	**(9.5)**	(5.5)	–	(5.5)
Profit on ordinary activities before taxation		**59.3**	**(13.5)**	**45.8**	51.4	(15.2)	36.2
Taxation	4	**(10.7)**	**2.3**	**(8.4)**	(9.1)	3.3	(5.8)
Profit for the period		**48.6**	**(11.2)**	**37.4**	42.3	(11.9)	30.4
Profit is attributable to:							
Owners of the parent		**48.0**	**(11.2)**	**36.8**	42.3	(11.9)	30.4
Non-controlling interests		**0.6**	**–**	**0.6**	–	–	–
		48.6	**(11.2)**	**37.4**	42.3	(11.9)	30.4
Earnings per share (cents)							
Basic	5	**30.2**		**23.2**	26.9		19.3
Diluted	5	**28.8**		**22.1**	25.2		18.1

Consolidated Statement of Comprehensive Income

For the 52 weeks ended 2 April 2023 (52 weeks ended 3 April 2022)

	2023	2022
	$'m	$'m
Profit for the period	**37.4**	30.4
Items that will not be reclassified subsequently to profit or loss		
Actuarial (loss)/gain on defined benefit pension schemes	**(0.5)**	0.7
Tax relating to items that will not be reclassified	**0.1**	(0.1)
	(0.4)	0.6
Items that may be reclassified subsequently to profit or loss		
Gain arising on cash flow hedges during the period	**1.4**	0.1
Exchange loss on translation of foreign operations	**(7.0)**	(5.9)
Tax relating to items that may be reclassified	**0.2**	0.1
	(5.4)	(5.7)
Other comprehensive expense for the period	**(5.8)**	(5.1)
Total comprehensive income for the period attributable to the owners of the parent	**31.6**	25.3
Non-controlling interests	**–**	–

Consolidated Statement of Financial Position

As at 2 April 2023 (3 April 2022)	Notes	**2023 $'m**	2022 $'m
Non-current assets			
Goodwill		**82.3**	82.9
Other intangible assets		**41.8**	47.0
Property, plant and equipment		**50.1**	43.4
Right-of-use asset		**34.5**	19.4
Interests in associates		**2.6**	1.5
Other receivables		**1.8**	2.1
Derivative financial instruments		**0.9**	–
Deferred tax asset		**24.6**	20.6
		238.6	216.9
Current assets			
Inventories		**120.5**	119.3
Trade receivables		**136.2**	119.0
Other receivables		**15.7**	16.7
Current tax assets		**0.8**	1.9
Derivative financial instruments		**0.9**	0.4
Cash and bank balances	8	**22.5**	29.1
		296.6	286.4
Total assets		**535.2**	503.3
Current liabilities			
Borrowings	8	**1.8**	5.0
Lease liabilities	8	**15.6**	4.3
Trade payables		**84.4**	84.7
Other payables		**65.2**	61.9
Current tax liabilities		**14.5**	10.1
Retirement benefit obligation		**0.3**	1.1
Provisions	9	**0.9**	2.3
Derivative financial instruments		**–**	0.1
		182.7	169.5
Net current assets		**113.9**	116.9
Non-current liabilities			
Borrowings	8	**89.6**	98.5
Lease liabilities	8	**19.2**	16.6
Other payables		**1.4**	1.0
Deferred tax liabilities		**6.9**	7.0
Retirement benefit obligation		**2.3**	2.0
Provisions	9	**0.4**	0.2
		119.8	125.3
Total liabilities		**302.5**	294.8
Net assets		**232.7**	208.5
Equity			
Share capital	11	**62.7**	62.5
Share premium account	11	**60.7**	60.9
Non-distributable reserves	12	**2.5**	2.5
Hedging and translation reserve		**(14.6)**	(9.8)
Own shares	12	**(1.0)**	(0.2)
Retained earnings		**115.0**	85.2
Total attributable to owners of the parent		**225.3**	201.1
Non-controlling interests		**7.4**	7.4
Total equity		**232.7**	208.5

Consolidated Statement of Changes in Equity

For the 52 weeks ended 2 April 2023 (52 weeks ended 3 April 2022)

	Share capital	Share premium account	Non-distributable reserves	Hedging and translation reserve	Own shares	Retained earnings	Equity attributable to owners	Non-controlling interests	Total equity
	$'m	$'m	$'m	$'m	$'m	$'m	$'m	$'m	$'m
Balance at 4 April 2021	**62.0**	**60.9**	**2.5**	**(4.1)**	**(3.3)**	**66.0**	**184.0**	–	**184.0**
Profit for the period	–	–	–	–	–	30.4	30.4	–	30.4
Other comprehensive (expense)/income for the period	–	–	–	(5.7)	–	0.6	(5.1)	–	(5.1)
Total comprehensive income for the period	–	–	–	(5.7)	–	31.0	25.3	–	25.3
Share issue	0.5	–	–	–	–	(0.5)	–	–	–
Business combination	–	–	–	–	–	–	–	7.4	7.4
Own shares sold/(utilised) in the period	–	–	–	–	7.5	(7.5)	–	–	–
Own shares purchased in the period	–	–	–	–	(4.4)	–	(4.4)	–	(4.4)
Dividend paid	–	–	–	–	–	(7.2)	(7.2)	–	(7.2)
Credit to equity for equity-settled share-based payments	–	–	–	–	–	4.2	4.2	–	4.2
Tax effect of share options	–	–	–	–	–	(0.8)	(0.8)	–	(0.8)
Balance at 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	–	–	–	–	–	36.8	36.8	0.6	37.4
Other comprehensive expense for the period	–	–	–	(4.8)	–	(0.4)	(5.2)	(0.6)	(5.8)
Total comprehensive income for the period	–	–	–	(4.8)	–	36.4	31.6	–	31.6
Own shares sold/(utilised) in the period	–	–	–	–	4.2	(4.2)	–	–	–
Own shares purchased in the period	–	–	–	–	(5.0)	–	(5.0)	–	(5.0)
Dividend paid	–	–	–	–	–	(7.1)	(7.1)	–	(7.1)
Scrip dividend related share issue	0.2	(0.2)	–	–	–	1.4	1.4	–	1.4
Credit to equity for equity-settled share-based payments	–	–	–	–	–	3.7	3.7	–	3.7
Tax effect of share options	–	–	–	–	–	(0.4)	(0.4)	–	(0.4)
Balance at 2 April 2023	**62.7**	**60.7**	**2.5**	**(14.6)**	**(1.0)**	**115.0**	**225.3**	**7.4**	**232.7**

Consolidated Statement of Cash Flows

For the 52 weeks ended 2 April 2023 (52 weeks ended 3 April 2022)

	Notes	**2023 $'m**	2022 $'m
Net cash generated from operating activities	7	**55.7**	18.5
Cash flow used in investing activities			
Interest received		**0.2**	0.1
Acquisition of businesses, net of cash acquired	13	**(5.1)**	(35.7)
Deferred and contingent consideration for businesses acquired	13	**(7.1)**	(19.2)
Proceeds on disposal of intangible assets, property, plant and equipment		**0.1**	0.5
Purchases of property, plant and equipment		**(14.6)**	(10.8)
Purchases of intangible assets		**(3.7)**	(4.2)
Proceeds from the repayment of preference shares		**0.4**	–
Net cash used in investing activities		**(29.8)**	(69.3)
Cash flows before financing activities		**25.9**	(50.8)
Cash generated/(used) before adjusting items		**28.1**	(48.8)
Cash used in respect of adjusting items		**(2.2)**	(2.0)
Cash flow generated from financing activities			
Dividend paid		**(5.7)**	(7.2)
Net purchase of shares for share schemes		**(7.2)**	(5.1)
Refinancing costs paid	8	**(0.5)**	(2.5)
New bank loans raised	8	**25.0**	69.3
Repayment of borrowings	8	**(35.3)**	(3.4)
Outflow from factoring	8	**(0.7)**	(6.0)
Interest element of lease payments	8	**(1.7)**	(1.0)
Receipt from lease debtor		**0.5**	0.5
Capital element of lease payments	8	**(5.8)**	(4.2)
Net cash (used in)/generated from financing activities		**(31.4)**	40.4
Net decrease in cash and cash equivalents		**(5.5)**	(10.4)
Cash and cash equivalents at beginning of period		**25.9**	36.5
Effect of foreign exchange rate changes		**0.3**	(0.2)
Cash and cash equivalents at end of period	8	**20.7**	25.9

1 Basis of preparation

The preliminary announcement for the 52 weeks ended 2 April 2023 has been prepared in accordance with the accounting policies as disclosed in Volex plc's Annual Report and Accounts 2022, as updated to take effect of any new accounting standards applicable for the period as set out in Volex plc's Interim Statement 2023.

The annual financial information presented in this preliminary announcement is based on, and is consistent with, that in the Group's audited financial statements for the 52 weeks ended 2 April 2023, and those financial statements will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The independent auditors' report on those financial statements is unqualified and does not contain any statement under section 498 (2) or 498 (3) of the Companies Act 2006.

Information in this preliminary announcement does not constitute statutory accounts of the Group within the meaning of section 434 of the Companies Act 2006. The full financial statements for the Group for the 52 weeks ended 3 April 2022 have been delivered to the Registrar of Companies. The independent auditors' report on those financial statements was unqualified and did not contain a statement under section 498 (2) or 498 (3) of the Companies Act 2006.

Going concern

The Group's financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity with the realisation of assets and the settlement of liabilities in the normal course of business. When assessing the going concern status of the Group, the Directors have considered in particular its financial position, including its significant balance of cash and cash equivalents and the borrowing facility in place, including its terms, remaining duration and covenants.

The Directors have prepared a cash flow forecast for the period to end of September 2024, which is based on the FY2024 Board-approved budget. The Directors have performed sensitivity analysis on the cash flow forecast using a base case and downside scenario that take into account the principal risks and uncertainties identified by the Directors. The Directors have considered the potential impact of climate change on the going concern assessment and do not believe there to be a significant impact in the going concern period. The severe but plausible downside scenario models a 15% reduction in year-on-year revenue, equivalent to the worst result in recent history, and still provides significant covenant and liquidity headroom. The Directors have considered the impact of potential acquisitions in both the base case and severe but plausible downside scenarios, where appropriate.

Based on their assessment and these sensitivity scenarios, the Directors are satisfied that there are no material uncertainties regarding the Group's going concern status and that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. The Directors therefore consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

This preliminary announcement was approved by the Board of Directors on 21 June 2023.

2 Business and geographical segments

Operating segments

Segment information is based on the information provided to the chief operating decision maker, being the Executive members of the Company's Board and the Chief Operating Officer. This is the basis on which the Group reports its primary segmental information for the period ended 2 April 2023.

The Group evaluates segmental information on the basis of profit or loss from operations before adjusting items, share-based payments, interest and income tax expense. The segmental results that are reported to the Executive members of the Company's Board and Chief Operating Officer include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

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 where the products are delivered. 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:

	52 weeks to 2 April 2023		52 weeks to 3 April 2022	
	Revenue $'m	**Profit/(loss) $'m**	Revenue $'m	Profit/(loss) $'m
North America	**339.8**	**30.9**	272.1	21.4
Asia	**171.4**	**12.5**	142.7	11.6
Europe	**211.6**	**31.5**	199.8	32.1
Unallocated Central costs	**–**	**(7.6)**	–	(8.9)
Divisional results before share-based payments and adjusting items	**722.8**	**67.3**	614.6	56.2
Adjusting operating items		**(9.8)**		(10.8)
Share-based payment charge		**(3.7)**		(4.4)
Operating profit		**53.8**		41.0
Share of net profit from associates		**1.1**		0.4
Finance income		**0.4**		0.3
Finance costs		**(9.5)**		(5.5)
Profit before taxation		**45.8**		36.2
Taxation		**(8.4)**		(5.8)
Profit after taxation		**37.4**		30.4

Charges for share-based payments and adjusting items have not been allocated to regions as management report and analyse division profitability at the level shown above. The accounting policies of the reportable segments are in accordance with the Group's accounting policies.

2 Business and geographical segments (continued)

Geographical 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:

	Revenue		Non-Current Assets	
	2023 $’m	2022 $’m	**2023 $’m**	2022 $’m
North America	**339.8**	272.1	**51.4**	49.3
Asia	**171.4**	142.7	**59.0**	47.2
Europe	**211.6**	199.8	**103.6**	99.8
	722.8	614.6	**214.0**	196.3

3 Adjusting items and share-based payments

	2023 $’m	2022 $’m
Acquisition-related costs	**1.3**	2.5
Acquisition-related remuneration (see note 13)	**0.9**	–
Adjustment to fair value of contingent consideration	**(1.3)**	(0.2)
Restructuring costs	**–**	0.8
Amortisation of acquired intangibles	**8.9**	10.3
Paycheck Protection Program (‘PPP’) loan forgiveness	**–**	(2.6)
Total adjusting items	**9.8**	10.8
Share-based payments	**3.7**	4.4
Total adjusting items and share-based payments before tax	**13.5**	15.2
Tax effect of adjusting items and share-based payments (note 4)	**(2.3)**	(3.3)
Total adjusting items and share-based payments after tax	**11.2**	11.9

Adjusting items include costs that are one-off in nature and significant as well as the non-cash amortisation of acquired intangible assets. 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.

3 Adjusting items and share-based payments (continued)

Acquisition-related costs of $1.3m (2022: $2.5m) consist of legal and professional fees relating to potential and completed acquisitions. The acquisition-related costs associated with acquisitions completed during the year relate to the acquisition of Review Display Systems ('RDS') ($0.2m). The remaining acquisition costs relate to other acquisitions that have been or are being pursued. During the prior year the $2.5m of acquisition-related costs consisted of legal and professional fees associated primarily with the acquisitions of Irvine Electronics LLC ('Irvine') ($0.7m), Terminal & Cable TC Inc ('TC') ($0.4m), Prodamex SA de CV ('Prodamex') ($0.4m) and inYantra Technologies Pvt Ltd ('inYantra') ($0.6m).

The adjustment to the fair value of contingent consideration relates to a remeasurement of contingent consideration on the acquisition of De-Ka Elektroteknik Sanayi ve Ticaret Anonim Şirketi ('DE-KA').

Associated with the acquisitions, the Group has recognised certain intangible assets, including customer relationships and customer order backlogs. The amortisation of these intangibles is non-cash and totals $8.9m (2022: $10.3m) for the period. The reduction from the prior year primarily reflects the completion of acquired order books being fully amortised during the period. This was partially offset due to the annualised impact of acquisitions from the prior year, being Irvine, Prodamex, TC and inYantra, and the new acquisition, RDS, in the current year.

During the prior period the Group's North American operations received notification that $2.6m of Payroll Protection Program loans provided during the pandemic were forgiven.

4 Taxation

	2023			2022		
	Before adjusting items $'m	**Adjusting items and share-based payments $'m**	**Total $'m**	Before adjusting items $'m	Adjusting items and share-based payments $'m	Total $'m
Current tax – expense for the period	**(14.7)**	**0.2**	**(14.5)**	(10.1)	0.2	(9.9)
Current tax – adjustment in respect of previous periods	**0.1**	**–**	**0.1**	(0.1)	–	(0.1)
Total current tax expense	**(14.6)**	**0.2**	**(14.4)**	(10.2)	0.2	(10.0)
Deferred tax – credit for the period	**4.5**	**2.1**	**6.6**	0.8	3.1	3.9
Deferred tax – adjustment in respect of previous periods	**(0.6)**	**–**	**(0.6)**	0.3	–	0.3
Total deferred tax credit	**3.9**	**2.1**	**6.0**	1.1	3.1	4.2
Income tax expense	**(10.7)**	**2.3**	**(8.4)**	(9.1)	3.3	(5.8)

UK corporation tax is calculated at the standard rate of 19% (2022: 19%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The tax expense for the period is lower (2022: lower) than the standard rate of corporation tax in the UK and can be reconciled to the profit before tax per the income statement as follows:

	2023			2022		
	Before adjusting items $'m	**Adjusting items and share-based payments $'m**	**Total $'m**	Before adjusting items $'m	Adjusting items and share-based payments $'m	Total $'m
Profit before tax	**59.3**	**(13.5)**	**45.8**	51.4	(15.2)	36.2
Tax at the UK corporation tax rate	**(11.3)**	**2.6**	**(8.7)**	(9.8)	2.9	(6.9)
Tax effect of:						
Expenses that are not deductible and income that is not taxable in determining taxable profit	**(0.1)**	**(0.8)**	**(0.9)**	0.1	0.4	0.5
Foreign exchange on entities with different tax and functional currencies	**(1.9)**	**–**	**(1.9)**	(2.4)	–	(2.4)
Adjustment in respect of previous periods	**(0.5)**	**–**	**(0.5)**	0.2	–	0.2
Changes to tax rates	**(0.4)**	**0.1**	**(0.3)**	1.7	0.1	1.8
Overseas tax rate differences	**(0.7)**	**0.2**	**(0.5)**	(1.1)	0.3	(0.8)
Current year tax losses and other items not recognised	**(1.5)**	**–**	**(1.5)**	(0.1)	(0.1)	(0.2)
Recognition of previously unrecognised deferred tax assets	**5.8**	**0.2**	**6.0**	2.9	–	2.9
Derecognition of previously recognised deferred tax assets	**(0.1)**	**–**	**(0.1)**	(0.6)	(0.3)	(0.9)
Income tax expense	**(10.7)**	**2.3**	**(8.4)**	(9.1)	3.3	(5.8)

4 Taxation (continued)

Included in the non-deductible tax items is a net decrease to the Group's estimated exposure arising from uncertain tax positions of $0.6m (2022: increase of $0.4m).

A deferred tax credit of $6.0m (2022: $2.9m) arose due to the recognition of additional deferred tax assets, primarily relating to historical tax losses, following management's updated assessment of the probability of future taxable profits arising in certain jurisdictions.

The main rate of corporation tax in the UK increased from 19% to 25% on 1 April 2023 and will therefore be applicable to the Group's UK profits from the next financial year. This is expected to increase the Group's effective tax rate going forwards as it will increase the weighted average statutory tax rate applicable to the Group's pre-tax profits.

The income tax expense reported directly in equity of $0.4m (2022: $0.8m) relates to share-based payments and consists of a current tax credit of $0.7m (2022: $1.6m) and a deferred tax expense of $1.1m (2022: $2.4m).

5 Earnings per ordinary share

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

Earnings	2023 $'m	2022 $'m
Profit for the purpose of basic and diluted earnings per share being net profit attributable to owners of the parent	**36.8**	30.4
Adjustments for:		
Adjusting items	**9.8**	10.8
Share-based payments charge	**3.7**	4.4
Tax effect of adjusting items and share-based payments	**(2.3)**	(3.3)
Underlying earnings	**48.0**	42.3

	No. shares	No. shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	**158,681,078**	157,245,284
Effect of dilutive potential ordinary shares/share options	**7,896,423**	10,309,105
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**166,577,501**	167,554,389

Basic earnings per share	2023 Cents	2022 Cents
Basic earnings per share	**23.2**	19.3
Adjustments for:		
Adjusting items	**6.1**	6.9
Share-based payments charge	**2.3**	2.8
Tax effect of adjusting items and share-based payments	**(1.4)**	(2.1)
Underlying basic earnings per share	**30.2**	26.9

5 Earnings per ordinary share (continued)

Diluted earnings per share	**2023 Cents**	2022 Cents
Diluted earnings per share	**22.1**	18.1
Adjustments for:		
Adjusting items	**5.9**	6.5
Share-based payments charge	**2.2**	2.6
Tax effect of adjusting items and share-based payments	**(1.4)**	(2.0)
Underlying diluted earnings per share	**28.8**	25.2

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

6 Bank facilities

The Group has a $200m committed facility (the 'facility') together with an additional $100m uncommitted accordion (the 'accordion'). The syndicate comprises of HSBC UK Bank plc, Citibank, N.A. London branch, Barclays Bank PLC, Fifth Third Bank, National Association and UniCredit Bank AG, London branch. As part of the Group's banking facility there are floating charges over certain subsidiaries and their assets. The accordion feature provides further capacity for potential future acquisitions. This facility comprises a $125m revolving credit facility and a $75m term loan. The facility is secured by fixed and floating charges over the assets of certain Group companies. As at the year end these totalled $226.5m (2022: $217.8m).

The terms of the facility require the Group to perform quarterly financial covenant calculations with respect to leverage (adjusted total debt to adjusted rolling 12-month EBITDA) and interest cover (adjusted rolling 12-month EBITDA to adjusted rolling 12-month interest). A breach of these covenants could result in cancellation of the facility. The Group was compliant with these covenants during the period and remains compliant in the period subsequent to the period end.

7 Notes to statement of cash flows

	2023 $'m	2022 $'m
Profit for the period	**37.4**	30.4
Adjustments for:		
Finance income	**(0.4)**	(0.3)
Finance costs	**9.5**	5.5
Income tax expense (note 4)	**8.4**	5.8
Share of net profit from associates	**(1.1)**	(0.4)
Depreciation of property, plant and equipment (note 10)	**8.2**	6.4
Depreciation of right-of-use assets	**4.8**	3.4
Amortisation of intangible assets	**10.2**	10.4
Loss/(profit) on disposal of property, plant and equipment	**0.1**	(0.2)
Share-based payment charge	**3.7**	4.4
PPP loan forgiveness (note 3)	**–**	(2.6)
Contingent consideration adjustments (note 3)	**(1.3)**	(0.2)
Decrease in provisions	**(1.1)**	(1.7)
Operating cash flow before movement in working capital	**78.4**	60.9
Increase in inventories	**(0.2)**	(28.1)
Increase in receivables	**(15.4)**	(14.2)
Increase in payables	**7.0**	7.9
Movement in working capital	**(8.6)**	(34.4)
Cash generated from operations	**69.8**	26.5
Cash generated from operations before adjusting items	**72.0**	28.5
Cash used by adjusting operating items	**(2.2)**	(2.0)
Taxation paid	**(7.9)**	(6.5)
Interest paid	**(6.2)**	(1.5)
Net cash generated from operating activities	**55.7**	18.5

8 Analysis of net debt

	Cash and cash equivalents $'m	Bank loans $'m	Factoring $'m	Lease liabilities $'m	Debt issue costs $'m	Total $'m
At 4 April 2021	36.5	(38.1)	(6.8)	(20.0)	1.1	(27.3)
Business combination	5.3	(1.1)	–	(5.2)	–	(1.0)
Cash flow	(15.7)	(65.9)	6.0	5.2	2.5	(67.9)
New leases entered into during the year	–	–	–	(0.5)	–	(0.5)
Lease interest	–	–	–	(1.0)	–	(1.0)
PPP loan forgiveness	–	2.6	–	–	–	2.6
Exchange differences	(0.2)	0.7	0.1	0.6	(0.1)	1.1
Amortisation of debt issue costs	–	–	–	–	(1.3)	(1.3)
At 3 April 2022	**25.9**	**(101.8)**	**(0.7)**	**(20.9)**	**2.2**	**(95.3)**
Business combination	**0.4**	**(0.7)**	**–**	**(2.1)**	**–**	**(2.4)**
Cash flow	**(5.9)**	**10.3**	**0.7**	**7.5**	**0.5**	**13.1**
New leases entered into during the year	**–**	**–**	**–**	**(17.8)**	**–**	**(17.8)**
Lease interest	**–**	**–**	**–**	**(1.7)**	**–**	**(1.7)**
Exchange differences	**0.3**	**0.7**	**–**	**0.2**	**(0.1)**	**1.1**
Amortisation of debt issue costs	**–**	**–**	**–**	**–**	**(0.7)**	**(0.7)**
At 2 April 2023	**20.7**	**(91.5)**	**–**	**(34.8)**	**1.9**	**(103.7)**

Debt issue costs relate to bank facility arrangement fees. In February 2023 the Group extended the facility by exercising the first of its two one-year extension options, thereby extending the termination date to 10 February 2026. The $0.5m of costs associated with the extension request were capitalised.

Analysis of cash and cash equivalents:	**2023 $'m**	2022 $'m
Cash and bank balances	**22.5**	29.1
Bank overdrafts	**(1.8)**	(3.2)
	20.7	25.9

9 Provisions

	Property $'m	Restructuring $'m	Other $'m	Total $'m
At 4 April 2021	0.2	0.1	1.8	2.1
Charge/(credit) in the period	–	0.5	(0.1)	0.4
Utilisation of provision	–	–	(0.1)	(0.1)
Amounts acquired on business combination	0.1	–	–	0.1
Exchange differences	–	–	–	–
At 3 April 2022	0.3	0.6	1.6	2.5
Credit in the period	**–**	**–**	**(0.6)**	**(0.6)**
Utilisation of provision	**–**	**(0.6)**	**(0.1)**	**(0.7)**
Amounts acquired on business combination	**0.1**	**–**	**–**	**0.1**
Exchange differences	**–**	**–**	**–**	**–**
At 2 April 2023	**0.4**	**–**	**0.9**	**1.3**
Current liabilities	**–**	**–**	**0.9**	**0.9**
Non-current liabilities	**0.4**	**–**	**–**	**0.4**

Restructuring

During March 2022 the Group commenced the closure of its Ta Hsing factory in China with production being transferred to other sites within the Group. Following the communication to all those involved a restructuring provision of $0.5m was made to cover the redundancy and other associated exit costs. The closure was completed in the year and the provision was fully utilised.

Other

Other provisions include the Directors' best estimate, based upon past experience, of the Group's liability under specific product warranties and legal claims. The timing of the cash outflows with respect to these claims is uncertain. The Group has a provision of $0.9m (2022: $0.9m) 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.

During the year the Group made additional office dilapidation provisions. These provisions relate to the RDS offices acquired during the year and a new office being utilised by the Group located in Japan.

10 Reconciliation of operating profit to underlying EBITDA (earnings before interest, tax, depreciation, amortisation, adjusting items and share-based payments)

	2023	2022
	$'m	$'m
Operating profit	**53.8**	41.0
Add back:		
Adjusting operating items	**9.8**	10.8
Share-based payment charge	**3.7**	4.4
Underlying operating profit	**67.3**	56.2
Depreciation of property, plant and equipment	**8.2**	6.4
Depreciation of right-of-use assets	**4.8**	3.4
Amortisation of intangible assets not acquired in a business combination	**1.3**	0.1
Underlying EBITDA	**81.6**	66.1

11 Share capital

	Ordinary shares of £0.25 each Number	**Par Value $'m**	**Share Premium $'m**	**Total $'m**
Allotted, called up and fully paid:				
At 4 April 2021	157,052,041	62.0	60.9	122.9
Issue of new shares	1,666,668	0.5	–	0.5
At 3 April 2022	158,718,709	62.5	60.9	123.4
Issue of new shares	388,376	0.2	(0.2)	–
At 2 April 2023	**159,107,085**	**62.7**	**60.7**	**123.4**

During the current year there was an issue of new ordinary shares. Shareholders were able to elect to receive ordinary shares in place of the final dividend of 2.4p per ordinary share (in relation to year ended 3 April 2022) and the interim dividend of 1.3p (in relation to the current year) under the terms of the Company's scrip dividend scheme. This resulted in the issue of 377,615 and 10,761 new fully paid ordinary shares respectively (2022: nil).

During the prior period the Company issued 1,666,668 ordinary shares to satisfy the vesting of the share awards granted to the senior employees and/or former owners of Servatron and GTK as the businesses met the required operating profit targets set out in the acquisition agreements.

12 Own shares and non-distributable reserves

Own shares	**2023 $'m**	2022 $'m
At the beginning of the period	**0.2**	3.3
Sale of shares	**(4.2)**	(7.5)
Purchase of shares	**5.0**	4.4
At end of the period	**1.0**	0.2

The own shares reserve represents both the cost of shares in the Company purchased in the market and the nominal share capital of shares in the Company issued to The Volex Group PLC Employees' Share Trust to satisfy future share option exercises under the Group's share option schemes.

The number of ordinary shares held by The Volex Group PLC Employees' Share Trust at 2 April 2023 was 233,978 (2022: 53,205). The market value of the shares as at 2 April 2023 was $0.6m (2022: $0.2m).

Unless and until the Company notifies a trustee of The Volex Group PLC Employees' Share Trust, in respect to shares held in the Trust in which a beneficial interest has not vested, rights to dividends in respect to the shares held in the Trust are waived.

During the year 1,242,155 (2022: 3,645,040) shares were utilised on the exercise of share awards. During the year, the Company purchased 1,422,928 shares (2022: 1,100,000) at a cost of $5.0m (2022: $4.4m) and issued zero new shares to the Trust (2022: 1,666,668).

In December 2013, The Volex Group PLC Employees' Share Trust sold 3,378,582 shares at £1.16 per share to the open market. The average price of shares held by the Trust at the time was £0.70 with a number of the shares having been issued by Volex plc to the Trust at nominal value. In accordance with the Accounting Standards, the difference between the sales price of £1.16 and the average share price of £0.70 was recorded as a non-distributable reserve, giving rise to the $2.5m non-distributable reserve balance.

13 Business combinations

Review Display Systems

On 28 October 2022 the Group completed the acquisition of 100% of the shareholding of GSRG Holdings Limited ('GSRG'), the holding company for Review Display Systems Limited ('RDS') and two other subsidiaries. RDS is a UK-based specialist distribution company focused on the design and manufacture of electronic touchscreen displays, embedded solutions and IoT solutions.

RDS and the other entities in the group were acquired for initial cash consideration of $5.5m funded from the Group's existing debt facilities. As part of the acquisition, additional payments of up to $3.4m are payable depending upon the EBITDA performance of the business over the two years post-acquisition. In accordance with IFRS 3, this is accounted for as remuneration rather than deferred or contingent consideration due to the on-going service conditions. An expense of $0.9m has been recorded in adjusting items related to this post-acquisition performance.

13 Business combinations (continued)

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

	Fair Value $'m
Identifiable intangible assets	1.8
Property, plant and equipment	0.1
Right-of-use asset	2.1
Inventories	2.0
Trade receivables	2.4
Trade payables	(0.5)
Other debtors and creditors	(1.0)
Loans	(0.7)
Provisions	(0.1)
Cash	0.4
Deferred taxes	(0.4)
Lease liabilities	(2.1)
Total identifiable assets	**4.0**
Goodwill	1.5
Consideration	**5.5**

An exercise has been conducted to assess the provisional fair value of assets and liabilities assumed. 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. None of the goodwill recognised is expected to be deductible for income tax purposes.

In FY2023, the entities acquired contributed $5.7m to Group revenue and $0.6m to adjusted operating profit. Associated acquisition costs of $0.2m and intangible asset amortisation of $0.4m have both been expensed as adjusting items in the period.

If these entities had been acquired at the beginning of the year, they would have contributed revenues of $14.5m and operating profit of $1.9m to the results of the Group.

13 Business combinations (continued)

Net cash outflow on acquisitions	$'m
Cash consideration	
– RDS	5.5
Total cash consideration	**5.5**
Less: cash and cash equivalents acquired	
– RDS	0.4
Net cash outflow	**5.1**

Payment of deferred and contingent consideration	
– DE-KA	1.0
– TC	1.1
– inYantra	5.0
Net cash outflow	**7.1**

14 Events after balance sheet date

There are no disclosable events after the balance sheet date.