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## VOLUTION GROUP PLC INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2021

***Strong revenue and profit growth, operating margin increased to 21.1%***

Volution Group plc ("Volution" or "the Group" or "the Company", LSE: FAN), a leading international designer and manufacturer of energy efficient indoor air quality solutions, today announces its unaudited interim financial results for the six months ended 31 January 2021.

### RESULTS SUMMARY

	6 months to 31 January 2021	6 months to 31 January 2020	Movement	Movement (constant currency)
Revenue (£m)	131.7	118.8	10.9%	8.6%
Adjusted operating profit (£m)	27.7	21.8	27.4%	23.9%
Adjusted operating margin (%)	21.1%	18.3%	2.8pp	
Adjusted profit before tax (£m)	26.1	20.5	27.1%	
Adjusted EPS (pence)	10.1	8.2	23.2%	
Reported operating profit (£m)	15.9	14.0	13.4%	
Reported profit before tax (£m)	14.2	11.9	18.8%	
Reported basic EPS (pence)	5.2	4.7	10.6%	
Adjusted operating cash flow (£m)	29.6	22.3	33.1%	
Reported net debt (£m)	92.0	80.9	11.1	
Net debt (excluding leased liabilities) (£m)	65.5	60.5	5.0	
Interim dividend per share (p)	1.90	—	—	

The Group uses some alternative performance measures to manage and assess the underlying performance of the business. These measures include adjusted operating profit, adjusted profit before tax, adjusted EPS, adjusted operating cash flow and net debt. A definition of all the adjusted and non-GAAP measures is set out in the glossary of terms in note 19 to the condensed consolidated financial statements. A reconciliation to reported measures is set out in note 2 to the condensed consolidated financial statements.

### FINANCIAL HIGHLIGHTS

- Strong revenue growth of 10.9% (8.6% at constant currency):
  - organic revenue growth of 9.8% (7.5% at constant currency) with all three geographic regions growing in the period; and
  - inorganic revenue growth of 1.1% (1.1% at constant currency) as a result of the acquisition of ClimaRad BV in the Netherlands in December 2020.
- Adjusted operating profit increased by 27.4% to £27.7 million (23.9% at constant currency) due to revenue growth and margin expansion through our operational excellence actions.
- Significant adjusted operating profit margin expansion of 2.8pp to 21.1% (H1 2020: 18.3%) delivering the Group's target six months earlier than anticipated.
- Reported profit before tax increased by 18.8% to £14.2 million (H1 2020: £11.9 million).
- Adjusted operating cash inflow of £29.6 million (H1 2020: £22.3 million) with strong cash conversion of 104.5% (H1 2020: 99.5%).
- Leverage (excluding lease liabilities) of 1.4x at 31 January 2021, post the acquisition of 75% of ClimaRad BV for £36.2 million (H1 2020: 1.3x).
- Interim dividend of 1.90 pence per share (H1 2020: Nil), reflecting strong profitability, free cash generation and confidence in our future growth prospects.
- The Board expects earnings for the full year to be ahead of current market expectations.

## OPERATIONAL HIGHLIGHTS

- Business continuity maintained across the Group despite the impact of local “lockdowns” and with a large proportion of our non-production staff still working from home. Production facilities are operating as normal and all practicing “Covid-19 Secure” at all times although we are experiencing some industry wide supply chain inefficiency most notably in the UK.
- Strong organic revenue growth in Australasia of 27.0% (23.9% at constant currency) benefitting from the Healthy Homes Standard in New Zealand stimulating demand for ventilation products and an increase in our market share in Australia as we roll out an extended range of the Group’s ventilation product portfolio to the market.
- The integration of ClimaRad BV, the leading provider of de-centralised heat recovery ventilation in the Netherlands, is progressing well, with revenues and profit in the first two months in line with our expectations.
- Considerable progress with our Operational Excellence Programme delivering a broad-based adjusted operating profit margin improvement achieving our 20% target six months earlier than planned.
- Completed our factory relocation project in Sweden moving to a more energy efficient and well invested modern facility in Växjö with considerable capacity headroom to support our ambitious growth plans in the region.
- Investment in additional injection moulding and manufacturing equipment in the UK and Sweden to support our R&D plans to develop new products across the Group.

## SUSTAINABILITY HIGHLIGHTS

Our products save energy, reduce carbon emissions and help to build healthy sustainable homes and buildings. We made good progress with our recently announced sustainability targets in the first half of the year, targets which are also captured in our new Sustainability Linked Revolving Credit Facility.

- 63.1% (FY20: 56%) of plastic used in our own manufacturing facilities was from recycled sources.
- 62.1% (FY20: 59%) of our revenue was from low-carbon, energy saving products.

### Commenting on the Group’s performance, Ronnie George, Chief Executive Officer, said:

*“I am hugely grateful of the efforts made by our dedicated employees as well as mindful that many of our back office and support staff have been working from home, on and off, for nearly twelve months now. We have made tremendous progress with our strategy in the first half of the year. We have delivered strong organic revenue growth, adjusted operating margins expanding to meet our 20% target six months earlier than anticipated and two acquisitions fully focussed on providing low carbon, energy efficient solutions to improve indoor air quality. Our refreshed approach to “Healthy Air, Sustainably” has made great progress in the first half of the year despite the many challenges that operating within this prolonged period of the Covid-19 pandemic presents. Our asset light and flexible model has again proved adept at managing the supply chain challenges that we and large parts of UK industry continue to face and we are also confident that our strong, leading trade brands will be able to deliver the price increases necessary to mitigate some of the inflationary headwinds we see both in regards to inbound logistic costs and material component prices.”*

### Outlook

Across our Group we have been working with industry wide supply chain inefficiency for some time now and although these interruptions are likely to continue, we believe we are now over the worst impacts with greater visibility for the coming months. With a strong order book across all areas, price increase initiatives underway to offset the inflationary pressures and in general an expected easing of the impacts of Covid-19 in all of our geographic regions, we are confident of making progress in the second half of the year. Underpinned by the margin expansion we have delivered in the first half of the year, the Board expects earnings for the full year to be ahead of current market expectations.

**-Ends-**

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A conference call for analysts will be held at 10:00am today, Thursday 11 March. Please contact [volutiongroup@tulchangroup.com](mailto:volutiongroup@tulchangroup.com) to register and for instructions on how to connect to the conference facility.

A copy of this announcement and the presentation given to analysts will be available on our website [www.volutiongroupplc.com](http://www.volutiongroupplc.com) from 7.00 am on Thursday 11 March.

Certain information contained in this announcement would have constituted inside information (as defined by Article 7 of Regulation (EU) No 596/2014 as amended by The Market Abuse (Amendment) (EU Exit) Regulations 2019) prior to its release as part of this announcement.

Volution Group plc Legal Entity Identifier: 213800EPT84EQCDHO768.

**Note to Editors:**

Volution Group plc (LSE: FAN) is a leading international designer and manufacturer of energy efficient indoor air quality solutions. Volution Group comprises 17 key brands across three regions:

UK: Vent-Axia, Manrose, Diffusion, National Ventilation, Airtech, Breathing Buildings, Torin-Sifan.

Continental Europe: Fresh, PAX, VoltAir, Kair, Air Connection, inVENTer, Ventilair, ClimaRad.

Australasia: Simx, Ventair, Manrose.

For more information, please go to: [www.volutiongroupplc.com](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

I am hugely grateful of the efforts made by our dedicated employees as well as mindful that many of our back office and support staff have been working from home, on and off, for nearly twelve months now.

Volution has made excellent progress both operationally and strategically in delivering "Healthy Air" in the first half of the financial year. Our focus on operational excellence has enabled us to achieve an adjusted operating margin of 21.1% (H1 2020: 18.3%), in line with our ambitious target and a full six months earlier than anticipated. Revenue grew strongly by 10.9%, 8.6% at constant currency, with revenue growth in all three of our geographic regions enabling the Group to deliver organic growth of 7.5% on a constant currency basis.

The benefits from our operational excellence initiatives assisted our increased adjusted operating margin with a significant increase in adjusted operating profit of £27.7 million up from £21.8 million in the prior year (27.4% growth, 23.9% growth at constant currency). Reported operating profit was £15.9 million (H1 2020: £14.0 million). The focus on operational excellence also underpinned a strong cash generation in the period, with adjusted operating cash inflows of £29.6 million (H1 2020: £22.3 million) and a cash conversion rate of 104.5% (H1 2020: 99.5%).

So far in financial year 2021 we have completed two strategically important acquisitions. In December we announced the acquisition in the Netherlands of ClimaRad BV, the market leading provider of de-centralised heat recovery ventilation and in Sweden in February 2021 we completed the acquisition of the much smaller Nordiska Klimatfabriken, a niche provider of low carbon premium solutions for the refurbishment market. The integration process for both acquisitions is well underway with revenue in the first two months in line with our expectations. These acquisitions underpin our ambitious plan to be one of the leading ventilation providers to residential and commercial buildings, benefitting from the improving regulatory trends aligned to reducing carbon emissions.

## REGIONAL PERFORMANCE REVIEW

### Group Results by Operating Segment

#### United Kingdom

	6 months to 31 January 2021 £m	6 months to 31 January 2021 £m	Constant currency	
			6 months to 31 January 2020 £m	Growth %
Market sector revenue				
<b>UK</b>				
Residential RMI	21.8	21.8	20.0	9.3
New Build Residential Systems	12.6	12.6	13.1	(3.5)
Commercial	14.7	14.7	15.3	(4.1)
Export	5.3	5.1	4.8	7.1
OEM	12.1	12.0	11.3	5.7
<b>Total UK Revenue</b>	<b>66.5</b>	<b>66.2</b>	64.5	2.7
<b>Adjusted operating profit</b>	<b>14.3</b>	<b>14.2</b>	12.2	16.8
<b>Adjusted operating profit margin (%)</b>	<b>21.5</b>	<b>21.5</b>	18.9	2.6pp
<b>Reported operating profit</b>	<b>8.9</b>	<b>8.8</b>	6.8	30.1

The UK's revenue grew by 3.1% (2.7% at constant currency). Adjusted operating profit was £14.3 million, an increase of 17.2% (16.8% at constant currency). Adjusted operating profit margin increased to 21.5% compared to a prior period of 18.9% assisted by the streamlining and improvement projects delivered in the previous year. Over the last few years, we have made investments in upgrading our ERP systems, invested in a new injection moulding and ventilation product assembly facility in Reading (one of the largest in the European market) and made considerable enhancements to our product costs through extensive value engineering and innovation projects. These projects have delivered a substantial improvement in our UK operating margins, consistent with initiatives across the rest of the Group. In spite of supply chain difficulties caused by the global pandemic, most notably towards the end of the first half, the well-publicised container shipment problems when importing from Chinese component manufacturers, our UK business has delivered a significant improvement in profit compared to the same period in FY20.

Sales in our UK New Build Residential Systems sector were down 3.5% on the prior period at £12.6 million (H1 2020: £13.1 million). As the UK construction market returned from the first lockdown of March 2020, we witnessed a slow return of house building sites, steadily improving throughout the first half of this year. A positive indicator of future activity is the increased order book that we finished the half year with, a substantial increase over the end of 2020.

We have recently upgraded our centralised and decentralised continuous extraction range making improvements to performance, acoustics and controls. The introduction has gone well with some exciting project orders both in the UK and internationally already won. These products have been specifically developed to help new build customers comply with upcoming new legislation.

During H1 the UK Government launched "The 10 Point Plan for a Green Industrial Revolution". The aim of this plan is to accelerate our path to net zero carbon. Point 7 of the plan relates to Green buildings and has supporting legislation with extension of the Energy Company Obligation (ECO) until 2026. Additionally, the Future Buildings Standard consultation was launched. This builds on the Future Homes Standard launched in 2019 and it has been confirmed that in 2021 there is to be an interim measure with new homes required to deliver a 31% emission reduction. The intention is for homes to then be zero-carbon ready from 2025. In addition, new proposals have been made to change the Part F, "Means of Ventilation of the Building" Regulations to cover existing buildings. The changes propose that major energy efficient measures, some of which are covered by ECO along with upgrades to

double glazing, will require additional purpose provided mechanical ventilation. These changes continue to provide good opportunities for growth in ventilation and wider adoption of low carbon solutions.

The UK Residential Public RMI market performed well in the period with total revenue of £7.9 million, up 1.3% compared to the prior period. This area of the market has seen a significant impact due to Covid-19. Housing Associations have postponed structural refurbishment projects, and due to the concerns over shielding of more vulnerable tenants the volume of refurbishment work has been weaker in the period. Increased regulation and the responsibility of landlords to provide a minimum standard of accommodation would indicate that public housing refurbishment work is an area that will return to normal once there is a clearer and more protracted easing from the recent lockdowns.

The UK Residential Private RMI market revenue of £13.9 million represented an increase of 14.4% compared to the prior period. We have seen strong demand for our products throughout the first half of this financial year. Our UK business has a leading market position both in the wholesaler trade route to market as well as the retail, DIY and online approach to servicing demand. In 2020 we completed the project to upgrade our traditional product ranges, Project Liberty, which provided us with a more interchangeable and flexible suite of components enabling the fast introduction of newer, more functional and higher priced solutions. We continue to utilise the wider product range from around the Group and this enhanced range, wide sales coverage, leading brand positioning and a growing market awareness of how indoor air quality is inextricably linked to health, provided us with a strong revenue growth in the period. The UK Green Grant is also extended to ventilation solutions. Air leakage tests as well as installation of ventilation products qualify to be purchased under the voucher scheme.

UK Commercial market revenue declined by 4.1% in the period to £14.7 million (H1 2020: £15.3 million). Similar to the new housebuilding market we have seen the commercial market in the UK much slower in returning to normal levels of activity. Our order book for the supply of energy efficient Low Carbon fan coils has grown substantially in the period, as well as our order book for the supply of natural and hybrid ventilation for the Education sector. Refurbishment demand has continued to be good and we are excited about the increasing awareness of how important air quality is for commercial buildings especially dealing with air borne viruses and the adverse health effects of high levels of CO<sub>2</sub>.

UK Export market sales were £5.3 million, growth of 9.6% (7.1% at constant currency) with sizeable gains in Ireland. We are encouraged by the recent changes to regulations in the Irish market where increasingly more energy efficient solutions are being favoured in the new housebuilding market. We are also a leading provider of filtered air inlet products, often used in conjunction with the installation of a low carbon heating solution such as a heat pump. Other notable successes include our strong OEM partnership with one of the leading ventilation companies in France where we developed a number of new product solutions for them in 2020.

OEM revenue was £12.1 million, an increase of 7.0% (5.7% at constant currency). Our OEM revenue stream is progressing very well and we continue to gain traction with our EC3 range of motorised impeller used in energy efficient central system ventilation solutions. There were a number of notable new account gains in the first half of the financial year and the order book has also grown in the same period.

## Continental Europe

Market sector revenue	6 months to	6 months to	Constant currency	Growth %
	31 January 2021 £m	31 January 2021 £m	6 months to 31 January 2020 £m	
Nordics	25.7	24.4	21.4	13.8
Central Europe	19.4	18.8	17.0	10.3
<b>Total Continental Europe revenue</b>	<b>45.1</b>	<b>43.2</b>	38.4	12.3
<b>Adjusted operating profit</b>	<b>11.6</b>	<b>11.0</b>	8.4	30.0
<b>Adjusted operating profit margin (%)</b>	<b>25.7</b>	<b>25.4</b>	22.0	3.4pp
<b>Reported operating profit</b>	<b>8.6</b>	<b>8.0</b>	6.8	15.9

Revenue in Continental Europe was £45.1 million, with growth of £4.8 million, an increase of 12.3% at constant currency. Organic revenue grew by 13.8% (8.9% at constant currency). Adjusted operating profit was £11.6 million up from £8.4 million in the same period in the prior year, an increase of 37.2% (30.0% at constant currency). This profit growth was underpinned by both an increase in revenues and an adjusted operating profit margin increase from 22.0% to 25.7% with particular improvement in the Nordics.

Sales in the Nordics were £25.7 million (H1 2020: £21.4 million), an increase of 19.8% (13.8% at constant currency). Our Nordic activities have performed particularly well in the first half of the financial year. Our leadership position in the Nordic trade and retail supply for refurbishment applications has been particularly strong as the impact of the global pandemic has redirected home budgets towards residential refurbishment projects. An increasing awareness of how indoor air quality can affect health is evident in all of our refurbishment markets and in the Nordic market the customer base is highly discerning and requires a premium solution to refurbishment. During the period we relocated our main injection moulding and assembly facility to a newly laid out and more energy efficient location in Växjö. Our recently announced acquisition of Nordiska Klimatfabriken further enhances our strong position in the residential refurbishment market in the Nordics.

Our project business, supplying heat recovery ventilation solutions to mainly new build applications, also performed well in the period. Revenue grew well in Sweden and Denmark, with Finland seeing a lower level of revenue activity albeit with the order intake much better towards the end of the period. Investments are under way to harmonise our product portfolio and present the wider Nordic market with a more homogeneous range of heat recovery and air handling unit products for the new project market. Our order books in both our Voltair and Pamon brands were stronger at the end of January than when we started this financial year.

We continue to make strong progress with our strategy in Central Europe, delivering sales of £19.4 million and growth of 14.2% (10.3% at constant currency) compared to the previous period, helped by the acquisition of ClimaRad BV in the Netherlands in December 2020. Organic revenue grew by 6.2% (2.6% at constant currency). Our inVENTer brand in Germany delivered exceptional organic growth in FY20 and has built upon that in the first half of FY21. De-centralised heat recovery ventilation is utilised in both the new and refurbishment markets and during the period we have developed additional, innovative solutions targeting applications where previously our proposition had gaps. The roll-out of our wireless infrastructure has been well received and we are adding new functionality aimed at increasing range and reliability all of which will be relaunched in the summer of 2021. The German government is supporting the approach to refurbish dwellings in a much more energy efficient way and the growth in the heat pump market is a driver of additional demand for our ventilation system, both in new build and in refurbishment. In Belgium we have made good progress in the period. Our range of central mechanical heat recovery systems will be upgraded later this calendar year with an extension to our range covering much higher airflows than our current range. A modification to our unifix plus air distribution system will also provide customers with an energy efficiency benefit through an increase in the diameter of the ducting profiles.

In the Netherlands our core market has historically been the supply of products to the refurbishment markets either through a wholesaler or direct to installers. The acquisition of ClimaRad in December 2020 provides us with greater access to the refurbishment market opportunity for larger projects. The approach in the Netherlands to reducing carbon emissions in new and existing buildings is one of the most advanced in Europe and with the extensive low carbon range of products we have in ClimaRad we can provide the exact solution that consultants require to reduce carbon emissions and improve indoor air quality. Although it is only coming up to three months since we completed the acquisition of ClimaRad, good progress has been made with the integration and many synergy opportunities are being worked on.

## Australasia

	6 months to 31 January 2021 £m	6 months to 31 January 2021 £m	Constant currency	
			6 months to 31 January 2020 £m	Growth %
Market sector revenue				
Total Australasia revenue	20.1	19.7	15.9	23.9
<b>Adjusted operating profit</b>	<b>4.4</b>	<b>4.3</b>	2.3	82.3
<b>Adjusted operating profit margin (%)</b>	<b>22.0</b>	<b>21.9</b>	14.9	7.0pp
<b>Reported operating profit</b>	<b>1.5</b>	<b>1.4</b>	1.8	(23.4)

Revenue in Australasia was £20.1 million, growing by 27.0% (23.9% at constant currency). Adjusted operating profit increased to £4.4 million from £2.3 million in the prior period, an increase of 86.8% (82.3% at constant currency), with our adjusted operating margin increasing from 14.9% in the first half of FY20 to 22.0% in the first half of FY21 due to leverage and improved product mix.

Since our first acquisition in the region of Simx Limited in March 2018, closely followed by the acquisition of Ventair Pty Ltd in March 2019, we have established ourselves as one of the leading providers of residential ventilation solutions in the Australasian market. Our organic growth of 23.9% (at constant currency) in the first half the year is a result of several key factors and initiatives. The “Healthy Homes Standard” in New Zealand continues to drive a minimum standard of ventilation in rental properties and our national coverage of the Australian market is enabling us to roll out many new product ranges to existing customers under our Ventair brand. We have also launched the Manrose brand in Australia targeting the DIY market and considerable progress has been made to date targeting new business opportunities to continue to grow our market share.

With similar characteristics to the UK and European markets that we trade in, we are well placed to introduce new solutions to assist customers in the pursuit of improving indoor air quality. Our market leading range of ceiling fans in Australia has been enhanced with what we believe to be one of the most comprehensive low carbon DC fan powered solutions, with sales considerably outstripping our expectations in the first half of the year.

## Focus on sustainability

In our financial year 2020 we announced our refreshed and upgraded sustainability objectives. We are pleased with the progress that we are making with our ambition to materially increase our use of recycled and more sustainable sources of supply as well as the further increase in the proportion of our Group revenues delivered through low carbon solutions.

In the period we have relocated our Nordic headquarters to a more energy efficient and better laid out building as well as completing several initiatives to reduce our energy consumption at our production facilities. This has included investment in energy efficient LED lighting as well as investment in new heat pumps in our facility in Germany.

ClimaRad, the acquisition we completed in December 2020, is based in Oldenzaal in the Netherlands and is an example of an ultra-low energy consuming facility including the provision of electricity production from the 220 solar panels situated on the rooftop. As a Group supplying products and solutions to our customers, we are mindful that our product packaging has an impact on the environments that we trade in. We have for some time been focussing on innovative ways to reduce our packaging consumption and will profile some interesting case studies with our full year results in 2021.

During the first half of the year, we have also concluded and announced a new Sustainability Linked Revolving Credit facility, embedding our sustainability targets into our financing, as well as undertaking Group wide employee communication and engagement activities to exchange ideas and reinforce sustainability initiatives across the Group.

We will provide a comprehensive update on our focus on reducing energy consumption and eliminating waste with the full year results for 2021.

### **Regulatory Drivers and indoor air quality**

We have seen increasing commitment across society to achieving net zero carbon by 2050. With many of our geographies now committed in law or in proposed legislation we will continue to see the regulatory underpinning positively influence our markets. In the first half of the year, we have seen new building regulations proposed in the UK and New Zealand along with further legislation and green grants for refurbishment across the UK and the EU. This is helping to drive the adoption of our low carbon solutions. In New Zealand Healthy Homes in particular has had a significant influence on demand and is a key growth driver. In addition, we have seen some targeted schemes such as the healthy schools programme in the Netherlands allocating money specifically for improving ventilation.

Indoor air quality has received more attention as aerosol transmission of Covid-19 has become clear and our products have been used in UK Government campaigns encouraging good ventilation. There has never been more awareness of the importance that clean air has for our health and we expect a lasting positive impact on demand across our group.

### **Interim dividend**

In light of the Covid-19 pandemic, the Board decided not to pay a dividend with respect to the previous financial year, however, given the strong recovery in revenue and profit growth during the first half, the Board has declared an interim dividend of 1.90 pence per share, demonstrating the Board's continuing confidence in the performance of the Group. The interim dividend will be paid on 4 May 2021 to shareholders on the register at the close of business on 26 March 2021.

**Ronnie George**  
**Chief Executive Officer**  
*11 March 2021*

## FINANCIAL REVIEW

### Trading performance summary

Group revenue for the 6 months ended 31 January 2021 was £131.7 million (H1 2020: £118.8 million), an increase of 10.9% (8.6% at constant currency). All three regional segments reported organic growth in the period resulting in a total organic growth for the Group of 7.5% (at constant currency), supplemented by inorganic growth of 1.1% (at constant currency) as a result of the first month of activity post the acquisition of ClimaRad BV in the Netherlands in December 2020, which contributed £1.4 million of revenue in the period.

Adjusted operating margins expanded by 2.8pp to 21.1% (H1 2020: 18.3%), through a combination of product cost initiatives, indirect cost reductions from the U.K. restructuring undertaken during the second half of financial year 2020, and operating leverage as a result of volume growth. Group adjusted operating profit increased by 27.4% (23.9% at constant currency) to £27.7 million (H1 2020: £21.8 million).

Reported profit before tax increased by £2.3 million to £14.2 million (H1 2020: £11.9 million).

	Reported			Adjusted <sup>1</sup>		
	6 months to 31 January 2021	6 months to 31 January 2020	Movement	6 months to 31 January 2021	6 months to 31 January 2020	Movement
Revenue (£m)	<b>131.7</b>	118.8	10.9%	<b>131.7</b>	118.8	10.9%
EBITDA (£m)	<b>28.1</b>	25.4	11.0%	<b>31.6</b>	25.6	23.6%
Operating profit (£m)	<b>15.9</b>	14.0	13.4%	<b>27.7</b>	21.8	27.4%
Finance costs (£m)	<b>1.7</b>	2.1	(18.8)%	<b>1.6</b>	1.3	26.8%
Profit before tax (£m)	<b>14.2</b>	11.9	18.8%	<b>26.1</b>	20.5	27.1%
Basic EPS (p)	<b>5.2</b>	4.7	10.6%	<b>10.1</b>	8.2	23.2%
Interim dividend per share (p)	<b>1.90</b>	—	—	<b>1.90</b>	—	—
Operating cash flow (£m)	<b>26.2</b>	22.1	18.8%	<b>29.6</b>	22.3	33.1%
Net debt (£m)	<b>92.0</b>	80.9	11.1	<b>92.0</b>	80.9	11.1
Net debt (excluding leased liabilities) (£m)	<b>65.5</b>	60.5	5.0	<b>65.5</b>	60.5	5.0

#### Note

1. The reconciliation of the Group's reported profit before tax to adjusted measures of performance is summarised in the table below and in detail in note 2 to the condensed consolidated financial statements. For a definition of all the adjusted and non-GAAP measures, please see the glossary of terms in note 19 to the condensed consolidated financial statements.

### Reported and adjusted results

The Board and key management use some alternative performance measures to manage and assess the underlying performance of the business. These measures include adjusted operating profit, adjusted profit before tax, adjusted basic EPS, adjusted operating cash flow and net debt. These measures are deemed more appropriate to track underlying financial performance as they exclude income and expenditure which is not directly related to the ongoing trading of the business. A reconciliation of these measures of performance to the corresponding reported figure is shown below and is detailed in note 2 to the condensed consolidated financial statements.

Adjusted profit before tax of £26.1 million was 27.1% higher than H1 2020 (£20.5 million). Reported profit before tax was £14.2 million (H1 2020: £11.9 million) after charging:

- £8.4 million in respect of amortisation of intangible assets (H1 2020: £7.6 million),
- £0.6 million relating to the amortisation of acquired inventory fair value adjustments (H1 2020: £nil)
- £2.8 million (H1 2020: £nil) other acquisition related costs of which:
  - £2.4 million relates to an increase in expected deferred consideration for Ventair Pty Ltd, and
  - £0.4 million relates to costs associated with the acquisition in the period of ClimaRad BV
- £0.1 million due to the fair value of financial derivatives (H1 2020: £0.8 million)

Consideration for the acquisition of Ventair Pty Ltd in Australia in March 2019 included a deferred element of up to \$7.7 million AUD (approximately £4.3 million) contingent on achievement of EBITDA targets, which as a consequence of the Covid-19 outbreak in March 2020 were moved from financial year ending 31 July 2020 to financial year ending 31 July 2021. Reflecting the strong growth and performance achieved by the Australia business during the six months ended 31 January 2021, we have increased our assessment of the likely outcome and recognised a charge of £2.4 million in the period (H1 2020: £nil).



	6 months ended 31 January 2021			6 months ended 31 January 2020		
	Reported £m	Adjustments £m	Adjusted results £m	Reported £m	Adjustments £m	Adjusted results £m
<b>Revenue</b>	<b>131.7</b>	—	<b>131.7</b>	118.8	—	118.8
<b>Gross profit</b>	<b>63.7</b>	<b>0.6</b>	<b>64.3</b>	56.8	—	56.8
Administration and distribution costs excluding the costs listed below	(36.6)	—	(36.6)	(35.0)	—	(35.0)
Amortisation of intangible assets acquired through business combinations	(8.4)	8.4	—	(7.6)	7.6	—
CFO succession costs	—	—	—	(0.2)	0.2	—
Contingent consideration adjustment	(2.4)	2.4	—	—	—	—
Acquisition costs	(0.4)	0.4	—	—	—	—
<b>Operating profit</b>	<b>15.9</b>	<b>11.8</b>	<b>27.7</b>	14.0	7.8	21.8
Remeasurement of financial liability	(0.1)	—	(0.1)	—	—	—
Net loss on financial instruments at fair value	(0.1)	0.1	—	(0.8)	0.8	—
Other net finance costs	(1.5)	—	(1.5)	(1.3)	—	(1.3)
<b>Profit before tax</b>	<b>14.2</b>	<b>11.9</b>	<b>26.1</b>	11.9	8.6	20.5
Income tax	(3.9)	(2.2)	(6.1)	(2.6)	(1.7)	(4.3)
<b>Profit after tax</b>	<b>10.3</b>	<b>9.7</b>	<b>20.0</b>	9.3	6.9	16.2

### Acquisition of ClimaRad BV

Total consideration for the purchase of 75% of the issued share capital was Euro 41.1 million (£37.1 million) with a commitment to purchase the remaining 25% shareholding on or before 28 February 2025. The future consideration for the purchase of the remaining 25% shareholding is set at 25% of 13 times the EBITDA of ClimaRad for the financial year ended 31 December 2024, plus the non-controlling share of profits earned in the periods up to and including 31 December 2024.

The expected value of the future consideration is partially in the form of a vendor loan payable to certain individuals including the co-founder and management team of ClimaRad on completion of the purchase of the remaining 25% on or before 28 February 2025, and an additional element of contingent consideration. On recognition of the financial liability to purchase the remaining 25%, the non-controlling interest was de-recognised from equity.

### Currency Impact

The Group's key trading currencies, other than Sterling, are the Euro, representing approximately 17% of Group revenues, Swedish Krona (approximately 13%), New Zealand Dollar (approximately 8%) and Australian Dollar (approximately 7%).

We do not hedge the translational exchange risk arising from the conversion of the results of overseas subsidiaries, although we do denominate some of our borrowings in both Euro and Swedish Krona which offsets some of the translation risk relating to net assets. At 31 January 2021 we had borrowings denominated in Swedish krona of £17.8 million (31 July 2020: £23.3 million), and Euro-denominated bank borrowings in the amount of £63.4 million (31 July 2020: £40.3 million). The sterling value of our foreign currency-denominated loans, net of cash, decreased by £2.3 million (H1 2020: decreased by £4.6 million) as a consequence of exchange rate movements.

During the six months, movements in foreign currency exchange rates have had a favourable effect on the reported revenue and profitability of our business. If we had translated the H1 2021 performance of the Group at our 2020 exchange rates, the reported revenue would have been £2.7 million lower at £129.0 million, and adjusted operating profit would have been £0.7 million lower at £27.0 million.

Transactional foreign exchange exposures arise principally in the form of US Dollar denominated purchases from our suppliers in China. We aim to purchase 80-90% of our expected requirements 12 to 18 months forward, and as such at 31 January 2021 we had purchases in place for approximately 80% of our forecasted requirement for the rest of the financial year 2021 and for the 2022 financial year.

At the end of the half year, the weakening of sterling increased the value of foreign currency-denominated working capital by £0.1 million compared to the foreign exchange rates applying at the beginning of the half year.

### Finance costs

Reported net finance costs were £1.6 million (H1 2020: £2.1 million) including £0.1 million of net loss on the revaluation of financial instruments (H1 2020: loss £0.8 million). Adjusted finance costs were £1.5 million (H1 2020: £1.3 million), and included £0.4 million in relation to the charging of unamortised costs associated with the Group's previous £120 million revolving credit facility which was replaced in December 2020.

## Taxation

Our underlying effective tax rate, on adjusted profit before tax, was 23.3% (H1 2020: 20.8%). The increase of 2.5 percentage points in our adjusted effective tax rate compared to the prior period was as a result of a change in our relative profit mix from the UK, with a rate of 19%, to overseas jurisdictions where our average rate for the half year was 25.4%. Our reported effective tax rate for the period was 27.7% (H1 2020: 21.5%). The higher increase in our reported effective tax rate compared to the increase in our adjusted effective tax rate is due to the re-measurement of deferred tax balances relating to acquisitions, which were previously measured using a 17% expected UK Corporation tax rate as per the 2015 and 2016 Finance Bills, and have now been re-measured using the 19% rate.

The rate of tax in the UK is currently 19%. In his Budget speech on 4 March 2021, the Chancellor announced an increase in the main UK corporation tax rate to 25% from 2023. As the change in the rate to 25% was not substantively enacted at the balance sheet date, UK deferred tax assets and liabilities continue to be recognised at 19%. We expect our medium term underlying effective tax rate to be in the range of 23% to 25% of the Group's adjusted profit before tax.

## Operating cash flow

The Group continues to be highly cash generative, and delivered a strong cash performance in the first half with adjusted operating cash inflows of £29.6 million (H1 2020: £22.3 million) representing a cash conversion rate of 104.5% (H1 2020: 99.5%). Net Group operating working capital stood at £31.0 million at 31 January 2021, compared with £27.9 million at 31 July 2020 and £28.5 million at the prior half year date. Operating working capital of £31.0 million at 31 January 2021 includes the impact of ClimaRad, and as such excluding ClimaRad and adjusted for exchange movements, underlying working capital has increased by £0.6 million in the period.

During the period we completed a move of our main assembly operations in Sweden from the old facility in Gransholm to a larger and more modern facility in Vaxjo. Capital investment to optimise the facility set up and new equipment associated with the move amounted to £0.7 million out of our total Group capital expenditure of £2.5 million (H1 2020: £2.4 million). Other capital expenditure in the period primarily related to new product development and enhancements to IT systems.

See the glossary of terms in note 19 to the condensed consolidated financial statements for a definition of adjusted operating cash flow and cash conversion.

## Reconciliation of adjusted operating cash flow

	6 months to 31 January 2021	6 months to 31 January 2020
	£m	£m
<b>Net cash flow generated from operating activities</b>	<b>27.6</b>	<b>21.7</b>
Capital expenditure	(2.5)	(2.4)
UK and overseas tax paid	4.3	4.5
Income tax refund	(0.2)	(1.7)
CFO succession costs	—	0.2
Cash flow relating to business combination costs	0.4	—
<b>Adjusted operating cash flow</b>	<b>29.6</b>	<b>22.3</b>

## Net debt

Net debt at 31 January 2021 was £92.0 million (H1 2020: £80.9 million), comprised of bank borrowings of £81.2 million (H1 2020: £74.8 million), cash and cash equivalents of £15.7 million (H1 2020: £14.3 million) and a long-term liability adjustment for recognition of IFRS 16 of £26.5 million. Net debt (excluding leased liabilities) of £65.5 million represents leverage of 1.4x adjusted EBITDA (H1 2020: 1.3x).

## Movements in net debt position for the 6 months period ended 31 January 2021

	6 months to 31 January 2021 £m	6 months to 31 January 2020 £m
<b>Opening net debt at 1 August</b>	<b>(74.2)</b>	<b>(74.6)</b>
Movements from normal business operations:		
Adjusted EBITDA	31.6	25.6
Movement in working capital	(0.6)	(1.1)
Share-based payments	1.1	0.2
Capital expenditure	(2.5)	(2.4)
Adjusted operating cash flow:	29.6	22.3
– Interest paid net of interest received	(0.9)	(1.1)
– Income tax paid	(4.3)	(4.5)
– Income tax refund	0.2	1.7
– Business combination related operating costs	(0.4)	–
– CFO succession costs	–	(0.2)
– Dividend paid	–	(6.5)
– Purchase of own shares by the Employee Benefit Trust	(0.6)	(0.8)
– FX on foreign currency loans/cash	2.3	4.6
– Issue costs of new borrowings	(1.2)	–
– IFRS 16 long term lease liabilities	(3.3)	(20.4)
– IFRS 16 payments of lease liabilities	(1.5)	(1.4)
Movements from acquisitions:		
– Acquisition consideration net of cash acquired and debt repaid	(37.7)	–
<b>Closing net debt at 31 January</b>	<b>(92.0)</b>	<b>(80.9)</b>

	6 months to 31 January 2021 £m	6 months to 31 January 2020 £m
Bank Debt	(81.2)	(74.8)
Cash	15.7	14.3
Net Debt (excluding leased liabilities)	(65.5)	(60.5)
IFRS 16 long term lease liabilities	(26.5)	(20.4)
<b>Closing net debt at 31 January</b>	<b>(92.0)</b>	<b>(80.9)</b>

### Bank facilities, refinancing and liquidity

On 2 December 2020, the Group refinanced its bank debt. The Group now has in place a £150 million multicurrency “Sustainability Linked Revolving Credit Facility”, together with an accordion of up to £30 million. The facility matures in December 2023, with the option to extend for up to two additional years. The previous facility was repaid on 8 December 2020 and unamortised costs of £0.4 million in relation to the old facility were charged as finance costs in the income statement.

As at 31 January 2021, we had £68.8 millions of undrawn, committed bank facilities and £15.7 million of cash and cash equivalents on the consolidated statement of financial position.

### Employee Benefit Trust

During the period £0.6 million of loans were made to the Volution Employee Benefit Trust for the exclusive purpose of purchasing shares in Volution Group plc in order to partly fulfil the Company’s obligations under its share incentive plans (H1 2020: £0.8 million). The Volution Employee Benefit Trust acquired 250,000 shares at an average price of £2.20 per share in the period (H1 2020: 400,000) and 45,365 shares (H1 2020: 265,900) were exercised and released by the trustees with a value of £83,300 (H1 2020: £643,478). At 31 January 2021, a total of 2,079,236 (31 July 2020: 1,873,039) ordinary shares in the Company were held by the Volution Employee Benefit Trust. The Volution Employee Benefit Trust has been consolidated into our results and the shares purchased have been treated as treasury shares deducted from shareholders’ funds.

### Earnings per share

Our adjusted basic earnings per share grew by 23.2% to 10.1 pence (H1 2020: 8.2 pence).

Our reported basic earnings per share grew by 10.6% to 5.2 pence (H1 2020: 4.7 pence) and is lower than our increase in adjusted earnings per share due to acquisition related items including higher amortization of intangibles, the reassessment of future contingent consideration payable in respect of Ventair Pty Ltd, and costs associated with the acquisition in the period of Climarad BV.

### Subsequent events

On 3 February 2021, shortly after the half year end, the Group completed the acquisition of Nordiska Klimatfabriken in Sweden for cash consideration of SEK 40 million (£3.5 million).

**Andy O’Brien**

**Chief Financial Officer**

11 March 2021

## PRINCIPAL RISKS AND UNCERTANTIES

The Group is exposed to a number of risks and uncertainties which could have a material impact on its long-term development, and performance and management of these risks is an integral part of the management of the Group.

An overview of the key risks which could affect the Group's operational and financial performance was included in Volution's Annual Report 2020, which can be found at [www.volutiongroupplc.com](http://www.volutiongroupplc.com). These may impact the Group over the medium to long term; however, the following key risks have been identified which may impact the Group over the next six months.

### **Economic risk**

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

Following the implementation of the new trading relationship between the UK and the European Union, the well-publicised issues around imports and exports through UK ports have created some input material supply challenges, however our order intake remains strong, and our asset light and flexible operating model continues to be resilient in servicing demand.

Covid-19 has impacted and will continue to impact economic outlook and confidence in a number of regions in which we operate. That said we believe that government responses and stimulus packages deployed are likely to continue to be supportive and help underpin demand with a particular focus on energy efficient and sustainable technologies including ventilation systems. Specifically in the UK which remains our largest market, the speed and success of the vaccination programme to date, and the prospect of "lockdown" restrictions progressively lifting during the coming months should be positive for broader confidence and sentiment.

### **Acquisitions**

We may fail to identify suitable acquisition targets at an acceptable price or we may fail to complete 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 or a failure to properly integrate a business may distract senior management from other priorities and adversely affect revenue and profitability.

The potential continuing impact of Covid-19 and mitigating factors set out in the Annual Report 2020 remain the same. Whilst timing and opportunity landscape for acquisitions will vary from time to time, we are positive about the potential range of opportunities in the coming years as exemplified by the two transactions completed to date this financial year ending 31 July 2021.

### **Supply chain and raw materials**

Raw materials or components may become difficult to source because of material scarcity or disruption of supply, including as a consequence of the Covid-19 pandemic and the new relationship between the UK and the EU from 1 January 2021. Sales and profitability may be reduced during the period of constraint. Prices for the input material may increase and our costs may increase.

The Covid-19 pandemic and the associated potential for disruption to supply chains, especially relating to products and materials sourced from China, continues to be a specific risk that we are managing very closely. Potential impacts could include inability to service customer demand due to non-availability of products, as well as input cost increases due principally to expediting and potential need to air freight.

### **IT systems including cyber breach**

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.

The potential continuing impact of Covid-19 and mitigating factors set out in the Annual Report 2020 remain the same.

### **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.

The Covid-19 pandemic has increased the risk to the health and wellbeing of our employees and we have taken appropriate steps across our business to minimise this risk. There have been no significant changes to the supply and retention of quality employees across the wider workforce since the Covid-19 outbreak. We believe that retention is likely to be a lower risk in the near term as staff will be less likely to take the risk of changing employment in these uncertain times.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that to the best of their knowledge:

The condensed consolidated 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 Guidance 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 Guidance 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 2020 that could do so.

The full list of current Directors can be found on the Company's website at [www.volutiongroupplc.com](http://www.volutiongroupplc.com).

By order of the Board

**Ronnie George**  
Chief Executive Officer  
11 March 2021

**Andy O'Brien**  
Chief Financial Officer  
11 March 2021

## **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 2021 which comprises the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of financial position, the interim condensed consolidated statement of changes in equity, the interim condensed consolidated statement of cash flows and the related explanatory notes 1 to 19. 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 Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 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 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 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP  
London  
11 March 2021

# Interim Condensed Consolidated Statement of Comprehensive Income

For the period ended 31 January 2021

	Notes	2021 Unaudited £000	2020 Unaudited £000
<b>Revenue from contracts with customers</b>	3	<b>131,707</b>	118,750
Cost of sales		<b>(68,010)</b>	(61,993)
<b>Gross profit</b>		<b>63,697</b>	56,757
Administrative and distribution expenses		<b>(44,959)</b>	(42,717)
<b>Operating profit before separately disclosed items</b>		<b>18,738</b>	14,040
Costs of business combinations	10	<b>(454)</b>	—
Remeasurement of contingent consideration	13	<b>(2,357)</b>	—
<b>Operating profit</b>		<b>15,927</b>	14,040
Remeasurement of financial liability	10	<b>(60)</b>	—
Finance revenue		<b>57</b>	40
Finance costs	5	<b>(1,735)</b>	(2,137)
<b>Profit before tax</b>		<b>14,189</b>	11,943
Income tax	6	<b>(3,924)</b>	(2,568)
<b>Profit for the period</b>		<b>10,265</b>	9,375
<b>Other comprehensive income/(expense)</b>			
Items that may subsequently be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		<b>1,087</b>	(9,070)
Gain on hedge of net investment in foreign operations		<b>2,322</b>	4,890
<b>Other comprehensive income/(expense) for the period</b>		<b>3,409</b>	(4,180)
<b>Total comprehensive income for the period</b>		<b>13,674</b>	5,195
<b>Earnings per share</b>			
Basic earnings per share	7	<b>5.2</b>	4.7
Diluted earnings per share	7	<b>5.2</b>	4.7

# Interim Condensed Consolidated Statement of Financial Position

At 31 January 2021

	Notes	31 January 2021 Unaudited £000	31 July 2020 Audited £000
<b>Non-current assets</b>			
Property, plant and equipment	11	24,331	21,514
Right-of-use assets	12	25,446	22,074
Intangible assets – goodwill	8	136,626	116,778
Intangible assets – others	9	93,187	79,813
		<b>279,590</b>	<b>240,179</b>
<b>Current assets</b>			
Inventories		36,936	31,909
Right of return assets	3	146	274
Trade and other receivables		43,363	35,613
Cash and short-term deposits		15,702	18,493
		<b>96,147</b>	<b>86,289</b>
<b>Total assets</b>		<b>375,737</b>	<b>326,468</b>
<b>Current liabilities</b>			
Trade and other payables		(40,343)	(31,274)
Refund liabilities	3	(9,148)	(8,636)
Income tax		(3,566)	(1,654)
Other financial liabilities	13	(4,413)	(574)
Interest-bearing loans and borrowings	14	(3,305)	(2,994)
Provisions		(1,677)	(1,802)
		<b>(62,452)</b>	<b>(46,934)</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	14	(113,894)	(89,211)
Other financial liabilities	13	(4,272)	(1,468)
Provisions		(439)	(272)
Deferred tax liabilities		(15,325)	(13,028)
		<b>(133,930)</b>	<b>(103,979)</b>
<b>Total liabilities</b>		<b>(196,382)</b>	<b>(150,913)</b>
<b>Net assets</b>		<b>179,355</b>	<b>175,555</b>
<b>Capital and reserves</b>			
Share capital		2,000	2,000
Share premium		11,527	11,527
Treasury shares		(2,868)	(2,401)
Capital reserve		93,855	93,855
Share-based payment reserve		3,035	1,410
Foreign currency translation reserve		4,110	701
Retained earnings		67,696	68,463
<b>Total shareholders' equity</b>		<b>179,355</b>	<b>175,555</b>

The consolidated financial statements of Volution Group plc (registered number: 09041571) were approved by the Board of Directors and authorised for issue on 11 March 2021.

On behalf of the Board

**Ronnie George**                      **Andy O'Brien**  
*Chief Executive Officer*          *Chief Financial Officer*



# Interim Condensed Consolidated Statement of Changes in Equity

For the period ended 31 January 2021

	Share capital £000	Share premium £000	Treasury shares £000	Capital reserve £000	Share-based payment reserve £000	Foreign currency translation reserve £000	Retained earnings £000	Shareholder's equity £000	Non-Controlling Interest £000	Total Equity £000
<b>At 31 July 2019 (Audited)</b>	2,000	11,527	(2,030)	93,855	1,745	3,507	65,505	176,109	—	176,109
Adjustment on initial application of IFRS 16	—	—	—	—	—	—	(316)	(316)	—	(316)
<b>At 01 August 2019</b>	2,000	11,527	(2,030)	93,855	1,745	3,507	65,189	175,793	—	175,793
Profit for the period	—	—	—	—	—	—	9,375	9,375	—	9,375
Other comprehensive expense	—	—	—	—	—	(4,180)	—	(4,180)	—	(4,180)
Total comprehensive income	—	—	—	—	—	(4,180)	9,375	5,195	—	5,195
Purchase of own shares	—	—	(801)	—	—	—	—	(801)	—	(801)
Vesting of shares	—	—	427	—	(563)	—	136	—	—	—
Share-based payment including tax	—	—	—	—	399	—	—	399	—	399
Dividends paid	—	—	—	—	—	—	(6,530)	(6,530)	—	(6,530)
<b>At 31 January 2020 (Unaudited)</b>	2,000	11,527	(2,404)	93,855	1,581	(673)	68,170	174,056	—	174,056
Profit for the period	—	—	—	—	—	—	290	290	—	290
Other comprehensive income	—	—	—	—	—	1,374	—	1,374	—	1,374
Total comprehensive income	—	—	—	—	—	1,374	290	1,664	—	1,664
Purchase of own shares	—	—	(3)	—	—	—	—	(3)	—	(3)
Vesting of shares	—	—	6	—	(9)	—	3	—	—	—
Share-based payment including tax	—	—	—	—	(162)	—	—	(162)	—	(162)
Dividends paid	—	—	—	—	—	—	—	—	—	—
<b>At 31 July 2020</b>	2,000	11,527	(2,401)	93,855	1,410	701	68,463	175,555	—	175,555
Profit for the period	—	—	—	—	—	—	10,265	10,265	—	10,265
Other comprehensive income	—	—	—	—	—	3,409	—	3,409	—	3,409
Total comprehensive income	—	—	—	—	—	3,409	10,265	13,674	—	13,674
Acquisition of businesses (note 10)	—	—	—	—	—	—	—	—	5,795	5,795
Obligation to acquire NCI (note 10)	—	—	—	—	—	—	(11,032)	(11,032)	(5,795)	(16,827)
Purchase of own shares	—	—	(550)	—	—	—	—	(550)	—	(550)
Vesting of shares	—	—	83	—	(83)	—	—	—	—	—
Share-based payment including tax	—	—	—	—	1,708	—	—	1,708	—	1,708
<b>At 31 January 2021</b>	2,000	11,527	(2,868)	93,855	3,035	4,110	67,696	179,355	—	179,355

## Treasury shares

The treasury shares reserve represents the cost of shares in Volution Group plc purchased in the market and held by the Volution Employee Benefit Trust to satisfy obligations under the Group's share incentive schemes.

## 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 in 2014. This is a non-distributable reserve.

## Share-based payment reserve

The share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to key management personnel, as part of their remuneration.

## 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 to other comprehensive income. No hedge ineffectiveness has been recognised in the statement of comprehensive income for any of the periods presented.

## Retained earnings

The parent company of the Group, Volution Group plc, had distributable retained earnings at 31 January 2021 of £108,184,000 (31 January 2020 £84,425,000).

# Interim Condensed Consolidated Statement of Cash Flows

For the period ended 31 January 2021

	Notes	2021 Unaudited £000	2020 Unaudited £000
<b>Operating activities</b>			
Profit for the period after tax		10,265	9,375
<b>Adjustments to reconcile profit for the period to net cash flow from operating activities:</b>			
Income tax		3,924	2,568
Gain on disposal of property, plant and equipment		14	(47)
Acquisition related operating costs		2,811	—
Amortisation of acquired inventory FV adjustment		648	—
Cash flows relating to acquisition costs		(454)	—
Re-measurement of financial liability relating to acquisition of ClimaRad	10	60	—
Finance revenue		(57)	(40)
Finance costs	5	1,735	2,137
Share-based payment expense		1,116	270
Depreciation of property, plant and equipment	11	1,633	1,722
Depreciation of right of use assets	12	1,600	1,460
Amortisation of intangible assets	9	8,985	8,144
<b>Working capital adjustments:</b>			
(Increase)/Decrease in trade receivables and other assets		(7,227)	2,248
(Increase)/Decrease in inventories		(2,412)	194
Amortisation of acquired inventory FV adjustment		(648)	—
Increase/(Decrease) in trade and other payables		9,689	(3,578)
Movement in provisions		51	17
<b>Cash generated by operations</b>		<b>31,733</b>	<b>24,470</b>
UK income tax paid		(1,370)	(1,450)
UK income tax refund		196	1,657
Overseas income tax paid		(2,945)	(3,000)
<b>Net cash flow generated from operating activities</b>		<b>27,614</b>	<b>21,677</b>
<b>Investing activities</b>			
Payments to acquire intangible assets	9	(621)	(930)
Purchase of property, plant and equipment	11	(2,017)	(1,619)
Proceeds from disposal of property, plant and equipment		97	161
Acquisition of subsidiaries, net of cash acquired	10	(36,188)	—
Interest received		57	40
<b>Net cash flow used in investing activities</b>		<b>(38,672)</b>	<b>(2,348)</b>
<b>Financing activities</b>			
Repayment of interest-bearing loans and borrowings		(81,565)	(11,000)
Proceeds from new borrowings		94,044	4,500
Issue costs of new borrowings		(1,218)	—
Interest paid		(997)	(1,132)
Payment of principal portion of lease liabilities	12	(1,475)	(1,384)
Dividends paid		—	(6,530)
Purchase of own shares		(550)	(801)
<b>Net cash flow generated/(used) in financing activities</b>		<b>8,239</b>	<b>(16,347)</b>
Net (decrease)/increase in cash and cash equivalents		(2,819)	2,982
Cash and cash equivalents at the start of the year		18,493	11,547
Effect of exchange rates on cash and cash equivalents		28	(226)
<b>Cash and cash equivalents at the end of the period</b>		<b>15,702</b>	<b>14,303</b>

# Notes to the Interim Condensed Consolidated Financial Statements

For the period ended 31 January 2021

Volution Group plc (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 preliminary results were authorised for issue by the Board of Directors on 9 March 2021. The financial information set out herein does not constitute the Group's statutory consolidated financial statements for the 6 months ended 31 January 2021 and is unaudited.

## 1. Basis of preparation

These condensed consolidated financial statements 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 Annual Report 2020. The financial information for the half years ended 31 January 2021 and 31 January 2020 do not constitute statutory accounts within the meaning of Section 434(3) of the Companies Act 2006 and is unaudited.

The annual financial statements of Volution Group plc are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The comparative financial information for the year ended 31 July 2020 included within this report does not constitute the full statutory accounts for that period. The Annual Report 2020 has been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report 2020 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under section 498(2) and 498(3) of the Companies Act 2006.

### **Going Concern**

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 interim condensed consolidated financial statements.

Our financial position remains robust. On 2 December 2020 the Group refinanced its bank debt and now has in place a £150 million multicurrency "Sustainability Linked Revolving Credit Facility", together with an accordion of up to £30 million. The facility matures in December 2023, with the option to extend for up to two additional years. As at 31 January 2021, we had £68.8 million of undrawn, committed bank facilities and £15.7 million of cash and cash equivalents on the consolidated statement of financial position.

The financial covenants on these facilities are for leverage (net debt/adjusted EBITDA) of not more than three times and for adjusted interest cover of not less than four times.

In adopting the going concern basis the Directors have considered a potential scenario arising from the continued Covid-19 pandemic. Under the potential scenario considered, which is severe but plausible, the Group remains within its debt facilities and financial covenants for the foreseeable future and the Directors therefore conclude, at the time of approving the financial statements, that the Company is well placed to manage its business risks successfully. Our base case scenario has been prepared using forecasts that consider both the current challenges and opportunities faced in each of our business units. We have then applied a severe but plausible downside sensitivity, including a reduction in group wide FY22 revenue.

Neither the base case nor the sensitised scenario assume any further government support is utilised. Further, a reverse stress test scenario has been modelled, which is considered implausible, that includes a more severe sensitivity. None of these scenarios result in a breach of the Group's available debt facilities or covenants and accordingly the Directors conclude that the use of the going concern assumption is appropriate.

### **Non-Controlling interest**

Non-Controlling Interests are identified separately from the Group's equity. Non-Controlling Interests consist of the amount of those interests at the date of the acquisition and the Non-Controlling's share of changes in equity since that date. Non-Controlling Interests are measured at the Non-Controlling Interest's share of the fair value of the identifiable net assets.

Where there is an obligation to purchase the Non-Controlling Interest at a future date, the Non-Controlling Interest will be recognised on acquisition, and subsequently when the obligation to purchase liability is recognised the amount is reclassified from equity to a financial liability and the Non-Controlling Interest is derecognised. Any difference between the carrying value of non-controlling interest and the liability is adjusted against retained earnings.

The financial liability for the Non-Controlling interest is subsequently accounted for under IFRS 9, with all changes in the carrying amount, including the Non-Controlling interest share of profit, recognised as a re-measurement in the income statement. When the obligation or 'put liability' is exercised, the carrying amount of the financial liability at that date is extinguished by the payment of the exercise price.

# Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the period ended 31 January 2021

## **Employee Benefit Trust**

The Company has an Employee Benefit Trust (EBT) which is used in connection with the operation of the Company's Long Term Incentive Plan (LTIP), Deferred Share Bonus Plan and Sharesave Plan. The Company's own shares held by the Volution EBT are treated as treasury shares and deducted from shareholders' funds until they vest unconditionally with employees.

At 31 January 2021, a total of 2,079,236 (31 July 2020: 1,873,039) ordinary shares in the Company were held by the Volution EBT, all of which were under option to employees. During the period 250,000 ordinary shares in the Company were purchased by the trustees (H1 2020: 400,000), and 45,365 shares (H1 2020: 239,378 shares) vested and became exercisable. The market value of the shares at 31 January 2021 was £6,071,369 (31 July 2020: £3,334,009).

The Volution EBT has agreed to waive its rights to dividends.

## **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.

In preparing the interim condensed consolidated financial statements, the areas where judgement has been exercised remain consistent with these applied to the annual report and accounts for the year ended 31 July 2020.

## **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 has 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.

### *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.

Details of the impairment review process are described more fully in the Annual Report 2020.

See notes 8 and 9 for details of the carrying values of goodwill and other intangible assets.

### *Refund liabilities arising from retrospective volume rebates*

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. To estimate the variable consideration for the expected future rebates, the Group applies the expected value method for contracts with more than one volume threshold. The Group then applies the requirements on constraining estimates of variable consideration and recognises a liability for the expected future rebates.

## **New standards and interpretations**

The following new standards and amendments became effective as at 1 January 2020 and have been adopted for the financial year commencing 1 August 2020.

- Amendments to IFRS 3 Definition of a Business
- Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8 Definition of Material
- Amendments to References to the Conceptual Framework for Financial Reporting

The following new standards and amendments became effective as at 1 June 2020 and have been adopted for the financial year commencing 1 August 2020.

- Amendments to IFRS 16 Covid-19-Related Rent Concessions

These have not had an impact on these interim statements.

# Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the period ended 31 January 2021

## 2. Adjusted earnings

The Board and key management personnel use some alternative performance measures to track and assess the underlying performance of the business. These measures include adjusted operating profit and adjusted profit before tax. These measures are deemed more appropriate as they remove income and expenditure which is not directly related to the ongoing trading of the business. Such alternative performance measures are not defined terms under IFRS and may not be comparable with similar measures disclosed by other companies. Likewise, these measures are not a substitute for IFRS measures of profit. A reconciliation of these measures of performance to the corresponding reported figure is shown below.

	6 months to 31 January 2021 £000	6 months to 31 January 2020 £000
<b>Profit after tax</b>	<b>10,265</b>	9,375
<b>Add back:</b>		
Remeasurement of contingent consideration	2,357	—
Costs of business combinations	454	—
Amortisation of acquired inventory fair value adjustments	648	—
CFO succession costs	—	198
Net loss on financial instruments at fair value	147	885
Amortisation and impairment of intangible assets acquired through business combinations	8,352	7,540
Tax effect of the above	(2,176)	(1,725)
<b>Adjusted profit after tax</b>	<b>20,047</b>	16,273
<b>Add back:</b>		
Adjusted tax charge	6,100	4,293
<b>Adjusted profit before tax</b>	<b>26,147</b>	20,566
<b>Add back:</b>		
Interest payable on bank loans, lease liabilities and amortisation of financing costs	1,588	1,252
Re-measurement of financial liability relating to acquisition of ClimaRad (note 10)	60	—
Finance revenue	(57)	(40)
<b>Adjusted operating profit</b>	<b>27,738</b>	21,778
<b>Add back:</b>		
Depreciation of property, plant and equipment and right-of-use asset	3,233	3,182
Amortisation of development costs, software and patents	633	604
<b>Adjusted EBITDA</b>	<b>31,604</b>	25,564

For definitions of terms referred to above see note 19, Glossary of terms.

## 3. Revenue from contracts with customers

### Accounting policy

Revenue from contracts with customers is recognised when the control of goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services.

#### Sale of ventilation products

Revenue from the sale of ventilation products is recognised at the point in time when control of the asset is transferred to the buyer, usually on the delivery of the goods.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties and volume rebates). In determining the transaction price for the sale of ventilation products, the Group considers the effects of variable consideration (if any).

#### Volume rebates

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. To estimate the variable consideration for the expected future rebates, the Group applies the expected value method for contracts with more than one volume threshold. The Group then applies the requirements on constraining estimates of variable consideration and recognises a liability for the expected future rebates.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained, other than with respect to volume rebates, based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

#### Warranty obligations

The Group typically provides warranties for general repairs of defects that existed at the time of sale. These assurance-type warranties are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets

#### Installation services

The Group provides two performance obligations, installation services together with the sale of equipment to a customer.

Contracts for the installation services and sale of equipment to a customer are comprised of two performance obligations because the promises to transfer equipment and provide installation services are capable of being distinct and separately identifiable.

# Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the period ended 31 January 2021

## 3. Revenue from contracts with customers (continued)

Accordingly, the Group allocates the transaction price based on the relative stand-alone selling prices of the equipment and the cost-plus margin approach for installation services.

The Group recognises revenue from installation services at a point in time after the service has been performed, this is because installation of the ventilation equipment is generally over a small timeframe. Revenue from the sale of the ventilation equipment is recognised at a point in time, generally upon delivery of the equipment.

### Contract balances

#### Contract assets

A contract asset is the right to consideration in exchange for goods and services transferred to the customer. A contract asset is recognised when the Group transfers goods or services to the customer before the customer pays consideration. There is no contract asset included within the Statement of Financial Position as revenue is recognised at a point in time, after installation. Consideration is recognised immediately as a receivable and is unconditional (only the passage of time is required before payment of consideration is due).

#### Contract liabilities

There are no contract liabilities recognised in the comparative period or in the financial period ending 31 January 2021.

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

	6 months to 31 January 2021 £000	6 months to 31 January 2020 £000
Sale of goods	128,884	115,470
Installation services	2,823	3,280
<b>Total revenue from contracts with customers</b>	<b>131,707</b>	<b>118,750</b>

Market sectors	6 months to 31 January 2021 £000	6 months to 31 January 2020 £000
<b>UK</b>		
Residential RMI	21,812	19,959
Residential New Build	12,627	13,086
Commercial	14,653	15,283
Export	5,253	4,792
OEM	12,118	11,324
<b>Total UK</b>	<b>66,463</b>	<b>64,444</b>
Nordics	25,663	21,419
Central Europe	19,440	17,027
<b>Total Continental Europe</b>	<b>45,103</b>	<b>38,446</b>
<b>Total Australasia</b>	<b>20,141</b>	<b>15,860</b>
<b>Total revenue from contracts with customers</b>	<b>131,707</b>	<b>118,750</b>

	6 months to 31 January 2021 £000	31 July 2020 £000
<b>Right of return assets and refund liabilities</b>		
<b>Right of return assets</b>	<b>146</b>	<b>274</b>
<b>Refund liabilities</b>		
Arising from retrospective volume rebates	8,277	7,723
Arising from rights of return	871	913
	<b>9,148</b>	<b>8,636</b>

# Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the period ended 31 January 2021

## 4. Segmental analysis

### Accounting policy

The method of identifying reporting segments is based on internal management reporting information that is regularly reviewed by the chief operating decision maker, which is considered to be the Chief Executive Officer of the Group.

In identifying its operating segments, management follows the Group's market sectors. These are Ventilation UK including OEM (Torin-Sifan), Ventilation Europe and Ventilation Australasia. 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 and 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 operating profit (see note 19 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.

6 months ended 31 January 2021	UK £000	Continental Europe £000	Australasia £000	Central / Eliminations £000	Consolidated £000
<b>Revenue</b>					
External customers	66,463	45,103	20,141	—	131,707
Inter-segment	9,170	6,814	117	(16,101)	—
<b>Total revenue</b>	<b>75,633</b>	<b>51,917</b>	<b>20,258</b>	<b>(16,101)</b>	<b>131,707</b>
<b>Gross profit</b>	<b>29,734</b>	<b>24,068</b>	<b>9,895</b>	<b>—</b>	<b>63,697</b>
<b>Results</b>					
<b>Adjusted segment EBITDA</b>	<b>16,018</b>	<b>12,835</b>	<b>5,000</b>	<b>(2,249)</b>	<b>31,604</b>
Depreciation and amortisation of development costs, software and patents	(1,717)	(1,255)	(577)	(317)	(3,866)
<b>Adjusted operating profit/(loss)</b>	<b>14,301</b>	<b>11,580</b>	<b>4,423</b>	<b>(2,566)</b>	<b>27,738</b>
Amortisation of intangible assets acquired through business combinations	(5,378)	(2,394)	(580)	—	(8,352)
Amortisation of acquired inventory fair value adjustments	—	(648)	—	—	(648)
Acquisition related operating costs	—	—	(2,357)	(454)	(2,811)
<b>Operating profit/(loss)</b>	<b>8,923</b>	<b>8,538</b>	<b>1,486</b>	<b>(3,020)</b>	<b>15,927</b>
<b>Unallocated expenses</b>					
Net finance cost	—	—	—	(1,531)	(1,531)
Gain/(Loss) on financial instruments	—	—	155	(302)	(147)
Remeasurement of financial liability	—	—	—	(60)	(60)
<b>Profit/(loss) before tax</b>	<b>8,923</b>	<b>8,538</b>	<b>1,641</b>	<b>(4,913)</b>	<b>14,189</b>

6 months ended 31 January 2020	UK £000	Continental Europe £000	Australasia £000	Central / Eliminations £000	Consolidated £000
<b>Revenue</b>					
External customers	64,444	38,446	15,860	—	118,750
Inter-segment	8,139	5,298	43	(13,480)	—
<b>Total revenue</b>	<b>72,583</b>	<b>43,744</b>	<b>15,903</b>	<b>(13,480)</b>	<b>118,750</b>
<b>Gross profit</b>	<b>28,682</b>	<b>20,739</b>	<b>7,336</b>	<b>—</b>	<b>56,757</b>
<b>Results</b>					
<b>Adjusted segment EBITDA</b>	<b>13,996</b>	<b>9,588</b>	<b>2,895</b>	<b>(915)</b>	<b>25,564</b>
Depreciation and amortisation of development costs, software and patents	(1,798)	(1,146)	(527)	(315)	(3,786)
<b>Adjusted operating profit/(loss)</b>	<b>12,198</b>	<b>8,442</b>	<b>2,368</b>	<b>(1,230)</b>	<b>21,778</b>
Amortisation of intangible assets acquired through business combinations	(5,378)	(1,595)	(567)	—	(7,540)
Exceptional items	—	—	—	(198)	(198)
<b>Operating profit/(loss)</b>	<b>6,820</b>	<b>6,847</b>	<b>1,801</b>	<b>(1,428)</b>	<b>14,040</b>
<b>Unallocated expenses</b>					
Net finance cost	—	—	—	(2,097)	(2,097)
<b>Profit/(loss) before tax</b>	<b>6,820</b>	<b>6,847</b>	<b>1,801</b>	<b>(3,525)</b>	<b>11,943</b>

# Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the period ended 31 January 2021

## 4. Segmental analysis (continued)

### Geographic information

	6 months ended 31 January 2021 £000	6 months ended 31 January 2020 £000
<b>Revenue from external customers by customer destination</b>		
United Kingdom	54,672	54,455
Europe (excluding United Kingdom and Sweden)	41,488	35,878
Sweden	13,422	10,569
Australasia	20,221	15,948
Rest of the world	1,904	1,900
<b>Total revenue from contracts with customers</b>	<b>131,707</b>	<b>118,750</b>

	6 months ended 31 January 2021 £000	6 months ended 31 January 2020 £000
<b>Non-current assets excluding deferred tax</b>		
United Kingdom	124,046	139,999
Europe (excluding United Kingdom and Nordics)	67,478	25,427
Nordics	34,276	28,495
Australasia	53,790	50,234
<b>Total</b>	<b>279,590</b>	<b>244,155</b>

### Information about major customers

Annual revenue from no individual customer accounts for more than 10% of Group revenue in either the current or prior year.

## 5. Finance costs

	6 months ended 31 January 2021 £000	6 months ended 31 January 2020 £000
<b>Finance costs</b>		
Interest payable on bank loans	797	965
Unamortised finance costs written off	450	—
Revaluation of financial instruments	147	885
IFRS 16 related interest	254	269
Other interest	87	18
<b>Total finance expense</b>	<b>1,735</b>	<b>2,137</b>

The net loss or gain on financial instruments at each period-end date relates to the measurement of fair value of the financial derivatives and the Group recognises any finance losses or gains immediately within net finance costs.

## 6. Income tax

Our underlying effective tax rate, on adjusted profit before tax, was 23.3% (H1 2020: 20.8%). The increase of 2.5 percentage points in our adjusted effective tax rate compared to the prior period was as a result of a change in our relative profit mix from the UK, with a rate of 19%, to overseas jurisdictions where our average rate for the half year was 25.4%. Our reported effective tax rate for the period was 27.7% (H1 2020: 21.5%). The higher increase in our reported effective tax rate compared to the increase in our adjusted effective tax rate is due to the re-measurement of deferred tax balances relating to acquisitions, which were previously measured using a 17% expected UK Corporation tax rate as per the 2015 and 2016 Finance Bills, and have now been re-measured using the 19% rate.

The rate of tax in the UK is currently 19%. In his Budget speech on 4 March 2021, the Chancellor announced an increase in the main UK corporation tax rate to 25% from 2023. As the change in the rate to 25% was not substantively enacted at the balance sheet date, UK deferred tax assets and liabilities continue to be recognised at 19%. We expect our medium term underlying effective tax rate to be in the range of 23% to 25% of the Group's adjusted profit before tax.



## Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the period ended 31 January 2021

### 7. Earnings per share (EPS)

Basic earnings per share is calculated by dividing the profit 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 net profit 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 649,644 dilutive potential ordinary shares at 31 January 2021 (H1 2020: 791,195).

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

	6 months ended 31 January 2021 £000	6 months ended 31 January 2020 £000
Profit attributable to ordinary equity holders	<b>10,265</b>	9,375
		Number
Weighted average number of ordinary shares for basic earnings per share	<b>198,021,975</b>	198,136,601
Weighted average number of ordinary shares for diluted earnings per share	<b>198,641,207</b>	198,816,260
<b>Earnings per share</b>		
Basic	<b>5.2p</b>	4.7p
Diluted	<b>5.2p</b>	4.7p

	6 months ended 31 January 2021 £000	6 months ended 31 January 2020 £000
Adjusted profit attributable to ordinary equity holders	<b>20,047</b>	16,273
		Number
Weighted average number of ordinary shares for adjusted basic earnings per share	<b>198,021,975</b>	198,136,601
Weighted average number of ordinary shares for adjusted diluted earnings per share	<b>198,641,207</b>	198,816,260
<b>Adjusted earnings per share</b>		
Basic	<b>10.1p</b>	8.2p
Diluted	<b>10.1p</b>	8.2p

The weighted average number of ordinary shares has declined as a result of treasury shares held by the Volution Employee Benefit Trust (EBT) during the period. The shares are excluded when calculating the reported and adjusted EPS. Adjusted profit attributable to ordinary equity holders has been reconciled in note 2, Adjusted earnings.

See note 19, Glossary of terms, for an explanation of the adjusted basic and diluted earnings per share calculation.

# Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the period ended 31 January 2021

## 8. Intangible assets – goodwill

<b>Goodwill</b>	<b>Total £000</b>
At 31 July 2019	118,183
On acquisition of Nordic Line ApS	104
Net foreign currency exchange differences	(1,509)
<b>At 31 July 2020</b>	<b>116,778</b>
On acquisition of ClimaRad Holdings B.V. and its subsidiaries	19,682
Net foreign currency exchange differences	166
<b>At 31 January 2021</b>	<b>136,626</b>

## 9. Intangible assets – other

<b>2020</b>	<b>Total £000</b>
<b>Cost</b>	
At 1 August 2020	198,729
Additions	621
Additions through acquisition	21,703
Disposals	—
Net foreign currency exchange differences	(217)
<b>At 31 January 2021</b>	<b>220,836</b>
<b>Amortisation</b>	
At 1 August 2020	118,916
Charge for the period	8,985
Disposals	—
Net foreign currency exchange differences	(252)
<b>At 31 January 2021</b>	<b>(127,649)</b>
<b>Net book value</b>	
<b>At 31 January 2021</b>	<b>93,187</b>

## 10. Business combinations

### Acquisitions in the half year ended 31 January 2021

#### ClimaRad Holding B.V. and subsidiaries

On 17 December 2020 Volution Group plc acquired 75% of the issued share capital of ClimaRad Holding B.V. and subsidiaries (ClimaRad), a company based in the Netherlands. The acquisition of ClimaRad is in line with the Group's strategy to grow by selectively acquiring value-adding businesses in new and existing markets and geographies, across the residential ventilation market and, where appropriate, in the commercial ventilation market. The integration of ClimaRad into the Volution Group will provide an opportunity for further growth in the Netherlands and the combination of its product portfolio with that of Ventilair (Netherlands and Belgium) will enable us to enhance our offer in the European markets.

Total consideration for the purchase of 75% of the issued share capital was €41,100,000 (£37,100,000) with a commitment to purchase the remaining 25% on or before 28 February 2025. The future consideration for the purchase of the remaining 25% is set at 25% of 13 times the EBITDA of ClimaRad for the financial year ended 31 December 2024, plus the non-controlling interest share of profits earned in the periods up to and including 31 December 2024, and is subject to a cap.

The expected value of the future consideration is partially in the form of a vendor loan of €12,000,000 (£10,686,000) payable to certain individuals including the co-founder and management team of ClimaRad on completion of the purchase of the remaining 25% on or before 28 February 2025, and an additional element of contingent consideration. The contingent consideration was assessed based on the current estimate of the future performance of the business as £4,272,000, discounted to present value. If EBITDA for the financial year ended 31 December 2024 is 10% higher than expected, contingent consideration would be £1,500,000 higher, discounted to present value.

The Non-controlling interest on acquisition was valued at 25% of the total identifiable net assets, at £5,795,000. On recognition of the financial liability to purchase the remaining 25%, comprising the vendor loan of £10,686,000 and the contingent consideration of £4,313,000 the non-controlling interest of £5,795,000 was de-recognised from equity.

At 31 January 2021, the financial liability has been re-measured to include the non-controlling interest's share in profit of ClimaRad for the period (£128,000), less interest already charged to the income statement on the ClimaRad loan (£68,000), a net re-measurement of £60,000.

# Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the period ended 31 January 2021

## 10. Business combinations (continued)

Transaction costs relating to professional fees associated with the acquisition in the period ended 31 January 2021 were £447,000 and have been expensed.

The fair values of the intangible assets acquired are provisional and may change if evidence of a different value becomes available before the end of the financial year. The provisional fair value of the net assets acquired is set out below:

	Book value £000	Fair value adjustments £000	Fair value £000
Intangible assets	149	21,554	21,703
Property, plant and equipment	2,783	150	2,933
Inventory	2,399	1,727	4,126
Trade and other receivables	1,035	—	1,035
Trade and other payables	(948)	24	(924)
Bank debt	(1,482)	—	(1,482)
Deferred tax liabilities	—	(5,090)	(5,090)
Cash and cash equivalents	879	—	879
<b>Total identifiable net assets</b>	<b>4,815</b>	<b>18,365</b>	<b>23,180</b>
Non-Controlling Interest on acquisition, subsequently derecognised			(5,795)
Goodwill on acquisition			19,682
<b>Discharged by:</b>			
Total consideration			37,067

Goodwill of £19,682,000 reflects certain intangible assets that cannot be individually separated and reliably measured due to their nature. These items include the value of expected synergies arising from the acquisition and the experience and skill of the acquired workforce. The fair value of the acquired tradename and customer base was identified and included in intangible assets.

The gross amount of trade and other receivables is £1,035,000. The amounts for trade and other receivables not expected to be collected are £nil.

Inventories recorded on acquisition were recognised at fair value. The book value of the inventories is charged to adjusted gross profit and the fair value uplift is charged to gross profit as the inventories are sold.

ClimaRad generated revenue of £1,359,000 and generated a profit after tax of £346,000 in the period from acquisition to 31 January 2021 that is included in the consolidated statement of comprehensive income for this reporting period.

If the combination had taken place at 1 August 2020, the Group's revenue would have been £136,269,000 and the profit before tax from continuing operations would have been £16,172,000.

Cash outflows arising from business combinations are as follows:

	6 months ended 31 January 2021 £000	6 months ended 31 January 2020 £000
<b>ClimaRad BV</b>		
Cash consideration	37,067	—
Less: cash acquired with the business	(879)	—
<b>Total</b>	<b>36,188</b>	<b>—</b>

On 3 February 2021, shortly after the half year end, the Group completed the acquisition of Nordiska Klimatfabriken in Sweden for cash consideration of SEK40,000,000 (£3,500,000). The accounting for this acquisition has yet to be completed as work on valuing assets acquired, including goodwill, is ongoing. Transaction costs relating to professional fees associated with the acquisition in the period ended 31 January 2021 were £7,000 and have been expensed.

# Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the period ended 31 January 2021

## 11. Property, plant and equipment

Property, plant and equipment excluding right-of-use assets 2020	Land and buildings £000	Plant and Machinery £000	Fixtures, fittings, tools, equipment and vehicles £000s	Total £000
<b>Cost</b>				
At 1 August 2020	13,852	12,110	10,938	36,900
Additions	24	1,271	546	1,841
Additions on acquisition	2,274	297	172	2,743
Disposals	—	(212)	(315)	(527)
Net foreign currency exchange differences	(99)	(8)	(94)	(201)
<b>At 31 January 2021</b>	<b>16,051</b>	<b>13,458</b>	<b>11,247</b>	<b>40,756</b>
<b>Depreciation</b>				
At 1 August 2020	4,219	5,221	5,946	15,386
Charge for the period	244	459	930	1,633
Disposals	—	(176)	(268)	(444)
Net foreign currency exchange differences	(14)	6	(142)	(150)
<b>At 31 January 2021</b>	<b>4,449</b>	<b>5,510</b>	<b>6,466</b>	<b>16,425</b>
<b>Net book value</b>				
<b>At 31 January 2021</b>	<b>11,602</b>	<b>7,948</b>	<b>4,781</b>	<b>24,331</b>

Commitments for the acquisition of property, plant and equipment as of 31 January 2021 £836,000 (31 July 2020: £682,000).

## 12. Leases

Accounting policy

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment used in its operations. Leases of plant and machinery generally have lease terms between 3 and 6 years, while motor vehicles and other equipment generally have lease terms between 3 and 5 years.

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and movements during the period:

Right-of-use assets 2020	Land and buildings £000	Plant and Machinery £000	Fixtures, fittings, tools, equipment and vehicles £000s	Total £000
<b>Cost</b>				
At 1 August 2020	23,069	201	2,513	25,783
Additions	4,380	—	244	4,624
Additions on acquisition	—	—	190	190
Disposals	—	—	(173)	(173)
Expiration of leases	(508)	—	—	(508)
Net foreign currency exchange differences	235	2	24	261
<b>At 31 January 2021</b>	<b>27,176</b>	<b>203</b>	<b>2,798</b>	<b>30,177</b>
<b>Depreciation</b>				
At 1 August 2020	2,759	70	880	3,709
Charge for the period	1,340	35	225	1,600
Disposals	—	—	(125)	(125)
Expiration of leases	(508)	—	—	(508)
Net foreign currency exchange differences	43	1	11	55
<b>At 31 January 2021</b>	<b>3,634</b>	<b>106</b>	<b>991</b>	<b>4,731</b>
<b>Net book value</b>				
<b>At 31 January 2021</b>	<b>23,542</b>	<b>97</b>	<b>1,807</b>	<b>25,446</b>

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the period ended 31 January 2021

### 12. Leases (continued)

Set out below are the carrying amounts of lease liabilities (included under interest bearing-loans and borrowings) and the movements during the period:

Lease liabilities	Land and buildings £000	Plant and Machinery £000	Fixtures, fittings, tools, equipment and vehicles £000s	Total £000
<b>2020</b>				
At 1 August 2020	22,113	144	916	23,173
Additions to lease liabilities	4,380	—	244	4,624
Additions on acquisition	—	—	190	190
Disposals	—	—	(173)	(173)
Interest expense	240	5	9	254
Lease payments	(1,593)	(43)	(93)	(1,729)
Foreign exchange movements	123	1	5	129
<b>At 31 January 2021</b>	<b>25,263</b>	<b>107</b>	<b>1,098</b>	<b>26,468</b>
<b>Analysis</b>				
Current	2,685	58	562	3,305
Non-current	22,578	49	536	23,163
<b>At 31 January 2021</b>	<b>25,263</b>	<b>107</b>	<b>1,098</b>	<b>26,468</b>

The following are amounts recognised in the statement of comprehensive income:

	Total £000
Depreciation expense of right-of-use assets (cost of sales)	960
Depreciation expense of right-of-use assets (administrative expenses)	640
Interest expense	254
Expenses relating to leases of low-value assets	41
Expenses relating to short-term leases	8

### 13. Other financial liabilities

	Current 31 January 2021 £000	Non-current 31 January 2021 £000	Current 31 July 2020 £000	Non-current 31 July 2020 £000
<b>Financial liabilities</b>				
Contractual liability to purchase remaining Non-Controlling Interest (note 10)	—	4,272	—	—
Contingent consideration	3,853	—	—	1,468
FX forward contracts	560	—	574	—
<b>Total</b>	<b>4,413</b>	<b>4,272</b>	<b>574</b>	<b>1,468</b>

On 1 March 2019, Volution Group plc, through one of its wholly owned subsidiaries, Woomera Pty Limited, acquired the entire issued share capital of Ventair Pty Ltd, a company based in Australia. Total consideration for the transaction was AUD17,895,000 (£9,713,000), comprised of cash consideration of AUD16,138,000 (£8,761,000) and contingent consideration with a fair value of AUD1,757,000 (£952,000). The contingent consideration is based on the level of EBITDA achieved during the twelve months to 31 July 2021. There is a minimum level of EBITDA which must be achieved otherwise no contingent consideration is payable; the maximum amount of contingent consideration payable is AUD7,700,000. The contingent consideration was recognised in line with management's best estimate of the level of EBITDA expected to be achieved during the earn-out period. Whilst the level of contingent consideration payable has yet to be agreed with the sellers, for the first 6 months of FY 31 July 2021 the EBITDA of Ventair was substantially ahead of budget, therefore a further AUD\$4,200,000 (£2,357,000) consideration has been recognised in the interim results. At 31 January 2021, the liability assessed as £3,353,000 relates to the contingent consideration payable to Ventair Pty Ltd based on its EBITDA performance achieved during the twelve months to 31 July 2021. The remainder of the current contingent consideration of £500,000 is payable in relation to Air Connection ApS which is based on its EBITDA performance achieved during the twelve months to 31 July 2021.

# Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the period ended 31 January 2021

## 14. Interest-bearing loans and borrowings

	31 January 2021		31 July 2020	
	Current £000	Non-current £000	Current £000	Non-current £000
<b>Unsecured – at amortised cost</b>				
Borrowings under the revolving credit facility (maturing 2022)	—	—	—	69,563
Borrowings under the revolving credit facility (maturing 2023)	—	<b>81,202</b>	—	—
Bank debt	—	<b>81,202</b>	—	69,563
Cost of arranging bank loan	—	<b>(1,157)</b>	—	(531)
ClimaRad vendor loan (note 10)	—	<b>10,686</b>	—	—
IFRS 16 long term lease liabilities	<b>3,305</b>	<b>23,163</b>	2,994	20,179
Interest-bearing loans and borrowings under IFRS 16	<b>3,305</b>	<b>113,894</b>	2,994	89,211

On 2 December 2020, the Group refinanced its bank debt. The Group now has in place a £150 million multicurrency “Sustainability Linked Revolving Credit Facility”, together with an accordion of up to £30 million. The facility matures in December 2023, with the option to extend for up to two additional years. The old facility was repaid in full early, on 8 December 2020, and a new multicurrency “Sustainability Linked Revolving Credit Facility” was entered into. Interest bearing loans at 31 January 2021 comprise this multicurrency “Sustainability Linked Revolving Credit Facility”, together with an accordion, from Danske Bank A/S, HSBC, the Royal Bank of Scotland and Bank of Ireland, with HSBC acting as agent and are governed by a facilities agreement. No security is provided under the facility.

Bank loans at 31 July 2020 comprised a revolving credit facility from Danske Bank A/S, HSBC and the Royal Bank of Scotland with HSBC acting as agent and are governed by a facilities agreement. The outstanding loans are set out in the table below. No security was provided under the facility.

### Revolving credit facility – at 31 January 2021

Currency	Amount outstanding £000	Termination date	Repayment frequency	Rate %
GBP	—	15 December 2023	One payment	Libor + margin%
Euro	<b>63,451</b>	15 December 2023	One payment	Euribor + margin%
Swedish Krona	<b>17,751</b>	15 December 2023	One payment	Stibor + margin%
<b>Total</b>	<b>81,202</b>			

### Revolving credit facility – at 31 July 2020

Currency	Amount outstanding £000	Termination date	Repayment frequency	Rate %
GBP	6,000	15 December 2022	One payment	Libor + margin%
Euro	40,285	15 December 2022	One payment	Euribor + margin%
Swedish Krona	23,278	15 December 2022	One payment	Stibor + margin%
<b>Total</b>	<b>69,563</b>			

The interest rate on borrowings includes a margin that is dependent on the consolidated leverage level of the Group in respect of the most recently completed reporting period. For the period ended 31 January 2021, Group leverage was below 1.5:1 and therefore the margin will remain at 0.9%.

As at 31 July 2020 the leverage remained at 1.3:1 and therefore the margin of 1.15% continued in this period. On refinancing the margin increased to 1.45%. Due to the acquisition of ClimaRad BV the leverage increased to 1.7:1; this therefore increased the margin to 1.75% continued throughout the rest of the period. At 31 January 2021 the leverage decreased to 1.4:1 which will reduce the margin to 1.50% in H2 2021.

At 31 January 2021, the Group had £68,798,000 (31 July 2020: £50,437,000) of its multicurrency revolving credit facility unutilised.

# Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the period ended 31 January 2021

## 15. Fair values of financial assets and financial liabilities

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2 – other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3 – techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial instruments carried at fair value comprise the derivative financial instruments and the contingent consideration in note 13. For hierarchy purposes, derivative financial instruments are deemed to be Level 2 as external valuers are involved in the valuation of these contracts. Their fair value is measured using valuation techniques, including a DCF model. Inputs to this calculation include the expected cash flows in relation to these derivative contracts and relevant discount rates.

Contingent consideration is deemed to be Level 3. Contingent consideration is based on the level of EBITDA achieved during the earn-out period. The contingent consideration has been recognised in line with management's best estimate of the level of EBITDA expected to be achieved during the earn-out period. Whilst the level of EBITDA to be achieved is as yet unobservable, management's estimate has been based on the available budget and forecasts. Contingent consideration has not been discounted when the payment is expected to be made within 1 year as the impact is considered to be immaterial.

## 16. Dividends paid and proposed

The Group did not pay a dividend during the period in respect of the year ended 31 July 2020. The Board has declared an interim dividend of 1.90 pence per ordinary share in respect of the half year ended 31 January 2021 (6 months to 31 January 2020: nil pence per ordinary share) which will be paid on 4 May 2021 to shareholders on the register at the close of business on 26 March 2021. The total dividend payable has not been recognised as a liability in these accounts. The Volution EBT has agreed to waive its rights to all dividends.

## 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.

No related party balances exist at 31 January 2021 or 31 January 2020.

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.

## 18. Events after the reporting period

On 3 February 2021 Volution Group plc signed an agreement for the acquisition of Nordiska Klimatfabriken AB ("Klimatfabriken") in Sweden. Klimatfabriken specialises in the provision of premium low carbon ventilation equipment for the residential refurbishment market in Sweden, which the business designs and manufactures at its facility in Solö just outside Strängnäs in Sweden.

Revenue in the year ended 31 December 2020 was approximately SEK12,000,000. The acquisition was completed on a debt free, cash free basis for cash consideration of SEK40,000,000 (approximately £3,500,000), to be funded from the Group's existing cash and our Sustainability Linked Revolving Credit Facility.

# Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the period ended 31 January 2021

## 19. Glossary of terms

**Adjusted basic and diluted EPS:** 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 791,195 dilutive potential ordinary shares at 31 January 2021 (H1 2020: 257,340).

**Adjusted EBITDA:** adjusted operating profit before depreciation and amortisation.

**Adjusted finance costs:** finance costs before net gains or losses on financial instruments at fair value and the exceptional write off of unamortised loan issue costs upon refinancing.

**Adjusted gross profit:** operating profit before depreciation, amortisation, administrative and distribution expenses, and amortisation of acquired inventory fair value adjustments.

**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.

**Adjusted operating profit:** operating profit before adjustments to remeasurement of contingent consideration, costs of business combinations, amortisation of acquired inventory fair value adjustments and amortisation of assets acquired through business combinations.

**Adjusted profit after tax:** profit after tax before adjustments to remeasurement of contingent consideration, net gains or losses on financial instruments at fair value, costs of business combinations, amortisation of acquired inventory fair value adjustments, amortisation of assets acquired through business combinations and the tax effect on these items.

**Adjusted profit before tax:** profit before tax before adjustments to remeasurement of contingent consideration, net gains or losses on financial instruments at fair value, costs of business combinations, amortisation of acquired inventory fair value adjustments and amortisation of assets acquired through business combinations.

**Adjusted tax charge:** the reported tax charge less the tax effect on the adjusted items.

**CAGR:** compound annual growth rate.

**Cash conversion:** is calculated by dividing adjusted operating cash flow by adjusted EBITA.

**Constant currency:** to determine values expressed as being at constant currency we have converted the income statement of our foreign operating companies for the 6 months ended 31 January 2021 at the average exchange rate for the period ended 31 January 2020. In addition, we have converted the UK operating companies' sale and purchase transactions in the period ended 31 January 2021, which were denominated in foreign currencies, at the average exchange rates for the period ended 31 January 2020.

**EBITDA:** profit before net finance costs, tax, depreciation and amortisation.

**Gross profit:** operating profit before depreciation, amortisation, administrative and distribution expenses.

**Leverage:** net debt divided by adjusted EBITDA for the relevant 12 month period.

**Leverage (excluding leased liabilities):** net debt (excluding leased liabilities) divided by adjusted EBITDA for the relevant 12 month period.

**Net debt:** bank borrowings less cash and cash equivalents.

**Net debt (excluding leased liabilities):** bank borrowings plus long-term lease liabilities less cash and cash equivalents.

**Operating cash flow:** EBITDA plus or minus movements in operating working capital, less share-based payment expense, less net investments in property, plant and equipment and intangible assets.