Monday 23 March 2015

VOLUTION GROUP PLC

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2015

Revenue and profitability in line with expectations. Strong cash generation.

Volution Group plc ("Volution" or "the Group" or "the Company", LSE: FAN), a leading supplier of ventilation products to the residential construction market, today announces its unaudited interim financial results for the 6 months ended 31 January 2015.

Highlights	6 months to January 2015		Pro-Forma 6 months to January 2014		Change	Change Constant Currency
Revenue (£000)	64,349		58,169		10.6%	14.7%
Adjusted EBITDA (£000)	15,038	[1]	13,957	[1,2]	7.7%	12.1%
Adjusted operating profit (£000)	13,990	[1]	13,095	[1,2]	6.8%	11.2%
Adjusted profit before tax (£000)	12,709	[1]	11,812	[1,2]	7.6%	12.4%
Reported profit/(loss) before tax (£000)	7,499		(8,087)			
Basic and diluted EPS (p)	2.94		(8.20)			
Adjusted basic and diluted EPS (p)	4.98	[1,3]	4.59	[1,2,3]	0.39p	0.58p
Adjusted operating cash flow (£000)	11,809	[1,3]	11,640	[1,2]	1.5%	
Interim dividend per share (p)	1.05		n/a		n/a	
Net debt (£000)	31,400	[1]	183,193	[1]		

The Group uses some alternative performance measures to track and assess the underlying performance of the business. These measures include adjusted EBITDA, adjusted operating profit, adjusted profit before tax, adjusted basic and diluted EPS and adjusted operating cash flow. For a definition of all adjusted and non-GAAP measures, see the glossary of terms at note 20.

Notes:
1. Details of adjusted EBITDA, adjusted operating profit and adjusted profit before tax can be found in note 7.
2. To provide a more meaningful comparison of our performance in the current period we have presented the prior period including pro-forma adjustments to reflect the cost of public ownership and the current debt structure. More information on the adjustments can be found in note 8.
3. On the 23 June 2014, a share for share exchange converted the entire share capital (after reorganisation) of Windmill Topco Limited to new ordinary shares of Volution Group plc. The weighted average number of shares has been calculated assuming the share for share exchange took place as from 1 August 2013. The pro-forma EPS assumes the same weighted average number of shares in the 6 months to 31 January 2014 as in the 6 months to January 2015 to ensure we are showing a consistent comparison.

Overview

Financial highlights

- Results are in line with our expectations and ahead on a constant currency basis.
- Revenue in the 6 months was £64.3 million, a 10.6% increase (14.7% at constant currency).
- Revenue growth comprised of 0.5% organic revenue growth (3.8% at constant currency), with inorganic revenue growth of 10.1% (10.9% at constant currency) as a result of acquisitions.
- Ventilation Group revenue growth including acquisitions was 18.5% at constant currency, with a particular highlight being UK Residential New Build growth of 16.6%.
- OEM (Torin-Sifan) results declined as revenue fell due to a difficult end market for boiler spares during the mild winter.
- Adjusted Operating Profit increased by 6.8% to £14.0 million (11.2% at constant currency) a margin of 21.7% of revenues (H1 2014: 22.5%).
- The Group's reported pre-tax profit of £7.5 million (H1 2014: loss of £8.1 million) improved significantly, mainly as a consequence of lower finance cost of £1.3 million (H1 2014: £15.0 million).
- Continued strong cash generation reduced net debt to £31.4 million.
- Maiden interim dividend of 1.05 pence per share.

Strategic highlights

- Organic revenue growth was driven by a 16.6% increase in UK Residential New Build and strong growth in private UK Residential RMI supported through upselling and partially offset by a softer public housing market.
- Integration of inVENTer is progressing well with a number of new sales agent appointments in Germany already gaining traction with sales.
- OEM (Torin-Sifan) new EC/DC motorised impellor manufacturing site commissioned and operational in October 2014.
- In February 2015: New Group bank facility of £90 million, reducing gross debt and financing costs as well as providing more flexibility for potential acquisitions.

Interim dividend declaration and policy

- The Board has declared a maiden interim dividend of 1.05 pence per share. This dividend will be paid on 14 May 2015 to shareholders on the register at the close of business on 7 April 2015.
- Our dividend policy remains to target a dividend of approximately 30% of the Group's adjusted net income for each financial year.

Commenting on the Group's first half performance, Ronnie George, Chief Executive Officer, said:

"It is pleasing to see our results in line with our expectations and our continuing strong cash generation. Sales growth of 16.6% in UK Residential New Build systems was the highlight of our first half and we are beginning to see the benefits of our actions to improve sales in Germany.

New product innovation and development is key to underpinning our organic growth and a number of new product launches are nearing completion and will further assist revenue growth in the second half of 2015. This will continue to strengthen our position as one of the leading players in the European market for ventilation products, including heat recovery systems."

Outlook

"Despite foreign exchange challenges, the first half was in line with our expectations and we remain confident of making continued progress in the second half."

-Ends-

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Notes to Editors

Volution Group plc (LSE: FAN) is a leading supplier of ventilation products to the residential construction market in the UK, Sweden and Germany.

The Group sold approximately 11 million ventilation products and accessories in the six months ended 31 January 2015. It consists of five key brands, focused primarily on the UK, Swedish and German ventilation markets - Vent-Axia, Manrose, Fresh, PAX and inVENTer - and operates through two divisions: the Ventilation Group, which principally supplies ventilation products for residential construction applications in the UK, Sweden and Germany and ventilation products for commercial construction applications in the UK; and OEM (Torin-Sifan), which supplies motors, fans and blowers to OEMs of heating and ventilation products for both residential and commercial construction applications in Europe.

For more information, please go to: http://www.volutiongroupplc.com/

Cautionary statement regarding forward-looking statements

This document may contain forward-looking statements which are made in good faith and are based on current expectations or beliefs, as well as assumptions about future events. You can sometimes, but not always, identify these statements by the use of a date in the future or such words as "will", "anticipate", "estimate", "expect", "project", "intend", "plan", "should", "may", "assume" and other similar words. By their nature, forward-looking statements are inherently predictive and speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. You should not place undue reliance on these forward-looking statements, which are not a guarantee of future performance and are subject to factors that could cause our actual results to differ materially from those expressed or implied by these statements. The Company undertakes no obligation to update any forward-looking statements contained in this document, whether as a result of new information, future events or otherwise.

CHIEF EXECUTIVE OFFICER'S REVIEW

Overview

Our results for the 6 months were strong, reflecting growth both organically and through acquisitions. Revenue was up year-on-year by 10.6% (14.7% at constant currency) at £64.3 million. Adjusted EBITDA grew strongly, up 7.7% (12.1% at constant currency) to £15.0 million, 23.4% of revenue.

The acquisition of inVENTer was integrated in the half year. In addition significant investment was made in new product development and a new production facility was acquired, commissioned and opened at Torin-Sifan. We also saw some good organic growth, especially in the important area of higher value ventilation systems used in new residential dwellings.

We have made good progress in product development with a new range of application software (APP) controlled intermittent extract fans and more energy efficient heat recovery products will be launched in the second half of the calendar year.

Ventilation Group: Revenue of £54.4 million (H1 2014: £47.5 million)
Adjusted operating profit of £13.3 million (H1 2014: £11.6 million)

Our Ventilation Group segment's revenue was £54.4 million (H1 2014: £47.5 million) in the six months, a 14.7% increase on prior year (18.5% at constant currency rates). Organic growth was 2.2% (5.3% at constant currency). Inorganic growth came substantially from the acquisition of inVENTer in Germany, in April 2014 and was supported by the full half year effect of PAX in Sweden, the acquisition of which was completed in August 2013.

The UK Residential RMI market grew at 0.9% with private refurbishment experiencing very strong growth partly offset by a disappointing decline in public refurbishment, a more difficult market due to local authority austerity measures and cut backs. Our focus on the quiet, energy efficient solutions for the private market continues to grow and we expect these initiatives to gain further traction as the recovery in the private RMI market takes hold in the UK.

The UK Residential New Build market is seeing ongoing growth in completions as well as the greater penetration of central heat recovery ventilation systems as the preferred method of ventilation in new homes. This increase in new house completions, as well as the greater use of our products for the provision of ventilation, delivered sales growth of 16.6%. We are continuing to invest heavily in this market segment and will be launching a new and further improved range of central heat recovery systems products in the autumn of 2015. The Group manufactures the central ventilation systems as well as the ducting and accessories that are required for the installation of a "whole house" ventilation system, resulting in the revenue of these systems being 10-20 times that of more traditional and historically used intermittent extract fans.

We were delighted to recently announce the latest new build residential project win for Barratt London's Enderby Wharf development in the Royal Borough of Greenwich, South East London, an area benefitting from significant regeneration. Volution's Vent-Axia division will supply Sentinel Kinetic BH ventilation units for part of the first phase of 197 homes in the new Enderby Wharf development, a mix of one, two and three-bedroom apartments and duplexes on a site stretching across 200 metres of river front with west-facing views towards Canary Wharf and the City.

UK Export sales also grew by 13.4%, despite the strength of GBP versus the Euro (15.7% at constant currency) in particular assisted by the growth in our central heat recovery systems products.

Late in 2014 we carried out a heat recovery manufacturing capacity enhancement and indirect cost reduction reorganisation of the Dudley, West Midlands manufacturing and distribution facility. This also resulted in taking on a lease for additional storage space next to our main manufacturing site at Dudley and we have released the original distribution site for disposal.

Sales in the Nordic Sector were £11.6 million (H1 2014: £11.7 million) a decline of 0.9%, however at constant currency growth was 11.1%. The integration of PAX into the Group has been a considerable success. We have been consolidating our leadership position in residential ventilation in the Swedish market and have achieved significant growth in the sales of the market leading low energy and near silent ventilation products "Intellivent" and "Passad". The Group continues to focus on these important product categories and will launch a new range of products for the Nordic market in the summer of 2015. These new products will have even better controls and functionality over the current range on offer.

The Nordic team continue to focus on the new opportunities post integration and sales in Norway in particular have been growing very strongly.

The integration of inVENTer into the Group continues to progress very well, with sales of £5.3 million (H1 2014: £nil) and provides us with the platform to capture share of the growing residential energy efficient ventilation market in Germany. Over the last six months we have successfully appointed several new sales agents and these new agents are starting to gain traction in the market place. We also launched a new product, the “iV12-Smart” as well as the inVENTer “PAX” (an internal room decentralised heat recovery solution). The inVENTer “PAX” is supplied from the Swedish operations and is an example of the cross selling opportunities we can exploit now that inVENTer is part of the Group. We will continue to give considerable focus to sales growth initiatives in the coming months. This will include the further appointment of new sales agents, a price increase successfully implemented on 1 January 2015, the growth in sales of new products such as “iV12-Smart” and inVENTer “PAX” and the recovery of sales in the North area of Germany through a number of projects already started. On top of the selling initiatives, inVENTer is now benefitting from the wider Group knowledge and support on product development and sourcing which are expected to result in product cost reductions during the latter part of 2015.

OEM (Torin-Sifan): Revenue of £9.9 million (H1 2014: £10.7 million)
Adjusted operating profit of £1.5 million (H1 2014: £2.2 million)

Our OEM (Torin-Sifan) segment revenue was £9.9 million (H1 2014: £10.7 million) in the six months and has declined by 7.3% (declined 2.5% at constant currency) mainly as a consequence of lower sales of spare parts for non-condensing boilers during the recent mild winter. There is a correlation between mild winters and lower sales of these replacement parts.

OEM (Torin-Sifan) has had a challenging start to the year with the winter being much milder than usual until after Christmas 2014. The sales of gas boiler combustion motors has therefore declined versus the prior year although is performing better more recently.

Sales of EC/DC motorised impellors continues to grow as this area is supported by the market growth, both in the UK and in continental Europe, for central system ventilation where these motors provide the air movement capabilities.

Three Strategic Pillars

Our strategy continues to focus on three key pillars:

- Organic growth in our core markets;
- Growth through a disciplined and value-adding acquisition strategy; and
- To further develop OEM (Torin-Sifan)’s range, build customer preference and loyalty.

In our core markets, we expect to continue to benefit from a favourable regulatory backdrop that focuses on reducing carbon emissions from buildings; the need for improving energy efficiency and the emerging understanding of the importance of indoor air quality in the developed world. The Group will continue to gain from these market developments with our specialised approach to each market area. By building on our internal resources and focusing on product management and product development, this will enable us to deliver product and system solutions to meet customers’ needs.

The ventilation market in Europe remains highly fragmented and we continue to explore selective acquisition opportunities to increase our international footprint. Our track record over the last two years of making acquisitions and successfully integrating them into our Group shows our ability to add new competencies and to expand into new markets and this serves us well for future acquisitions in the coming years. This area continues to be a high priority for the Group.

Over the last two years we have made a significant investment in OEM (Torin Sifan) in new product development and a new production facility to capitalise on the growth in demand for EC (Electronically commutated) motors used in various residential and commercial ventilation products. The new EC production facility is now fully commissioned and operational and the product development of the new range of high performance air movement products is nearing completion. These new products will be launched in H2 2015.

Ronnie George

Chief Executive Officer

23 March 2015

FINANCIAL REVIEW

Trading Performance Summary

	Adjusted[1]		Adjusted[1] and Pro-forma[2]			Reported		
	6 months to 31 January 2015		6 months to 31 January 2014		Movement	6 months to 31 January 2015	6 months to 31 January 2014	Movement
Revenue (£'000)	64,349		58,169		10.6%	64,349	58,169	10.6%
EBITDA (£'000)	15,038	[1]	13,957	[1,2]	7.7%	14,992	13,204	13.6%
Operating profit (£'000)	13,990	[1]	13,095	[1,2]	6.8%	8,142	6,889	18.2%
Finance costs (£'000)	1,287		1,287	[1,2]	0.0%	1,287	14,980	(91.4%)
Profit/ (loss) before tax (£'000)	12,709	[1]	11,812	[1,2]	7.6%	7,499	(8,087)	
Basic and diluted EPS (p)	4.98	[1]	4.59	[1,2,3]	8.5%	2.94	(8.20)	
Operating cash flow (£'000)	11,809	[1]	11,640	[1,2]	1.5%	11,809	11,640	1.5%
Net Debt (£'000)	31,400		183,193			31,400	183,193	

The reconciliation of the Group's reported profit before tax to adjusted measures of performance is summarised in the table above and in detail in note 7 and 8 to the consolidated financial statements.

1. Details of adjusted EBITDA, adjusted operating profit and adjusted profit before tax can be found in note 7. For a definition of all adjusted measures see the glossary of terms at note 20.
2. To provide a more meaningful comparison of our performance in the current period we have also presented the prior period including pro-forma adjustments to reflect public ownership with the current debt structure. More information on the adjustments can be found in note 8
3. On the 23 June 2014, a share for share exchange converted the entire share capital (after reorganisation) of Windmill Topco Limited to new ordinary shares of Volution Group plc. The weighted number of shares has been calculated assuming the share for share exchange took place as from 1 August 2013. The pro-forma EPS assumes the same weighted average number of shares in the 6 months to 31 January 2014 as in the 6 months to January 2015 to ensure we are showing a consistent comparison.

Revenue

Group Revenue during the six months ended 31 January 2015 was £64.3 million (H1 2014: £58.2 million) a 10.6% increase (14.7% at constant currency). This comprised 0.5% organic growth (3.8% on a constant currency basis), with 10.1% the result of acquisitions (10.9% at constant currency).

The Group is enjoying strong demand for its ventilation products, especially newer, higher value added ventilation systems. Organic growth was helped by 16.6% growth in UK Residential New Build sales. Growth in the UK Residential RMI sector was 0.9%, comprised of strong growth in our private RMI revenue partially offset by a decline in the more difficult public RMI market. In the UK commercial sector, growth was 0.8% and UK Exports grew by 13.5% (15.7% at constant currency). Sales in our OEM (Torin-Sifan) segment declined by 7.3% (declined 2.5% at constant currency) as sales of boiler spares fell during the mild winter.

Profitability

Our underlying result, as measured by adjusted EBITDA, was £15.0 million (H1 2014: £14.0 million), 23.4% of revenues, delivering a £1.0 million improvement compared to the prior year (£1.7 million improvement at constant currency). The Group benefited significantly from the recent acquisition of inVENTer. In addition, cost reductions and other synergy benefits were secured in our subsidiaries in Sweden, partially offset by the decline in profits in OEM (Torin-Sifan).

On sales growth of 10.6% our adjusted profit before tax improved by £0.9 million to £12.7 million, growth of 7.6%. The percentage growth in adjusted profit before tax was effected by lower sales of higher margin boiler spares in our OEM (Torin-Sifan) segment and the recent acquisition of inVENTer which is yet to benefit from improved operational leverage post acquisition.

The Group's reported profit before tax in the six months was £7.5 million compared to a loss of £8.1 million in H1 2014. The reported profit before tax for the period has benefited from:

- A significant reduction in finance costs to £1.3 million (H1 2014: £15.0 million) as a result of lower borrowings and no amortisation of refinancing costs.
- Lower exceptional costs of £0.1 million (H1 2014: £1.4 million).

Acquisitions

The Group's trading benefitted in the six months from the full effect of the acquisition of PAX in Sweden, acquired August 2013 and the 6 months trading of inVENTer in Germany, acquired April 2014. No acquisitions were made in the 6 month period ended 31 January 2015.

Exceptional Items and adjusted performance measures

Exceptional items, by virtue of their size, incidence or nature, are disclosed separately in order to allow a better understanding of the underlying trading performance of the Group. During the period ended 31 January 2015 exceptional items were £0.1 million (H1 2014 £1.4 million). Details of these exceptional items can be found in note 6.

The Board believes that the performance measures; adjusted EBITDA, adjusted operating profit and adjusted profit before tax, stated before deduction of exceptional items, give a clearer indication of the underlying performance of the business. A reconciliation of these measures of performance to profit before tax is detailed in note 7.

In addition to exceptional items, the following are also excluded from adjusted measures, as reconciled in note 7:

- On acquisition of a business, we obtain an independent valuation of identifiable acquired intangible fixed assets such as trademarks and customer base and recognise these assets in our consolidated statement of financial position; we then amortise these acquired assets over their useful lives. In the six months the amortisation charge of these intangible assets was £5.8 million (H1 2014: £5.5 million);
- Bank refinancing costs in H1 2015 were £nil (H1 2014: £7.4 million); and
- At each reporting period end date we measure the fair value of financial derivatives and recognise any gains or losses immediately in finance cost. In the six months we recognised a gain of £0.6 million (H1 2014: loss £0.7 million).

Finance Revenue and Costs

Finance costs of £1.3 million in the six months (H1 2014: £15.0 million) have reduced significantly, largely as a consequence of the change in capital structure on refinancing in June 2014 and the write off of accumulated third party bank financing costs, mentioned above, of £7.4 million in the prior period. Prior to listing the business was under private equity ownership and was predominantly financed by bank borrowings and senior unsecured debt.

Operating Cash Flow

The Group continued to be cash generative in the six months with adjusted operating cash inflow of £11.8 million. This represents a cash conversion, after capital expenditure of 84.1% (H1 2014: 86.6%). The Group continues to manage its working capital efficiently with operating working capital representing 28% of half year revenue. See glossary of terms at note 20 for a definition of adjusted operating cash flow.

Net Debt

Period end net debt was £31.4 million (FY 2014: £42.9 million, H1 2014: £183.2 million) made up of bank borrowings of £52.3 million (FY 2014: bank borrowings £53.9 million, H1 2014: £109.6 million bank borrowings and £81.2 million investor loan notes) offset by cash and cash equivalents of £20.9 million (FY 2014: £11.0 million, H1 2014: £7.6 million).

Movements in Net Debt position for the year ended 31 January 2015

	£m
Opening net debt 1 February 2014	**(183.2)**
Movements from normal business operations	
adjusted operating cash flow	22.5
interest paid	(7.3)
income tax paid	(2.1)
Exceptional	(1.0)
Other	2.6
Movements from acquisitions	
acquisition consideration	(19.1)
Movements from the IPO	
conversion of investor debt to equity	91.7
share issue proceeds	72.0
IPO costs	(7.5)
Closing net debt 31 January 2015	**(31.4)**

Movements in Net Debt position for the 6 months ending 31 January 2015

	£m
Opening net debt 1 August 2014	**(42.9)**
Movements from normal business operations	
adjusted operating cash flow	11.8
interest paid	(1.3)
income tax paid	(0.4)
Exceptional	(0.1)
Other	1.5
Closing net debt 31 January 2015	**(31.4)**

Bank Facilities, refinancing and Liquidity

The Group's bank facilities, at the period end 31 January 2015, consisted of fully drawn term loans of £52.3 million, an unutilised revolving credit facility (RCF) of £13.0 million and an unutilised approved acquisition facility of £20.0 million. The term loans are repayable in full in February 2019.

As at 31 January 2015 we had £11.5 million of undrawn, committed bank facilities and a £20.0 million acquisition facility in addition to £20.9 million cash and cash equivalents on the statement of financial position.

After the reporting date, on 13 February 2015, the Group refinanced its bank debt. The Group now has in place a £90 million revolving credit facility, maturing April 2019. This new facility is provided under standard Loan Market Association terms and replaces the Group's existing facilities. The new facility is provided at a lower interest rate than the facility being refinanced and the covenant headroom has been improved.

Foreign Exchange

The Group is exposed to the impact of changes in the foreign currency exchange rates on transactions denominated in currencies other than the functional currency of our operating businesses. We have significant Euro income in the UK which is partly balanced by Euro expenditure. For US Dollars we have little income but significant expenditure. Our policy is to limit our transactional foreign exchange risk by purchasing the majority of our forecast US Dollar requirements for, and in advance of, the ensuing financial year.

We are also exposed to translational currency risk as the Group consolidates foreign currency denominated assets, liabilities, income and expenditure into Group reporting denominated in GBP. We hedge the translation risk of the net assets in Fresh and PAX with £17.8 million borrowings denominated in SEK (H1 2014: £20.5 million). We have partially hedged our risk of translation of the net assets of inVENTer by having Euro denominated bank borrowings in the amount of £9.5 million as at 31 January 2015. We do not hedge the results of overseas subsidiaries.

During the six months movements in foreign currency exchange rates have had an adverse effect on the reported revenue and profitability of our business. If we had translated the H1 2015 performance of our business at our 2014 exchange rates our reported Group revenues would have been £2.4 million or 3.7% higher and operating profit would have been £0.5 million or 6.2% higher.

Earnings per Share

The basic and diluted earnings per share for the 6 months ended 31 January 2015 was 2.94 pence (H1 2014: loss 8.20 pence). Our adjusted basic and diluted earnings per share was 4.98 pence (H1 2014 pro-forma adjusted basic and diluted earnings per share: 4.59 pence).

Ian Dew

Chief Financial Officer

23 March 2015

PRINCIPAL RISKS AND UNCERTANTIES

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The directors do not consider that the principal risks and uncertainties have changed since the publication of the Annual Report for the year ended 31 July 2014. These risks are summarised below, and how the Group seeks to mitigate these risks is set out on pages 24 and 27 of the Annual Report 2014 which can be found at www.volutiongroupplc.com.

A summary of the nature of the risks currently faced by the Group is as follows:

Economic Risk

A decline in general economic activity and/or a specific decline in activity in the construction industry would result in a decline in demand for our products serving the residential and commercial RMI and new build markets would decline. This would result in a reduction in revenue and profitability.

Foreign Exchange Risk

The exchange rates between currencies that we use may move adversely. The commerciality of transactions denominated in currencies other than the functional currency of our businesses and/or the perceived performance of foreign subsidiaries in our GBP denominated Group accounts may be adversely affected by changes in exchange rates.

Acquisitions

We may fail to identify suitable acquisition targets at an acceptable price or we may fail to consummate or properly integrate the acquisition. The impact could include: revenue and profitability which may not grow in line with management's ambitions and investor expectations; a failure to properly integrate a business may distract senior management from other priorities and adversely affect revenue and profitability; financial performance by failure to integrate acquisitions.

Innovation

We may fail to innovate commercially or technically viable products to maintain and develop our product leadership position. Scarce development resource may be misdirected and costs incurred unnecessarily. Failure to innovate may result in an ageing product portfolio which falls behind that of our competition.

Supplies

Raw materials or components may become difficult to source because of material scarcity or disruption of supply. Sales and profitability may be reduced during the period of constraint. Prices for the input material may increase and our costs may increase.

People

Our continuing success depends on retaining key personnel and attracting skilled individuals. Skilled and experienced employees may decide to leave the Group, potentially moving to a competitor. Any aspect of the business could be impacted with resultant reduction in prospects, sales and profitability.

IT systems

We may be adversely affected by a breakdown in our IT systems or a failure to properly implement any new systems. Failure of our IT and communication systems could affect any or all of our business processes and have significant impact on our ability to trade, collect cash and make payments.

Customers

A significant amount of our revenue is derived from a small number of customers and from our relationships with heating and ventilation consultants. Any deterioration in our relationship with a significant customer could have an adverse significant effect on our revenue to that customer.

Legal and regulatory environment

Changes in laws or regulation relating to the carbon efficiency of buildings or the efficiency of electrical products may change. The shift towards higher value-added and more energy-efficient products may not develop as anticipated resulting in lower sales and profit growth. If our products are not compliant and we fail to develop new products in a timely manner we may lose revenue and market share to our competitors.

STATEMENT OF DIRECTORS' RESPONSIBILITES

The directors confirm that to the best of their knowledge:

The condensed set of financial statements has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union and that the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

(b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the Group during that period, and any changes in the related party transactions described in the Annual Report 2014.

The directors of Volution Group plc are as listed in the Company's Annual Report for the year ended 31 July 2014.

By order of the Board

Ronnie George	Ian Dew
Chief Executive Officer	Chief Financial Officer
23 March 2015	23 March 2015

INDEPENDENT REVIEW REPORT TO VOLUTION GROUP PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 January 2015 which comprises the interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of financial position, interim condensed consolidated statement of changes in equity, interim condensed consolidated statement of cash flows and the related notes 1 to 20. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 January 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
23 March 2015

Notes:

1. The maintenance and integrity of the Volution Group plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial information since it was initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Interim condensed consolidated statement of comprehensive income

For the six months ended 31 January

	Notes	*31 January 2015 Unaudited £000*	*31 January 2014 Unaudited £000*
Revenue	4	64,349	58,169
Cost of sales		(32,996)	(29,990)
Gross profit		31,353	28,179
Distribution costs		(9,832)	(7,907)
Administrative expenses		(13,333)	(12,030)
Operating profit before exceptional items		8,188	8,242
Exceptional items	6	(46)	(1,353)
Operating profit		8,142	6,889
Finance revenue		644	4
Finance costs	9	(1,287)	(14,980)
Profit/(loss)before tax		7,499	(8,087)
Income tax	10	(1,621)	638
Profit/(loss) for the period		5,878	(7,449)
Other comprehensive expense:			
Items that may subsequently be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		(343)	(457)
Loss on hedge of net investment in foreign operation		(49)	(35)
Other comprehensive expense for the period		(392)	(492)
Total comprehensive income/(expense) for the period		5,486	(7,941)
Profit/(Loss) per share			
Basic and diluted, pence per share	11	2.94	(8.20)

Interim condensed consolidated statement of financial position

	Notes	*31 January 2015 Unaudited £000*	*31 July 2014 Audited £000*
Non-current assets			
Property, plant and equipment	12	16,146	15,915
Intangible assets – goodwill		49,858	50,127
Intangible assets – other	13	107,150	113,651
Deferred tax assets		732	732
		173,886	180,425
Current assets			
Inventories		15,742	15,922
Trade and other receivables		24,067	25,422
Income tax		-	1,093
Other current financial assets	15	689	422
Cash and short term deposits		20,886	10,987
		61,384	53,846
Assets classified as held for sale		359	-
Total assets		235,629	234,271
Current liabilities			
Trade and other payables		(20,795)	(22,821)
Other current financial liabilities	15	(242)	(467)
Income tax		(1,210)	-
Provisions		(1,103)	(1,018)
		(23,350)	(24,306)
Non-current liabilities			
Interest bearing loans and borrowings	14	(52,286)	(53,903)
Other non-current financial liabilities	15	-	(122)
Provisions		(600)	(600)
Deferred tax liabilities		(20,657)	(22,090)
		(73,543)	(76,715)
Total liabilities		(96,893)	(101,021)
Net assets		138,736	133,250
Capital and reserves			
Share capital		2,000	2,000
Share premium		11,527	11,527
Capital reserve		92,325	92,325
Foreign currency translation reserve		(135)	257
Retained earnings		33,019	27,141
Total equity		138,736	133,250

Interim condensed consolidated statement of changes in equity

	Share capital £000	*Share premium £000*	*Capital reserve £000*	*Foreign currency translation reserve £000*	*Retained earnings £000*	*Total £000*
At 1 August 2013(Audited)	3	2,098	-	582	(16,231)	(13,548)
Loss for the period	-	-	-	-	(7,449)	(7,449)
Other comprehensive expense	-	-	-	(492)	-	(492)
Total comprehensive income	-	-	-	(492)	(7,449)	(7,941)
At 31 January 2014(Unaudited)	3	2,098	-	90	(23,680)	(21,489)
Loss for the period	-	-	-	-	(6,809)	(6,809)
Other comprehensive expense	-	-	-	167	-	167
Total comprehensive expense	-	-	-	167	(6,809)	(6,642)
Net adjustment to reserves arising from Group re-organisation	(3)	(2,098)	-	-	-	(2,101)
Share for share exchange as part of Group reorganisation	1,520	-	92,325	-	-	93,845
Issue of new ordinary shares on stock market listing	480	71,520	-	-	-	72,000
Share issue costs	-	(2,363)	-	-	-	(2,363)
Capital reduction	-	(57,630)	-	-	57,630	-
At 31 July 2014(Audited)	2,000	11,527	92,325	257	27,141	133,250
Profit for the period	-	-	-	-	5,878	5,878
Other comprehensive expense	-	-	-	(392)	-	(392)
Total comprehensive income	-	-	-	(392)	5,878	5,486
At 31 January 2015(Unaudited)	2,000	11,527	92,325	(135)	33,019	138,736

Capital reserve

The capital reserve is the difference in share capital and reserves arising from the use of the pooling of interest method for preparation of the financial statements.

Foreign currency translation reserve

Exchange differences arising on translation of the Group's foreign subsidiaries into GBP are included in the foreign currency translation reserve. The Group hedges some of its exposure to its net investment in foreign operations, foreign exchange gains and losses relating to the effective portion of the net investment hedge are accounted for by entries made directly to the foreign currency translation reserve. No ineffectiveness has been recognised in the statement of comprehensive income for any of the periods presented.

These two items are the only items in other comprehensive income.

Interim condensed consolidated statement of cash flows

For the six months ended 31 January

	Notes	*31 January 2015* Unaudited £'000	*31 January 2014 Unaudited* £'000
Operating activities			
Profit/(loss) for the period after tax		5,878	(7,449)
Adjustments to reconcile profit/(loss) for the period to net cash flow from operating activities:			
Income tax		1,621	(638)
(Gain)/loss on disposal of property, plant and equipment		(28)	11
Exceptional items	6	46	1,353
Cash flows relating to exceptional costs		(46)	(811)
Finance revenue		(644)	(4)
Finance costs	9	1,287	14,980
Depreciation of property, plant and equipment		990	822
Amortisation of intangible assets		5,860	5,493
Working capital adjustments:			
Decrease/(increase) in trade receivables and other assets		1,065	(244)
Decrease/(increase) in inventories		180	(2,686)
Exceptional costs: fair value of inventories		-	(102)
(Decrease)/increase in trade payables and other payables		(1,952)	1,875
(Decrease)/increase in provisions		85	(116)
UK income tax paid		(373)	(1,200)
Overseas income tax paid		(27)	(250)
Net cash flow from operating activities		13,942	11,034
Investing activities			
Payments to acquire intangible assets		(700)	(1,062)
Purchase of property, plant and equipment		(2,062)	(613)
Proceeds from disposal of property, plant and equipment		183	20
Acquisition of subsidiaries, net of cash acquired		-	(10,632)
Interest received		6	4
Net cash flow used in investing activities		(2,573)	(12,283)

Interim condensed consolidated statement of cash flows (continued)

For the six months ended 31 January

	31 January 2015 Unaudited	*31 January 2014 Unaudited*
	£'000	*£'000*
Financing activities		
Repayment of interest bearing loans and borrowings	-	(41,881)
Proceeds from new borrowings	-	41,050
Issue costs of new borrowings	-	(3,756)
Interest paid	(1,287)	(2,363)
Net cash flow used in financing activities	(1,287)	(6,950)
Net increase /(decrease) in cash and cash equivalents	10,082	(8,199)
Cash and cash equivalents at the start of the period	10,987	15,943
Effect of exchange rates on cash and cash equivalents	(183)	(100)
Cash and cash equivalents at the end of the period	20,886	7,644

1. Corporate Information

The Company is a public limited company and is incorporated and domiciled in the UK (registered number: 09041571). The share capital of the Company is listed on the London Stock Exchange. The address of its registered office is Fleming Way, Crawley, West Sussex RH10 9YX.

The interim results were authorised for issue by the Board of Directors on 23 March 2015. The financial information set out herein does not constitute the statutory accounts and is unaudited.

2. Accounting policies

Basis of preparation

These condensed consolidated financial statements of the Group have been prepared in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2014 annual report. The financial information for the half years ended 31 January 2015 and 31 January 2014 do not constitute statutory within the meaning of Section 434(3) of the Companies Act 2006 and are unaudited.

The annual financial statements of Volution Group plc are prepared in accordance with IFRS as adopted by the European Union. The comparative financial information for the year ended 31 July 2014 included within this report does not constitute the full statutory accounts for that period. The statutory Annual Report and Financial statements for 2014 have been filed with the Registrar of Companies. The Independent Auditors' Report on that Annual Report and Financial Statement for 2014 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) and 498(3) of the Companies Act 2006.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the half-yearly condensed consolidated financial statements.

The same accounting policies, presentation and methods of computation are followed in these condensed consolidated financial statements as were applied in the Group's latest annual audited financial statements, except for the impact of new accounting standards and amendments adopted in the period. The following new accounting standards and amendments have been adopted during the period:

IFRS 10 'Consolidated Financial Statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in the consolidated accounts of the Company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 12 'Disclosure of Interests in Other Entities' includes the disclosure requirements for all forms of interests in other entities.

2010-2012 Annual Improvements cycle – The IASB's annual improvements process deals with non-urgent, but necessary, clarifications and amendments to IFRS. The 2010-12 cycle includes an amendment to IFRS 8 Operating Segments that requires the Group to disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of the economic characteristics used to assess whether the segments are similar.

Adoption of IFRS 10 and 12 and the 2010-12 Annual Improvements cycle has no impact on the Group's reported results or financial position.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments

The following are the critical judgments (apart from those involving estimations), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

Exceptional items

The Group discloses exceptional items by virtue of their nature, size or incidence to allow a better understanding of the underlying trading performance of the Group. The Group identifies an item or expense of income as exceptional, when in management's judgment, the underlying event giving rise to the exceptional item is deemed to be non-recurring in its nature, size or incidence such that Group results would be distorted without specific reference to the event in question. To enable the full impact of an exceptional item to be understood, the tax impact is disclosed and they are presented separately in the statement of cash flows.

Development costs

Development costs that are directly attributable to the development of a product are capitalised using management's assessment of the likelihood of a successful outcome for each product being released to market, this is based on management's judgement that the product is technologically, commercially and economically feasible in accordance with IAS 38 'Intangible assets'.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when these financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Fair value of assets acquired during business combinations

Judgements and estimates are required in assessment of fair value of the consideration and net assets acquired, including the identification and valuation of intangible assets.

Impairment of goodwill and other intangible assets

The Group's impairment test for goodwill is based on a value in use calculation using a discounted cash flow model. The cash flows are derived from the budget for the following five years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

The Group records all assets and liabilities acquired in business acquisitions, at fair value. Intangible assets are reviewed for impairment annually if events or changes in circumstances indicate that the carrying amount may not be recoverable.

Rebates payable and receivable

The Group has a number of customer and supplier rebate agreements that are recognised as a reduction from sales or a reduction of cost of sales as appropriate (collectively referred to as rebates). Rebates are based on an agreed percentage of revenue or purchases, which will increase with the level of revenue achieved or purchases made. These agreements typically run to a different reporting period to that of the Group with some of the amounts payable and receivable being subject to confirmation after the reporting date. At the reporting date, the Directors make estimates of the amount of rebate that will become both payable and due to the Group under these agreements based upon their best estimates of volumes and product mix that will be bought or sold over each individual rebate agreement period. Where the respective customer or supplier has been engaged with the Group for a number of years, historical settlement trends are also used to assist in ensuring an appropriate estimate is recorded at the reporting date and that appropriate internal approvals and reviews take place before rebates are recorded.

4. Revenue

Revenue recognised in the statement of comprehensive income is analysed below:

	For the six months ended 31 January 2015	*For the six months ended 31 January 2014*
	Unaudited	*Unaudited*
	£000	*£000*
Sale of goods	63,215	56,770
Rendering of services	1,134	1,399
Total revenue	64,349	58,169

	For the six months ended 31 January 2015	*For the six months ended 31 January 2014*
	Unaudited	*Unaudited*
	£000	*£000*
Market Sectors		
Ventilation Group		
UK Residential RMI	17,907	17,751
UK Residential New Build	7,782	6,674
UK Commercial	7,960	7,895
UK Export	3,923	3,458
Nordics	11,570	11,677
Germany	5,274	-
Total Ventilation Group	54,416	47,455
Original Equipment Manufacturer (OEM (Torin-Sifan))		
OEM (Torin-Sifan)	9,933	10,714
Total OEM (Torin-Sifan)	9,933	10,714
Total revenue	64,349	58,169

5. Segmental analysis

In identifying its operating segments, management follows the Group's product markets. The Group is considered to have two reportable segments: Ventilation Group and OEM (Torin-Sifan). Each reportable segment is managed separately as they require different marketing approaches.

Operating segments that provide ventilation services have been aggregated as they have similar economic characteristics, assessed by reference to the gross margins of the segments. In addition the segments are similar in relation to the nature of products, services, production processes, type of customer, method for distribution and regulatory environment.

The measure of revenue reported to the chief operating decision maker to assess performance is total revenue for each operating segment. The measure of profit reported to the chief operating decision maker to assess performance is adjusted EBITDA (see note 20 for definition) for each operating segment. Gross profit and the analysis below segment profit is additional voluntary information and not 'segment information' prepared in accordance with IFRS 8.

Finance revenue and costs are not allocated to individual operating segments as the underlying instruments are managed on a Group basis.

Total assets and liabilities are not disclosed as this information is not provided by operating segment to the chief operating decision maker on a regular basis.

Transfer prices between operating segments are on an arm's length basis on terms similar to transactions with third parties.

Six months ended 31 January 2015 - Unaudited	*Ventilation Group*	*OEM (Torin Sifan)*	*Unallocated*	*Total*	*Group eliminations*	*Consolidated*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Revenue						
External customers	54,416	9,933	-	64,349	-	64,349
Inter-segment	6,546	620	-	7,166	(7,166)	-
Total revenue	60,962	10,553	-	71,515	(7,166)	64,349
Gross profit	28,294	3,059	-	31,353	-	31,353
Results						
Adjusted EBITDA	14,077	1,717	(756)	15,038	-	15,038
Amortisation of development costs, software and patents and Depreciation	(780)	(268)	-	(1,048)	-	(1,048)
Adjusted operating profit	13,297	1,449	(756)	13,990	-	13,990
Amortisation of other intangibles (customer base and trademarks)	(5,156)	(646)	-	(5,802)	-	(5,802)
Exceptional items	-	-	(46)	(46)	-	(46)
Operating profit/(loss)	8,141	803	(802)	8,142	-	8,142
Unallocated expenses:						
Net finance cost	-	-	(643)	(643)	-	(643)
Profit/(loss) before tax	8,141	803	(1,445)	7,499	-	7,499

The Group overhead costs of £756,000 are not allocated to individual operating segments. Likewise, exceptional costs incurred by the holding companies have not been allocated to individual operating segments.

5. Segmental analysis (continued)

Six months ended 31 January 2014- Unaudited	*Ventilation Group*	*OEM (Torin Sifan)*	*Unallocated*	*Total*	*Group eliminations*	*Consolidated*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Revenue						
External customers	47,455	10,714	-	58,169	-	58,169
Inter-segment	3,323	632	-	3,955	(3,955)	-
Total revenue	50,778	11,346	-	62,124	(3,955)	58,169
Gross profit	24,442	3,737	-	28,179	-	28,179
Results						
Adjusted EBITDA	12,250	2,422	(115)	14,557	-	14,557
Amortisation of development costs, software and patents and Depreciation	(681)	(181)	-	(862)	-	(862)
Adjusted operating profit	11,569	2,241	(115)	13,695	-	13,695
Amortisation of other intangibles (customer base and trademarks)	(4,774)	(679)	-	(5,453)	-	(5,453)
Exceptional items			(1,353)	(1,353)	-	(1,353)
Operating profit/(loss)	6,795	1,562	(1,468)	6,889	-	6,889
Unallocated expenses:						
Net finance cost	-	-	(14,976)	(14,976)	-	(14,976)
Profit/(loss) before tax	6,795	1,562	(16,444)	(8,087)	-	(8,087)

Geographic information

	For the six months ended 31 January 2015 Unaudited	*For the six months ended 31 January 2014 Unaudited*
	£000	*£000*
Revenue from external customers (by destination):		
United Kingdom	39,025	36,878
Europe (excluding United Kingdom and Nordics)	12,781	8,514
Nordics	11,232	11,594
Rest of the world	1,311	1,183
Total revenue	64,349	58,169

5. Segmental analysis (continued)

	31 January 2015	*31 July 2014*
	Unaudited	*Unaudited*
	£000	*£000*
Non-current assets:		
United Kingdom	140,400	150,801
Europe (excluding United Kingdom & Nordics)	16,152	13,850
Nordics	16,602	15,042
Total	173,154	179,693

Non-current assets exclude deferred tax.

6. Exceptional items

The Group discloses exceptional items by virtue of their nature, size or incidence to allow a better understanding of the underlying trading performance of the Group. Exceptional costs are summarised below:

	For the six months ended 31 January 2015	*For the six months ended 31 January 2014*
	Unaudited	*Unaudited*
	£000	*£000*
Inventory fair value adjustment arising on business combinations	-	102
Acquisition costs	-	176
Restructuring and acquisition integration	-	609
Costs associated with the stock market listing of the Group	46	466
	46	1,353
Total tax credit relating to the items above	-	(204)
	46	1,149

7. Adjusted earnings

	For the six months ended 31 January 2015 Unaudited £000	*For the six months ended 31 January 2014 Unaudited £000*
Profit/(loss) before tax	7,499	(8,087)
Add back:		
Exceptional items	46	1,353
Amortisation of financing costs	-	7,440
Net (gain) or loss on financial instruments at fair value	(638)	673
Amortisation and impairment of other intangible assets (customer base and trademarks)	5,802	5,453
Adjusted profit before tax	12,709	6,832
Add back:		
Interest payable on bank overdraft and bank loans	1,287	2,678
Interest on loan notes	-	4,189
Finance income	(6)	(4)
Adjusted operating profit	13,990	13,695
Add back:		
Depreciation of property, plant and equipment	990	822
Amortisation of development costs, software and patents	58	40
Adjusted EBITDA	15,038	14,557

For an explanation of the adjusted terms used above please see the glossary of terms at note 20.

8. Adjusted and pro-forma earnings

	6 months to 31 January 2015 (Unaudited)					6 months to 31 January 2014 (Unaudited)				
	Reported	Adjustments	Adjusted results	Pro-forma adjustments	Results	Reported	Adjustments	Adjusted results	Pro-forma adjustments	Pro-forma results
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Revenue	64,349	-	64,349	-	64,349	58,169	-	58,169	-	58,169
Cost of sales	(32,996)	-	(32,996)	-	(32,996)	(29,990)	-	(29,990)	-	(29,990)
Gross profit	31,353	-	31,353	-	31,353	28,179	-	28,179	-	28,179
Admin & Distribution costs	(23,165)	5,802	(17,363)	-	(17,363)	(19,937)	5,453	(14,484)	(600) [1]	(15,084)
Operating profit before exceptional items	8,188	5,802	13,990	-	13,990	8,242	5,453	13,695	(600)	13,095
Exceptional items	(46)	46	-	-	-	(1,353)	1,353	-	-	-
Operating profit	8,142	5,848	13,990	-	13,990	6,889	6,806	13,695	(600)	13,095
Finance revenue	644	(638)	6	-	6	4	-	4	-	4
Finance costs	(1,287)	-	(1,287)	-	(1,287)	(14,980)	8,113	(6,867)	5,580 [2]	(1,287)
Profit /(loss) before tax	7,499	5,210	12,709	-	12,709	(8,087)	14,919	6,832	4,980	11,812
Income tax	(1,621)	(1,126)	(2,747)	-	(2,747)	638	(2,164)	(1,526)	(1,111)	(2,637)
Profit/(loss) after tax	5,878	4,084	9,962	-	9,962	(7,449)	12,755	5,306	3,869	9,175
EBITDA	14,992	46	15,038	-	15,038	13,204	1,353	14,557	(600)	13,957
Basic and diluted EPS (pence per share) [3]	2.94		4.98		4.98	(8.20)		5.84		4.59

Notes

In order to better compare and explain our financial performance in the current period with the comparative period we have restated the comparative period to show what it would have looked like under public ownership with the current debt structure.

1 Admin and distribution costs - A pro-forma adjustment has been made to the prior period admin and distribution costs for our estimated incremental cost increase as a result of our listing on the London Stock Exchange (LSE). Such adjustments include increased audit fees, salary increases, corporate governance costs and other costs directly incurred as a result of the Group being listed on the LSE.

2 Finance costs - An adjustment has been made to finance costs in the prior period to reflect the current debt structure.

3 On the 23 June 2014, a share for share exchange converted the entire share capital (after reorganisation) of Windmill Topco Limited to new ordinary shares of Volution Group plc. The weighted number of shares has been calculated assuming the share for share exchange took place as from 1 August 2013. The pro-forma EPS assumes the same weighted average number of shares in the 6 months to 31 January 2014 as in the 6 months to January 2015 to ensure we are showing a consistent comparison.

9. Finance costs

As a result of the Group re-organisation and subsequent premium listing on the Main Market of the London Stock Exchange the debt structure of the Group changed significantly. The change has led to the material reduction in finance costs between January 2014 and January 2015. In addition the period to January 2014 includes £7,430,000 of unamortised finance costs written off upon re-financing of debt.

10. Income taxes

The income tax expense is recognised based on the best estimate of the weighted average annual income tax rate expected to apply for the full financial year. The estimated average annual adjusted tax rate for the period ended 31 January 2015 is approximately 21.6% (H1 2014: 22.3%). In accordance with IAS 34, the tax effect of exceptional or one-off items has not been included in the calculation of the estimated average annual tax rate.

11. Earnings per share (EPS)

Basic earnings per share is calculated by dividing the profit/(loss) for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the profit/(loss) attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of any dilutive potential ordinary shares into ordinary shares. There are no dilutive potential ordinary shares for the periods ended 31 January 2015 and 2014.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Six months ended 31 January	
	2015	*2014*
	Unaudited	*Unaudited*
	£000	*£000*
Profit/(loss) attributable to ordinary equity holders	5,878	(7,449)
	No.	No.
Weighted average number of ordinary shares for basic earnings per share and diluted earnings per share*	200,000,000	90,840,698
Earnings per share		
Basic and diluted	2.94p	(8.20)p

*The weighted average number of ordinary shares identified above used for the calculation of earnings per share relate to the following deemed parent entity for each of the periods presented:

- 6 months ended 31 January 2015 – Volution Group plc
- 6 months ended 31 January 2014 – Windmill Topco Limited

The weighted number of shares has been calculated assuming the share for share exchange took place from 1 August 2013. The share for share exchange, gives effect to the sales of the entire share capital (after the reorganisation) of the Windmill Topco Limited shares in exchange for new Ordinary shares of Volution Group plc.

12. Property, plant and equipment

During the six months ended 31 January 2015, the Group acquired assets with a cost of £2,062,000 (31 July 2014: £2,930,000). Assets with a net book value of £155,000 (31 July 2014: £47,000) were disposed of resulting in a net profit on disposal of £28,000 (31 July 2014: £15,000). Assets with a net book value of £359,000 (31 July 2014: £nil) were transferred to current assets and categorised as held for sale by the Group during the six months ended 31 January 2015. In the six months ended 31 January 2015 movements in foreign exchange rates lead to an overall reduction in carrying value of £327,000 (31 July 2014: £290,000) on property, plant and equipment.

13. Intangible assets - other

During the six months ended 31 January 2015, the Group acquired assets with a cost of £700,000 (31 July 2014: £20,312,000). The amortisation charge on other intangible assets during the six months ended 31 January 2015 was £5,860,000 (31 July 2014: £11,201,000). In the six months ended 31 January 2015 movements in foreign exchange rates lead to an overall reduction in carrying value of £1,341,000 (31 July 2014: £1,903,000) on other intangible assets.

14. Interest bearing loans and borrowings

	Current	Non-current	Current	Non-current
	31 January 2015	31 January 2015	31 July 2014	31 July 2014
	Unaudited	Unaudited	Audited	Audited
	£000	£000	£000	£000
Secured – at amortised cost				
GE Corporate Finance Bank loan	-	52,286	-	53,903
	-	52,286	-	53,903

The facilities agreement gives GE Corporate Finance Bank SAS, London Branch, as security agent, for itself and any other bank which participates in the facilities, a fixed and floating charge over the assets of the Group.

15. Other financial assets and liabilities

	Current	Non-current	Current	Non-current
	31 January 2015	31 January 2015	31 July 2014	31 July 2014
	Unaudited	Unaudited	Audited	Audited
	£000	£000	£000	£000
Financial assets				
Cash held in Escrow account	398	-	422	-
FX forward contracts	291	-	-	-
	689	-	422	-
Financial liabilities				
Interest rate swap	(242)	-	-	(122)
FX forward contracts	-	-	(467)	-
	(242)	-	(467)	(122)

16. Fair values of financial assets and financial liabilities

There is no material differences between the book values and fair values for any of the Group's financial instruments carried at amortised cost. Derivate financial instruments have all been valued using other techniques, for which all inputs which have a significant effect on the recorded fair value are observable, either, directly or indirectly.

17. Related party transactions

Transactions between Volution Group Plc and its subsidiaries and transactions between subsidiaries, are eliminated on consolidation and are not disclosed in this note. A breakdown of transactions between the Group and its related parties are disclosed below.

In December 2013, the Group repaid £40,006,000 of loan notes back to the Loan note holders comprising principle of £34,628,000 and interest of £5,378,000. Immediately prior to admission to the London Stock Exchange in June 2014 the remaining Loan notes issued by Windmill Midco Limited were novated to Windmill Topco Limited and then subsequently converted into shares in Windmill Topco Limited. Deposits held by Windmill Holdings BV and Windmill Holdings Cooperatief UA were repaid in July 2014.

There were no material transactions or balances between the Company and its key management personnel or members of their close family. At the end of the period, key management personnel did not owe the Company any amounts.

Non-executive director Paul Hollingworth is also a non-executive director of Electrocomponents plc. During the 6 months to 31 January 2015, the Group sold goods to Electrocomponents plc amounting to £136,000 (6 months to 31 January 2014: £116,000). At 31 January 2015, amounts owing by Electrocomponents plc were £27,000 (31 July 2014: £35,000). During the 6 months to 31 January 2015 the Group purchased goods from Electrocomponents plc amounting to £48,000 (6 months to 31 January 2014: £47,000). At 31 January 2015, amounts owed to Electrocomponents plc were £15,000 (31 July 2014: £13,000). All transactions with Electrocomponents plc were completed at an arm’s length basis.

18. Dividends

The Board has declared an interim dividend of 1.05 pence per ordinary share in respect of the half year ended 31 January 2015 which will be paid on 14 May 2015 to shareholders on the register at the close of business on 7 April 2015. The total dividend payable has not been recognised as a liability in these accounts.

19. Events after the balance sheet date

On 13 February 2015, the Group refinanced its bank debt. The Group now has in place a £90 million revolving credit facility, maturing April 2019. This new facility is provided under standard Loan Market Association terms and replaces the Group’s existing facilities. The new facility is provided at a lower interest rate than the facility being refinanced and the covenant headroom has been improved, and is tested on a bi-annual basis.

20. Glossary of terms

Net debt – bank borrowings less cash and cash equivalents

Adjusted operating cash flow – Adjusted EBITDA plus or minus movements in operating working capital, less net investments in property, plant and equipment and intangible assets (including cash held in escrow).

Adjusted profit before tax – earnings before tax, exceptional items, amortisation of financing costs, breakage costs on interest rate swaps, net gains or losses on financial instruments at fair value and amortisation and impairment of intangible assets associated with the customer base, trademarks and patents.

Adjusted operating profit – earnings before tax, exceptional items, amortisation and impairment of intangible assets associated with the customer base, trademarks and patents and net finance costs.

Adjusted EBITDA – earnings before tax, exceptional items, net finance costs, depreciation, amortisation and impairment.

Change constant currency – to calculate the change at constant currency we have converted the income statement of our foreign operating companies for the period ended 31 January 2015 at the average exchange rate for the period ended 31 January 2014. In addition we have converted the UK operating companies’ sales and purchase transactions in the period ended 31 January 2015, which were denominated in foreign currencies, at the average exchange rates for the period ended 31 January 2014.

20. Glossary of terms (continued)

Adjusted basic and diluted EPS – is calculated by dividing the adjusted profit/(loss) for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the adjusted net profit/(loss) attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of any dilutive potential ordinary shares into ordinary shares. There are no dilutive potential ordinary shares for the periods ended 31 January 2015 and 2014.

On the 23 June 2014, a share for share exchange converted the entire share capital (after reorganisation) of Windmill Topco Limited to new ordinary shares of Volution Group plc. The weighted number of shares has been calculated assuming the share for share exchange took place as from 1 August 2013. The pro-forma EPS assumes the same weighted average number of shares in the 6 months to 31 January 2014 as in the 6 months to January 2015 to ensure we are showing a consistent comparison.