

Thursday 10 March 2022

VOLUTION GROUP PLC INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2022

Early and decisive action on supply chain management and pricing delivers strong revenue and profit growth

Volition Group plc (“Volition” 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 2022.

RESULTS SUMMARY

	6 months to 31 January 2022	6 months to 31 January 2021	Movement
Revenue (£m)	149.6	131.7	+13.6%
Adjusted operating profit (£m)	31.9	27.7	+15.0%
Adjusted operating margin (%)	21.3%	21.1%	+0.2pp
Adjusted profit before tax (£m)	30.0	26.1	+14.7%
Adjusted EPS (pence)	11.7	10.1	+15.8%
Reported operating profit (£m)	23.3	15.9	+46.0%
Reported profit before tax (£m)	21.4	14.2	+50.5%
Reported basic EPS (pence)	8.2	5.2	+57.7%
Adjusted operating cash flow (£m)	16.2	29.6	(45.2)%
Net debt (£m)	104.0	92.0	+12.0
Net debt (excluding leased liabilities) (£m)	79.2	65.5	+13.7
Interim dividend per share (p)	2.30	1.90	+21.1%

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 18 to the condensed consolidated financial statements. A reconciliation to reported measures is set out in note 2 to the condensed consolidated financial statements.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

- Early and decisive action on supply chain management and price increases across all of our markets has helped deliver an adjusted operating profit margin of 21.3% (21.1% in H1 2021), with adjusted operating profit up 15.0% to £31.9 million (H1 2021: £27.7 million).
- Revenue growth of 13.6% (16.9% at constant currency “cc”) with organic revenue growth of 7.9% cc as all three geographic regions grew in the period, benefitting from both volume and price increases. Inorganic revenue growth was 8.5% reflecting the acquisitions of ClimaRad, Klimatfabriken and Energent in FY2021 and Energy Recovery Industries (“ERI”) in H1 2022.
- Good customer service maintained throughout the period due to management action to invest in inventory to ensure component and raw material availability for our production facilities.
- Strong organic revenue growth in Australasia of 10.9% (13.8% cc) assisted by the roll out of a significant new retail account in Australasia and share gains across the region.
- The integration of ERI, a leading manufacturer of heat recovery ERI cells for the European market, is progressing well and performance has been in line with our expectations. We have commenced the previously announced investment plan to significantly increase the ERI manufacturing capacity.
- Reported profit before tax increased by 50.5% to £21.4 million (H1 2021: £14.2 million) due to adjusted operating profit expansion and lower acquisition related costs of £0.1 million (H1 2021: £3.5 million).
- Investment in working capital led to a lower than normal cash conversion at 50% (H1 2021: 105%), though leverage (excluding lease liabilities) remains lower than H1 2021 at 1.2x, (H1 2021: 1.4x)
- Interim dividend of 2.30 pence per share (H1 2021: 1.90 pence), demonstrating the Board’s continuing confidence in the performance of 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 low carbon sustainability targets in the first half of the year and although we were held back by the sourcing of recycled plastics in the period, we have made several technical breakthroughs in applying new recycled materials in our production facilities which will help secure delivery of our long term targets.

- 58.0% (H1 2021: 63.1%) of plastic used in our own manufacturing facilities was from recycled sources.
- 65.1% (H1 2021: 62.1%) of our revenue was from low-carbon, energy saving products.

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

"Our early and decisive action to invest in additional inventory as well as increase selling prices in response to the unprecedented levels of input cost inflation, has enabled us to deliver strong revenue and profit growth in the first half of the year with operating margins increasing to 21.3%. The agility and experience of our employees has underpinned good levels of customer service and product availability despite the well-publicised supply chain difficulties across the sector.

Further tightening of regulatory drivers relating to carbon reduction in buildings, as well as heightened awareness of the importance of indoor air quality to health, continues to provide a supportive foundation to our strategy."

Outlook

The macroeconomic and geo-political backdrop resulting from the devastating invasion of Ukraine by Russia has created substantial uncertainty, the full implications of which are difficult to predict at this moment. However, we continue to focus on customer service, underpinned by good availability in our inventory of key assembly components, and coupled with some slowing of input cost inflation, we are well positioned for the rest of this financial year.

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A meeting for analysts will be held at 10am today, Thursday 10 March 2022, at the offices of Berenberg, 60 Threadneedle Street, London EC2R 8HP. Please contact volutiongroup@tulchangroup.com to register to attend or for instructions on how to connect to the meeting via conference facility.

A copy of this announcement and the presentation given to analysts will be available on our website www.volutiongroupplc.com from 7.00 am on Thursday 10 March 2022.

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 20 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, rtek, ERI

Australasia: Simx, Ventair, Manrose.

For more information, please go to: 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 delighted with our performance in the first half of the year and the incredible efforts of our dedicated employees as we have begun to emerge from the global Covid-19 pandemic. In all our geographic areas we are experiencing a relaxing of local Covid-19 related restrictions and we continue to adjust our operating model accordingly in line with these changes. The flexibility, agility and commitment of our employees has enabled us to deliver a strong performance in H1 2022.

Volution has continued to make excellent progress in the first half of the year relative to a strong comparative period in H1 2021. Our investment to increase our inventory levels over the last twelve months has enabled us to deliver good levels of customer service in all our markets and service levels are now consistently at or ahead of pre-Covid-19 levels. Good component inventory availability in our production facilities as well as a structured and disciplined implementation of customer price increases has enabled us to offset the impacts of unprecedented input cost inflation. Adjusted operating margin increased to 21.3% (H1 2021: 21.1%) underpinned by our good customer service, selling price increases and continuing focus on operational excellence.

Revenue grew strongly by 13.6%, 16.9% at constant currency, with revenue growth in all three of our geographic regions enabling the Group to deliver organic growth of 7.9% on a constant currency basis.

Strong organic and inorganic revenue growth as well as an adjusted operating margin increase to 21.3% has resulted in a 15.0% increase in our adjusted operating profit up from £27.7 million in the prior year to £31.9 million in H1 2022. Reported operating profit was £23.3 million (H1 2021: £15.9 million). Management decision to increase inventory levels across the Group to service our customers better in the period has increased working capital and reduced our cash generation, with adjusted operating cash inflow of £16.2 million (H1 2021: £29.6 million) and a cash conversion rate of 50% (H1 2021: 105%).

We have completed one acquisition in the first half of financial year 2022. In September we announced the completion of the acquisition of Energy Recovery Industries ("ERI") for an initial consideration of €20.0 million. ERI designs and manufactures a range of innovative and highly efficient aluminium heat exchanger cells for use primarily in commercial heat recovery ventilation systems. Products are manufactured in ERI's modern, high quality production facility in Bitola, North Macedonia, and are supplied to heat recovery and air handling unit manufacturers predominantly in Europe, including existing Volution Group companies.

REGIONAL PERFORMANCE REVIEW

Group Results by Operating Segment

United Kingdom

	6 months to 31 January 2022 £m	6 months to 31 January 2021 £m	Growth %
Market sector revenue			
UK			
Residential RMI	23.8	21.8	9.3
New Build Residential Systems	12.0	12.6	(5.2)
Commercial	15.8	14.7	7.5
Export	5.6	5.3	6.8
OEM	12.6	12.1	4.2
Total UK Revenue	69.8	66.5	5.0
Adjusted operating profit	13.9	14.3	(2.8)
Adjusted operating profit margin (%)	19.9	21.5	(1.6)pp
Reported operating profit	9.2	8.9	3.0

The UK's revenue grew by 5.0% (5.8% at constant currency) to £69.8 million with adjusted operating profit of £13.9 million, a slight decrease on the prior year. Adjusted operating profit margin was 19.9% compared to a prior first half 2021 of 21.5%; the operating margin decline due to the unprecedented increase in input costs. Whilst we have made excellent progress during the period with delivering the price increases necessary to offset the input cost inflation, some areas of our UK business (notably New Build Residential Systems and Commercial) did see a delay before increases were realised due to previous period order intake at lower prices. These increases were steadily built upon month on month during the first half and in addition to this action we have recently implemented several plastic material initiatives, utilising an increased amount of recycled alternative into our production, which has a lower cost than virgin material.

The move to a more functional management structure in the UK has worked well. The increased focus on our manufacturing operations and customer service because of the change introduced just under one year ago has enabled us to successfully navigate the significant supply chain and input cost inflation challenges that we have faced. Our increased inventory levels, the agility of our engineering teams in developing alternative solutions in the face of microchip shortages and strong supply chain partnerships gives us confidence in continuing good levels of customer service.

Revenue in our Residential RMI sector was £23.8 million up 9.3% on the strong comparative prior year period. Since the onset of the Covid-19 pandemic consumers have a heightened awareness of how important it is to have good indoor air quality. Our position in the private Residential RMI sector, utilising our three strong trade brands, has enabled us to make good progress with our "premium fan up-sell" approach. Utilising our National Ventilation brand we launched a new premium fan range, the Energy Saver Intellisense, another example of cross selling accessing a range of products that we already sell in the Nordic market.

Within the Residential RMI sector we are seeing strong growth in public housing refurbishment as a result of the pent-up demand from the Covid-19 pandemic. Access to these publicly managed properties was limited during the height of the pandemic and demand has recovered strongly in the first half of the year as restrictions have eased and access improved. There is also a growing awareness of the need to meet carbon reduction targets in this area and this has resulted in a significant increase in demand for our unique decentralised heat recovery solutions. Coupling this strong demand with some competitor supply difficulties, we are making excellent progress in this market.

Sales in our UK New Build Residential Systems sector were down 5.2% on the prior period at £12.0 million (H1 2021: £12.6 million). Activity levels were subdued against a backdrop of strong new housing sales and good levels of activity in the market. Whilst our supply capability was intact, we experienced delays to call offs for our systems which we believe is because of the wider supply chain difficulties in the sector. This is further supported by our strong order book and an encouraging start to the second half of the year.

We continue to target the major housebuilders and were recently notified that we have been successful in securing the exclusive supply agreement to another top five housebuilder. The contract will commence in late Spring with revenues ramping up later in the calendar year.

The Publication of Part F and L of the Building Regulations for England in December 2021 was as we expected. Greater focus on continuous ventilation, a further 30% reduction in the target emissions in dwellings, and the addition of CO2 monitoring in higher risk areas recognising the impact of indoor air quality on health provides further directional support for the Volution product ranges.

UK Commercial market revenue increased by 7.5% in the period to £15.8 million (H1 2021: £14.7 million). As anticipated, our strong order book underpinned an excellent revenue performance in the first half of the year. Our energy efficient fan coil range is the preferred cooling and heating product solution in new commercial construction and this area performed particularly well in the first half of the year. In the second half of this year, we are launching an upgraded and more versatile range of energy efficient fan coils and the project order book continues to be strong. Our Breathing Buildings revenue for the education sector was disappointing in the first half of the year and despite the strong outlook for revenue in commercial buildings we are expecting the weaker activity to continue in the short term.

Refurbishment demand in commercial continues to be assisted by the nervousness around the post pandemic “return to the office” and as in the residential sector we see a lasting benefit from the increased awareness of the importance of good indoor air quality.

UK Export market sales were £5.6 million, growth of 6.8% (11.5% at constant currency). We have seen continued good progress in our export markets, notably a good recovery in the Republic of Ireland as the construction market reopened in the early part of the new financial year.

OEM revenue was £12.6 million, an increase of 4.2% (6.3% at constant currency). Our OEM activities are benefitting from the structural increase in demand for low carbon energy efficient motorised impellers. Our EC3 range of motorised impellers delivered good growth in the first half of the year, and we commenced the investment in an additional production line at our Swindon factory that went live at the end of February 2022. This additional capacity, coupled with significant customer interest in the face of competitor supply difficulties, provides us with a strong demand outlook for our EC3 range of impellers in the second half of the year. We also made excellent progress insourcing this motorised impeller into our own manufactured products in the first half of the year and will develop this initiative further in the second half of FY 2022.

Continental Europe

	6 months to 31 January 2022 £m	6 months to 31 January 2021 £m	Growth %
Market sector revenue			
Continental Europe			
Nordics	27.0	25.7	5.3
Central Europe	30.4	19.4	56.4
Total Continental Europe revenue	57.4	45.1	27.3
Adjusted operating profit	14.8	11.6	28.1
Adjusted operating profit margin (%)	25.8	25.7	0.1pp
Reported operating profit	11.6	8.6	35.7

Revenue in Continental Europe was £57.4 million, with growth of £12.3 million, an increase of 34.7% at constant currency. Organic revenue grew by 2.5% (8.2% at constant currency) and adjusted operating profit was £14.8 million, up from £11.6 million, in the same period in the prior year. This 28.1% adjusted operating profit growth was underpinned by both an increase in revenues and an adjusted operating profit margin increase from 25.7% to 25.8%. Our proactive approach to price rises has enabled us to fully offset the impact of unprecedented input cost inflation and to maintain our operating margins.

Sales in the Nordics were £27.0 million (H1 2021: £25.7 million), an increase of 5.3% (10.8% at constant currency). Our new factory facility in Växjö has been operational for over a year now and helped support the demand from our Nordic market. The supply chain challenges were especially evident in the early part of the new financial year, and we are now providing good levels of customer service.

Both our trade and DIY refurbishment markets have performed well across the Nordics. In Denmark we are building on the opportunity created by the acquisition of a sales company over two years ago, and new account wins in the Danish DIY sector also help support our growth ambitions in the refurbishment sector.

In the new build markets, we have seen a strong performance from our Voltair brand and in Finland we have successfully integrated the Energent acquisition announced in FY21 to complement our existing Pamon brand. We expect to make further good progress in Finland as a result of a more comprehensive and wider product range.

We continue to make strong progress in Central Europe, delivering sales of £30.4 million and growth of 56.4% (66.1% at constant currency) compared to the previous period, helped by the acquisition of ClimaRad BV in the Netherlands in December 2020 and the acquisition of ERI in September 2021. Organic revenue grew by 10.1% (16.9% at constant currency).

Our inVENTer brand in Germany continues to deliver excellent organic growth building on a strong performance in FY21. Our leading range of decentralised heat recovery is well placed to support the low carbon residential refurbishment growth agenda in Germany, and we have enjoyed a very successful first half of 2022. Our new product innovation to provide a wireless connectivity for the decentralised heat recovery range has made retrofitting far easier and we believe this will help us to capture new opportunities in the future. We believe that the German ventilation market along with a similar approach in the Netherlands are the most progressive markets with respect to having a focus on reducing carbon emissions from existing buildings.

In Belgium we are preparing for the launch of our next generation, larger airflow and heat recovery systems. These products are planned for launch in May 2022, later than originally anticipated, a deliberate delay as we focussed our engineering resources on the protection of product supply and reconfiguring of our PCB electronics to cope with the intermittent supply of some microprocessors.

In the Netherlands our Vent-Axia brand has continued to extend its range of products to the electrical wholesaler customer base. Our ClimaRad business, the Netherlands market leader for decentralised heat recovery, delivered reasonable levels of activity although Covid-19 restrictions have led to some major project delays that will likely impact this financial year. The new project order intake has been particularly strong, and we have already secured two substantial projects for financial year 2023. ClimaRad in the Netherlands, as with InVENTer in Germany, are well placed to benefit from the growing trend to refurbish residential buildings with increased air tightness and retrofitted decentralised heat recovery.

ERI is an exciting new addition to the Group and has performed in line with our expectations in the first few months since acquisition. The growth outlook for heat recovery cells for heat recovery ventilation applications is positive and we have already commenced with the previously announced €2.6 million investment plan to significantly increase the capacity of the ERI facility in Bitola, North Macedonia. With acquiring the adjacent land, building the factory extension and the investment in new equipment, we expect the full uplift in capacity to be available in the first half of calendar year 2023.

Australasia

	6 months to 31 January 2022	6 months to 31 January 2021	Growth %
	£m	£m	
Market sector revenue			
Total Australasia revenue	22.4	20.1	10.9
Adjusted operating profit	4.9	4.4	11.4
Adjusted operating profit margin (%)	22.1	22.0	0.1pp
Reported operating profit	4.4	1.5	193.4

Revenue in Australasia was £22.4 million, growing by 10.9% (13.8% at constant currency). Adjusted operating profit increased to £4.9 million from £4.4 million in the prior period, an increase of 11.4% (14.3% at constant currency), with our adjusted operating margin increasing from 22.0% in the first half of FY21 to 22.1%.

We continue to deliver significant organic revenue growth in the Australasian market despite a period of Covid-19 related lockdowns in New Zealand in the first half of the year. In Australia the roll out of store supply to our new DIY customer is progressing in line with our plan and there will be further progress in the second half of the year. The development of a new, low energy EC ceiling fan has helped support the revenue growth in the market. We continue to invest in local sales teams, with the expansion of our sales teams in Australia an important ingredient to underpin our ongoing growth ambitions for the market.

Focus on sustainability

Our sustainability objectives continue to gain good traction across the organisation. Supply chain challenges, in particular relating to the availability of recycled PVC, restricted our recycled plastics usage to 58% of total plastics processed (FY21 62.1%). However, this has been partially offset by the successful adoption of new sources of recycled ABS and a greater adoption of HIPS across our injection-moulded parts. We are confident that our trajectory towards our 90% target by the end of 2025 is directionally in line with the conversions expected at the polymer level and as the supply chain challenges experienced in the first half ease. The breakthroughs we have made with utilising new materials in our processes will result in a significant step up in the second half of 2022.

With the acquisitions of ClimaRad and ERI and stronger organic growth than the average growth rate applying to low carbon product ranges, sales of low carbon products are now progressing ahead of target with 65.1% of our sales now in products that use less energy than the ones they replaced. Importantly, heat recovery sales are growing and represent an increasing proportion of the product mix.. These products are carbon positive, saving more energy than they use.

Regulatory Drivers and indoor air quality

In the EU, the Green Deal taxonomy supporting energy efficiency in building is driving a recast of the Energy Performance of Buildings Directive. Within the proposals, there is a focus on tackling worst performing buildings with the highest potential and most cost-effective renovations. This priority is reflected in the introduction of Minimum Energy Performance Standards (MEPS) that require all EPC class G buildings to be renovated and upgraded to class F by 2027 and class E by 2030. Besides the acceleration of renovations, the EPBD proposal bans any financial incentives for fossil fuel boilers from 2027 onwards. These changes support further air tightness improvements to buildings and therefore the requirement for energy efficient ventilation solutions.

Our markets continue to be underpinned by several factors. The debate regarding indoor air quality has been significantly heightened over the last two years throughout the global Covid-19 pandemic at the same time as governments and local communities are redoubling their efforts to reduce carbon emissions and improve their sustainability. Our purpose, to provide "Health Air, Sustainably" positions us well to benefit from these ongoing trends.

Interim dividend

The Board has declared an interim dividend of 2.30 pence per share, up 21.1% (H1 2021: 1.9 pence), demonstrating the Board's continuing confidence in the performance of the Group. The interim dividend will be paid on 3 May 2022 to shareholders on the register at the close of business on 25 March 2022.

Outlook

The macroeconomic and geo-political backdrop resulting from the devastating invasion of Ukraine by Russia has created substantial uncertainty, the full implications of which are difficult to predict at this moment. However, we continue to focus on customer service, underpinned by good availability in our inventory of key assembly components, and coupled with some slowing of input cost inflation, we are well positioned for the rest of this financial year.

Ronnie George

Chief Executive Officer

9 March 2022

FINANCIAL REVIEW

Trading performance summary

Group revenue for the 6 months ended 31 January 2022 was £149.6 million (H1 2021: £131.7 million), an increase of 13.6%. On a constant currency basis revenue grew by 16.9%, of which 7.9% was organic and 9.0% due to acquisitions, with an adverse 3.3% impact from foreign exchange due to the strengthening of Sterling against all four of our major non-Sterling trading currencies.

Adjusted operating profit increased by 15.0% (19.3% at constant currency) to £31.9 million (H1 2021: £27.7 million), delivering a 0.2pp expansion in Group adjusted operating margin to 21.3% (H1 2021: 21.1%), as strong pricing actions offset the impacts of inflation in the supply chain. We also benefited in the period from a reduction of £0.8 million in central costs, principally as a result of lower bonus and related costs.

Adjusted earnings per share increased by 15.8% to 11.7p, compared with 10.1p in H1 2021. Our reported basic earnings per share grew by 57.7% to 8.2 pence (H1 2021: 5.2 pence) and is higher than our increase in adjusted earnings per share due to acquisition related items in H1 2021, including the re-assessment of future contingent consideration payable in respect of Ventair Pty Ltd, and costs associated with the acquisition in the period of ClimaRad BV.

	Reported			Adjusted ¹		
	6 months to 31 January 2022	6 months to 31 January 2021	Movement	6 months to 31 January 2022	6 months to 31 January 2021	Movement
Revenue (£m)	149.6	131.7	13.6%	149.6	131.7	13.6%
EBITDA (£m)	36.1	28.1	28.4%	36.3	31.6	14.7%
Operating profit (£m)	23.3	15.9	46.0%	31.9	27.7	15.0%
Net finance costs (£m)	0.9	1.7	(45.2)%	1.6	1.5	5.4%
Profit before tax (£m)	21.4	14.2	50.5%	30.0	26.1	14.7%
Basic EPS (p)	8.2	5.2	57.7%	11.7	10.1	15.8%
Interim dividend per share (p)	2.30	1.90	21.1%	2.30	1.90	21.1%
Operating cash flow (£m)	16.1	26.2	(38.4)%	16.2	29.6	(45.2)%
Net debt (£m)	104.0	92.0	12.0	104.0	92.0	12.0
Net debt (excluding leased liabilities) (£m)	79.2	65.5	13.7	79.2	65.5	13.7

Note

- 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 18 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 that 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 £30.0 million was 14.7% higher than H1 2021 (£26.1 million). Reported profit before tax was £21.4 million (H1 2021: £14.2 million).

	6 months ended 31 January 2022			6 months ended 31 January 2021		
	Reported £m	Adjustments £m	Adjusted results £m	Reported £m	Adjustments £m	Adjusted results £m
Revenue	149.6	—	149.6	131.7	—	131.7
Gross profit¹	71.3	—	71.3	63.7	0.6	64.3
Administration and distribution costs excluding the costs listed below	(39.4)	—	(39.4)	(36.6)	—	(36.6)
Amortisation of intangible assets acquired through business combinations	(8.5)	8.5	—	(8.4)	8.4	—
Contingent consideration adjustment ²	—	—	—	(2.4)	2.4	—
Acquisition costs ³	(0.1)	0.1	—	(0.4)	0.4	—
Operating profit	23.3	8.6	31.9	15.9	11.8	27.7
Re-measurement of financial liability	(0.3)	—	(0.3)	(0.1)	—	(0.1)
Re-measurement of future consideration ⁴	(0.7)	0.7	—	—	—	—
Net loss on financial instruments at fair value ⁵	0.7	(0.7)	—	(0.1)	0.1	—
Other net finance costs	(1.6)	—	(1.6)	(1.5)	—	(1.5)
Profit before tax	21.4	8.6	30.0	14.2	11.9	26.1
Income tax	(5.1)	(1.7)	(6.8)	(3.9)	(2.2)	(6.1)
Profit after tax	16.3	6.9	23.2	10.3	9.7	20.0

Note

- £nil adjustments in H1 2022 impacting Gross profit. (H1 2021: £0.6 million amortisation of acquired inventory fair value adjustments)
- £nil adjustments in H1 2022 to contingent consideration. (H1 2021: £2.4 million related to Ventair)
- £0.1 million acquisition costs relate to professional fees and expenses for acquisitions. (H1 2021: £0.4 million)
- £0.7 million revaluation relating to the re-measurement of future consideration in ClimaRad (H1 2021: £nil)
- £0.7 million gain due to the fair value of financial derivatives (H1 2021: £0.1 million loss)

Adverse currency impact on reported revenue and profit

The Group's key trading currencies, other than Sterling, are the Euro, Swedish Krona, New Zealand Dollar and Australian Dollar. Average exchange rates are used to translate results in the Income Statement. During the six months, Sterling strengthened on average against all four of our principal non-Sterling trading currencies, relative to the Euro by 3.9%, Swedish Krona by 3.7%, New Zealand Dollar by 0.9% and Australian Dollar by 3.3%.

If we had translated the H1 2022 performance of the Group at our full year 2021 exchange rates, the reported revenue would have been £4.4 million higher at £154.0 million, and adjusted operating profit would have been £1.2 million higher at £33.1 million.

If exchange rates remain at current levels, we would expect a further negative currency translation effect in the second half of financial year 2022 compared to the same period last year.

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 bank borrowings in both Euro and Swedish Krona, which offsets some of the translation risk relating to net assets. At 31 January 2022 we had borrowings denominated in Swedish krona of £11.5 million (31 July 2021: £16.0 million), and Euro-denominated bank borrowings of £71.7 million (31 July 2021: £57.3 million). The Sterling value of our foreign currency-denominated loans, net of cash, decreased by £0.9 million (H1 2021: decreased by £2.3 million) as a consequence of exchange rate movements.

Finance costs

Reported net finance costs were £0.9 million (H1 2021: £1.6 million) including £0.7 million of net gain on the revaluation of financial instruments (H1 2021: loss £0.1 million). Adjusted finance costs were £1.6 million (H1 2021: £1.5 million), albeit the costs for the first half of 2021 included £0.4 million in relation to charging the unamortised costs associated with the Group's previous revolving credit facility which was replaced in December 2020.

Taxation

Our underlying effective tax rate, on adjusted profit before tax, was 22.6% (H1 2021: 23.3%). The decrease of 0.7 percentage points in our adjusted effective tax rate compared to the prior period was primarily a result of a change in our relative profit mix, with the average adjusted effective tax rate of our overseas jurisdictions for the half year of 24.9% (H1 2021: 25.4%). We also benefitted in the period from an increased proportion of our revenues being derived from products that benefit from the UK's patent box tax incentive. There were no changes to corporation tax rates enacted during the period in any of our geographies.

Our reported effective tax rate for the period was 23.8% (H1 2021: 27.7%).

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.

Cash flow and net debt

Management decision to increase inventory levels was a key part of our strategy to mitigate the challenges of global supply chain uncertainty and ensure good levels of customer service in the period. As a consequence, the Group's working capital increased by £17.5 million in the period (H1 2021: £0.6 million). The increase in working capital, coupled with a higher capital expenditure in the period of £3.6 million (H1 2021: £2.5 million), reduced our cash conversion (adjusted operating cash flow as a percentage of adjusted earnings before interest, tax and amortisation – see note 18) to 50% (H1 2021: 105%). With inventory levels now in a good position across the Group, we do not expect working capital to increase further and so should see a stronger cash conversion in the second half of the year.

Dividend payments in the period were £8.7 million (H1 2021: £nil), whilst tax payments were also higher at £6.3 million (H1 2021: £4.3 million).

Acquisition spend of £24.4 million (H1 2021: £37.7 million) related to the initial consideration for the acquisition of ERI (see note 10) of £16.0 million as well as payment of contingent consideration in respect of Ventair (£4.1 million), Air Connection (£0.5 million), repayment of ERI debt acquired of (£3.3 million) and part repayment of ClimaRad vendor loan (£0.5 million).

Net debt at 31 January 2022 was £104.0 million (H1 2021: £92.0 million), comprised of bank borrowings of £94.4 million (H1 2021: £81.2 million), cash and cash equivalents of £15.2 million (H1 2021: £15.7 million) and long-term lease liabilities of £24.8 million (H1 2021: £26.5 million). Net debt (excluding leased liabilities) of £79.2 million (H1 2021: £65.5 million) represents leverage of 1.2x adjusted EBITDA (H1 2021: 1.4x).

	6 months to 31 January 2022 £m	6 months to 31 January 2021 £m
Opening net debt at 1 August	(79.2)	(74.2)
Movements from normal business operations:		
Adjusted EBITDA	36.3	31.6
Movement in working capital	(17.5)	(0.6)
Share-based payments	1.0	1.1
Capital expenditure	(3.6)	(2.5)
Adjusted operating cash flow:	16.2	29.6
– Interest paid net of interest received	(1.4)	(0.9)
– Income tax paid	(6.3)	(4.3)
– Income tax refund	–	0.2
– Business combination related operating costs	(0.1)	(0.4)
– Dividend paid	(8.7)	–
– Purchase of own shares by the Employee Benefit Trust	–	(0.6)
– FX on foreign currency loans/cash	0.9	2.3
– Issue costs of new borrowings	–	(1.2)
– Long term lease liabilities	0.7	(3.3)
– Payments of lease liabilities	(1.7)	(1.5)
Movements from acquisitions:		
– Contingent consideration relating to the acquisition of Ventair from operating activities	(3.2)	–
– Contingent consideration relating to the acquisition of Ventair from investing activities	(0.9)	–
– Acquisition consideration net of cash acquired and debt repaid	(20.3)	(37.7)
Closing net debt at 31 January	(104.0)	(92.0)

	6 months to 31 January 2022 £m	6 months to 31 January 2021 £m
Bank Debt	(94.4)	(81.2)
Cash	15.2	15.7
Net Debt (excluding leased liabilities)	(79.2)	(65.5)
Long term lease liabilities	(24.8)	(26.5)
Closing net debt at 31 January	(104.0)	(92.0)

Reconciliation of adjusted operating cash flow

	6 months to 31 January 2022 £m	6 months to 31 January 2021 £m
Net cash flow generated from operating activities	10.2	27.6
Capital expenditure	(3.6)	(2.5)
UK and overseas tax paid	6.3	4.3
Income tax refund	–	(0.2)
Contingent consideration relating to the acquisition of Ventair from operating activities	3.2	–
Cash flow relating to business combination costs	0.1	0.4
Adjusted operating cash flow	16.2	29.6

Bank facilities, refinancing and liquidity

In December 2021, the Group took the option to extend its multicurrency “Sustainability Linked Revolving Credit Facility”, together with an accordion of up to £30 million by a period of 12 months. The maturity date is now December 2024.

At 31 January 2022, the Group had £55,620,000 (31 July 2021: £76,707,000) of the facility unutilised.

Employee Benefit Trust

During the period no 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 2021: £550,000). In the period 305,024 shares (H1 2021: 45,365) were exercised and released by the trustees with a value of £845,000 (H1 2021: £83,300). 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.

Going concern

After reviewing the Group’s current liquidity, net debt, financial forecasts and stress testing of potential risks, the Board confirms there are no material uncertainties which impact the Group’s ability to continue as a going concern for the period to 31 January 2024 and these condensed consolidated financial statements have therefore been prepared on a going concern basis.

Andy O’Brien

Chief Financial Officer

9 March 2022

Volution Group plc Interim Results 2022

PRINCIPAL RISKS AND UNCERTANTIES

The Directors have reviewed the principal risks and uncertainties which could have a material impact on the Group's performance and have concluded that they has been no material change from those described in Volution's Annual Report 2021, which can be found at www.volutiongroupplc.com.

The invasion of Ukraine by Russia has exacerbated an already uncertain macro-economic backdrop. Whilst Volution's direct exposure to the region is minimal with only c0.2% of Group revenue being with customers in Russia or Ukraine, the impact on consumer confidence and potential demand is difficult to predict.

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 United Kingdom 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 2021 that could do so.

The full list of current Directors can be found on the Company's website at www.volutiongroupplc.com.

By order of the Board

Ronnie George
Chief Executive Officer
9 March 2022

Andy O'Brien
Chief Financial Officer
9 March 2022

INDEPENDENT REVIEW REPORT TO VOLUTION GROUP PLC

Conclusion

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 2022 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 18. 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.

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 2022 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with 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. 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.

As disclosed in note 1, the annual financial statements of the Group will be prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Responsibilities of 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.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion is based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

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.

Ernst & Young LLP

London

9 March 2022

Interim Condensed Consolidated Statement of Comprehensive Income

For the period ended 31 January 2022

	Notes	2022 Unaudited £000	2021 Unaudited £000
Revenue from contracts with customers	3	149,574	131,707
Cost of sales		(78,284)	(68,010)
Gross profit		71,290	63,697
Administrative and distribution expenses		(47,910)	(44,959)
Operating profit before separately disclosed items		23,380	18,738
Costs of business combinations	10	(126)	(454)
Re-measurement of contingent consideration		—	(2,357)
Operating profit		23,254	15,927
Finance revenue	5	695	57
Re-measurement of financial liability		(292)	(60)
Re-measurement of future consideration		(691)	—
Finance costs	5	(1,615)	(1,735)
Profit before tax		21,351	14,189
Income tax	6	(5,082)	(3,924)
Profit for the period		16,269	10,265
Attributable to the shareholders		16,240	-
Attributable to non-controlling interests		29	-
Other comprehensive (expense)/income			
Items that may subsequently be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		(3,751)	1,087
Gain on hedge of net investment in foreign operations		2,104	2,322
Other comprehensive (expense)/income for the period		(1,647)	3,409
Total comprehensive income for the period		14,622	13,674
Attributable to the shareholders		14,593	-
Attributable to non-controlling interests		29	-
Earnings per share			
Basic earnings per share	7	8.2	5.2
Diluted earnings per share	7	8.1	5.2

Interim Condensed Consolidated Statement of Financial Position

At 31 January 2022

	Notes	31 January 2022 Unaudited £000	31 July 2021 Audited £000
Non-current assets			
Property, plant and equipment	11	27,652	23,908
Right-of-use assets	12	24,031	24,477
Intangible assets – goodwill	8	141,795	137,710
Intangible assets – others	9	92,014	85,373
		285,492	271,468
Current assets			
Inventories		55,390	44,971
Right of return assets	3	288	99
Trade and other receivables		54,287	47,482
Other financial assets		868	507
Cash and short-term deposits		15,160	19,456
		125,993	112,515
Total assets		411,485	383,983
Current liabilities			
Trade and other payables		(42,957)	(47,435)
Refund liabilities	3	(11,793)	(10,562)
Income tax		(5,172)	(4,629)
Other financial liabilities	13	(240)	(4,608)
Interest-bearing loans and borrowings	14	(3,337)	(3,454)
Provisions		(1,636)	(1,869)
		(65,135)	(72,557)
Non-current liabilities			
Interest-bearing loans and borrowings	14	(124,346)	(104,863)
Other financial liabilities	13	(14,175)	(6,021)
Provisions		(456)	(376)
Deferred tax liabilities		(15,111)	(14,876)
		(154,088)	(126,136)
Total liabilities		(219,223)	(198,693)
Net assets		192,262	185,290
Capital and reserves			
Share capital		2,000	2,000
Share premium		11,527	11,527
Treasury shares		(1,675)	(3,739)
Capital reserve		93,855	93,855
Share-based payment reserve		3,853	4,090
Foreign currency translation reserve		1,252	2,899
Retained earnings		81,387	74,658
Total shareholders' equity		192,199	185,290
Non-controlling interest		63	-
Total equity		192,262	185,290

The consolidated financial statements of Volution Group plc (registered number: 09041571) were approved by the Board of Directors and authorised for issue on 9 March 2022.

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 2022

	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
At 31 July 2020 (Audited)	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 expense	—	—	—	—	—	3,409	—	3,409	—	3,409
Total comprehensive income	—	—	—	—	—	3,409	10,265	13,674	—	13,674
Acquisition of businesses	—	—	—	—	—	—	—	—	5,795	5,795
Obligation to acquire NCI	—	—	—	—	—	—	(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
At 31 January 2021 (Unaudited)	2,000	11,527	(2,868)	93,855	3,035	4,110	67,696	179,355	—	179,355
Profit for the period	—	—	—	—	—	—	10,571	10,571	—	10,571
Other comprehensive income	—	—	—	—	—	(1,211)	—	(1,211)	—	(1,211)
Total comprehensive income	—	—	—	—	—	(1,211)	10,571	9,360	—	9,360
Purchase of own shares	—	—	(1,555)	—	—	—	—	(1,555)	—	(1,555)
Acquisition of businesses	—	—	—	—	—	—	—	—	(192)	(192)
Obligation to acquire NCI	—	—	—	—	—	—	(192)	(192)	192	—
Vesting of shares	—	—	684	—	(1,029)	—	345	—	—	—
Share-based payment including tax	—	—	—	—	2,084	—	—	2,084	—	2,084
Dividends paid	—	—	—	—	—	—	(3,762)	(3,762)	—	(3,762)
At 31 July 2021	2,000	11,527	(3,739)	93,855	4,090	2,899	74,658	185,290	—	185,290
Profit for the period	—	—	—	—	—	—	16,240	16,240	29	16,269
Other comprehensive income	—	—	—	—	—	(1,647)	—	(1,647)	—	(1,647)
Total comprehensive income	—	—	—	—	—	(1,647)	16,240	14,593	29	14,622
Acquisition of businesses	—	—	—	—	—	—	—	—	34	34
Vesting of shares	—	—	2,064	—	(1,129)	—	(792)	143	—	143
Share-based payment including tax	—	—	—	—	892	—	—	892	—	892
Dividend paid	—	—	—	—	—	—	(8,719)	(8,719)	—	(8,719)
At 31 January 2022	2,000	11,527	(1,675)	93,855	3,853	1,252	81,387	192,199	63	192,262

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 2022 of £116,822,000 (31 January 2021 £108,184,000).

Interim Condensed Consolidated Statement of Cash Flows

For the period ended 31 January 2022

	Notes	2022 Unaudited £000	2021 Unaudited £000
Operating activities			
Profit for the period after tax		16,269	10,265
Adjustments to reconcile profit for the period to net cash flow from operating activities:			
Income tax		5,082	3,924
(Gain)/Loss on disposal of property, plant and equipment		(4)	14
Acquisition related operating costs		126	2,811
Amortisation of acquired inventory FV adjustment		—	648
Cash flows relating to acquisition costs		(126)	(454)
Re-measurement of financial liability relating to acquisition of ClimaRad		292	60
Re-measurement of future consideration relating to business combination of ClimaRad		691	—
Finance revenue		(695)	(57)
Finance costs	5	1,615	1,735
Share-based payment expense		1,035	1,116
Depreciation of property, plant and equipment	11	1,854	1,633
Depreciation of right of use assets	12	1,801	1,600
Amortisation of intangible assets	9	9,229	8,985
Working capital adjustments:			
Increase in trade receivables and other assets		(3,060)	(7,227)
Increase in inventories		(8,282)	(2,412)
Amortisation of acquired inventory FV adjustment		—	(648)
Increase/(Decrease) in trade and other payables		(5,960)	9,689
Movement in provisions		(153)	51
Cash generated by operations		19,714	31,733
UK income tax paid		(1,000)	(1,370)
UK income tax refund		—	196
Overseas income tax paid		(5,264)	(2,945)
Contingent consideration relating to the acquisition of Ventair	10	(3,211)	—
Net cash flow generated from operating activities		10,239	27,614
Investing activities			
Payments to acquire intangible assets	9	(595)	(621)
Purchase of property, plant and equipment	11	(3,075)	(2,017)
Proceeds from disposal of property, plant and equipment		80	97
Acquisition of subsidiaries, net of cash acquired	10	(16,466)	(36,188)
Contingent consideration relating to the acquisition of Ventair	10	(952)	—
Interest received		1	57
Net cash flow used in investing activities		(21,007)	(38,672)
Financing activities			
Repayment of interest-bearing loans and borrowings		(12,237)	(81,565)
Repayment of ERI debt acquired		(3,285)	—
Repayment of ClimaRad vendor loan		(504)	—
Proceeds from new borrowings		35,428	94,044
Issue costs of new borrowings		—	(1,218)
Interest paid		(1,371)	(997)
Payment of principal portion of lease liabilities	12	(1,657)	(1,475)
Dividends paid		(8,719)	—
Purchase of own shares		—	(550)
Net cash flow generated/(used) in financing activities		7,655	8,239
Net decrease in cash and cash equivalents		(3,113)	(2,819)
Cash and cash equivalents at the start of the year		19,456	18,493
Effect of exchange rates on cash and cash equivalents		(1,183)	28
Cash and cash equivalents at the end of the period		15,160	15,702

Notes to the Interim Condensed Consolidated Financial Statements

For the period ended 31 January 2022

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 2022. The financial information set out herein does not constitute the Group's statutory consolidated financial statements for the 6 months ended 31 January 2022 and is unaudited.

1. Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards (IAS) 34 'Interim financial reporting'. 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 2021. The financial information for the half years ended 31 January 2022 and 31 January 2021 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 accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union. The comparative financial information for the year ended 31 July 2021 included within this report does not constitute the full statutory accounts for that period. The Annual Report 2021 has been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report 2021 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.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Going Concern

The UK Corporate Governance Code requires the Directors to state whether the Board considers it appropriate to adopt the going concern basis of accounting in preparing the financial statements, and to identify any material uncertainties to the Group's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements. In adopting the going concern basis for preparing these financial statements, the Board has considered the Group's business activities, together with factors likely to affect its future development, its performance and principal risks and uncertainties assessed for the period to 31 January 2024.

Our financial position remains robust. In December 2021, the Group took the option to extend its multicurrency "Sustainability Linked Revolving Credit Facility", together with an accordion of up to £30 million by a period of 12 months. The maturity date is now December 2024. As at 31 January 2022, we had £55.6 million of undrawn, committed bank facilities and £15.2 million of cash and cash equivalents on the consolidated statement of financial position.

The Group has certain banking covenants measured semi-annually on these facilities which are for leverage (net debt/adjusted EBITDA) of not more than three times and for adjusted interest cover of not less than four times.

The Board considered the liquidity, net debt and forecast EBITDA in the Group's financial forecasts prepared to 31 January 2024 under a base case and a severe but plausible downside case. Our base case scenario has been prepared using forecasts that consider both the current challenges, and opportunities, faced in each of our business units. These scenarios have considered the Group's principal risks, notably related to expected demand levels in the markets we serve. The severe but plausible case reflects a number of pessimistic downside adjustments, including the impact on revenue of further Covid-19 variants. None of these scenarios result in a breach of the Group's available debt facilities or covenants.

A further downside case, more pessimistic than the severe but plausible downside case, has been analysed to find a theoretical point at which the modelled reduction in revenue would imply that the covenanted measure would start to be breached. The Board considers these forecast volumes to represent an implausibly low level, particularly when considering the wider industry outlook for ventilation products.

Following the Russian invasion of Ukraine on 24 February 2022, the Board has considered the impact on the Group's operations and continues to monitor the developing situation. Whilst the Group does not have any operations in Ukraine and Russia, and there is minimal exposure in terms of customer revenue in these territories, we recognise that any wider impacts are difficult to fully assess at this time.

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 2022

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 2022, a total of 1,896,261 (31 July 2021: 2,123,072) ordinary shares in the Company were held by the Volution EBT, all of which were under option to employees. During the period no ordinary shares in the Company were purchased by the trustees (H1 2021: 250,000), and 305,024 shares (H1 2021: 45,365 shares) were exercised.

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 and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 July 2021.

New standards and interpretations

Any new standards or interpretations in issue, but not yet effective, are not expected to have a material impact on the Group's net assets or results.

The following new standards and amendments became effective as at 1 January 2021 and have been adopted for the financial year commencing 1 August 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- Covid-19-Related Rent Concessions beyond 30 June 2021 Amendment to IFRS 16

These have not had an impact on these interim statements.

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 2022 £000	6 months to 31 January 2021 £000
Profit after tax	16,269	10,265
Add back:		
Re-measurement of contingent consideration	—	2,357
Costs of business combinations	126	454
Amortisation of acquired inventory fair value adjustments	—	648
Re-measurement of future consideration relating to the business combination of ClimaRad	691	—
Net (gain)/loss on financial instruments at fair value	(694)	147
Amortisation and impairment of intangible assets acquired through business combinations	8,520	8,352
Tax effect of the above	(1,697)	(2,176)
Adjusted profit after tax	23,215	20,047
Add back:		
Adjusted tax charge	6,779	6,100
Adjusted profit before tax	29,994	26,147
Add back:		
Interest payable on bank loans, lease liabilities and amortisation of financing costs	1,615	1,588
Re-measurement of financial liability relating to acquisition of ClimaRad	292	60
Finance revenue	(1)	(57)
Adjusted operating profit	31,900	27,738
Add back:		
Depreciation of property, plant and equipment	1,854	1,740
Depreciation of right-of-use asset	1,801	1,493
Amortisation of development costs, software and patents	709	633
Adjusted EBITDA	36,264	31,604

For definitions of terms referred to above see note 18, Glossary of terms.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the period ended 31 January 2022

3. Revenue from contracts with customers

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

	6 months to 31 January 2022 £000	6 months to 31 January 2021 £000
Sale of goods	146,466	128,884
Installation services	3,108	2,823
Total revenue from contracts with customers	149,574	131,707

Market sectors	6 months to 31 January 2022 £000	6 months to 31 January 2021 £000
UK		
Residential RMI	23,845	21,812
Residential New Build	11,968	12,627
Commercial	15,757	14,653
Export	5,609	5,253
OEM	12,628	12,118
Total UK	69,807	66,463
Nordics	27,023	25,663
Central Europe	30,405	19,440
Total Continental Europe	57,428	45,103
Total Australasia	22,339	20,141
Total revenue from contracts with customers	149,574	131,707

	6 months to 31 January 2022 £000	31 July 2021 £000
Right of return assets and refund liabilities		
Right of return assets	288	146
Refund liabilities		
Arising from retrospective volume rebates	11,133	8,277
Arising from rights of return	660	871
	11,793	9,148

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the period ended 31 January 2022

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 18 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 2022	UK £000	Continental Europe £000	Australasia £000	Central / Eliminations £000	Consolidated £000
Revenue					
External customers	69,807	57,428	22,339	—	149,574
Inter-segment	9,617	12,483	70	(22,170)	—
Total revenue	79,424	69,911	22,409	(22,170)	149,574
Gross profit	29,645	30,713	10,982	(50)	71,290
Results					
Adjusted segment EBITDA	15,725	16,425	5,537	(1,423)	36,264
Depreciation and amortisation of development costs, software and patents	(1,828)	(1,591)	(609)	(336)	(4,364)
Adjusted operating profit/(loss)	13,897	14,834	4,928	(1,759)	31,900
Amortisation of intangible assets acquired through business combinations	(4,708)	(3,244)	(568)	—	(8,520)
Acquisition related operating costs	—	—	—	(126)	(126)
Operating profit/(loss)	9,189	11,590	4,360	(1,885)	23,254
Unallocated expenses					
Net finance cost	—	—	—	(1,614)	(1,614)
Gain/(Loss) on financial instruments	—	—	211	483	694
Re-measurement of future consideration	—	—	—	(691)	(691)
Re-measurement of financial liability	—	—	—	(292)	(292)
Profit/(loss) before tax	9,189	11,590	4,571	(3,999)	21,351

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

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the period ended 31 January 2022

4. Segmental analysis (continued)

Geographic information

	6 months ended 31 January 2022 £000	6 months ended 31 January 2021 £000
Revenue from external customers by customer destination		
United Kingdom	58,321	54,672
Europe (excluding United Kingdom and Sweden)	53,484	41,488
Sweden	13,215	13,422
Australasia	22,467	20,221
Rest of the world	2,087	1,904
Total revenue from contracts with customers	149,574	131,707

	6 months ended 31 January 2022 £000	6 months ended 31 January 2021 £000
Non-current assets excluding deferred tax		
United Kingdom	118,968	124,046
Europe (excluding United Kingdom and Nordics)	82,760	67,478
Nordics	35,653	34,276
Australasia	48,111	53,790
Total	285,492	279,590

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 revenue and costs

	6 months ended 31 January 2022 £000	6 months ended 31 January 2021 £000
Finance revenue		
Interest receivable	1	57
Net gain on financial instruments at fair value	694	—
Total finance revenue	695	57
Finance costs		
Interest payable on bank loans	(1,072)	(797)
Unamortised finance costs written off	—	(450)
Net gain on financial instruments at fair value	—	(147)
Interest on lease liabilities	(256)	(254)
Other interest	(287)	(87)
Total finance expense	(1,615)	(1,735)
Net finance costs	(920)	(1,678)

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 22.6% (H1 2021: 23.3%). The decrease of 0.7 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, our overseas jurisdictions have an average tax rate for the half year 24.9%. Our reported effective tax rate for the period was 23.8% (H1 2021: 27.7%).

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 2022

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 2,966,484 dilutive potential ordinary shares at 31 January 2022 (H1 2021: 649,644).

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

	6 months ended 31 January 2022	6 months ended 31 January 2021
	£000	£000
Profit attributable to ordinary equity holders	16,269	10,265
	Number	Number
Weighted average number of ordinary shares for basic earnings per share	197,605,520	198,021,975
Weighted average number of ordinary shares for diluted earnings per share	200,256,594	198,641,207
Earnings per share		
Basic	8.2p	5.2p
Diluted	8.1p	5.2p

	6 months ended 31 January 2022	6 months ended 31 January 2021
	£000	£000
Adjusted profit attributable to ordinary equity holders	23,215	20,047
	Number	Number
Weighted average number of ordinary shares for adjusted basic earnings per share	197,605,520	198,021,975
Weighted average number of ordinary shares for adjusted diluted earnings per share	200,256,594	198,641,207
Adjusted earnings per share		
Basic	11.7p	10.1p
Diluted	11.6p	10.1p

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 18, 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 2022

8. Intangible assets – goodwill

Goodwill	Total £000
At 31 July 2020	116,778
On acquisition of ClimaRad Holdings B.V. and its subsidiaries	20,258
On acquisition of Klimatfabriken	2,646
On acquisition of Rtek	1,096
Net foreign currency exchange differences	(3,068)
At 31 July 2021	137,710
On acquisition of ERI and its subsidiaries	6,098
Net foreign currency exchange differences	(2,013)
At 31 January 2022	141,795

9. Intangible assets – other

2022	Total £000
Cost	
At 1 August 2021	220,083
Additions	595
Additions through acquisition	15,956
Disposals	(56)
Net foreign currency exchange differences	(2,436)
At 31 January 2022	234,142
Amortisation	
At 1 August 2021	134,710
Charge for the period	9,229
Disposals	(51)
Net foreign currency exchange differences	(1,760)
At 31 January 2022	142,128
Net book value	
At 31 January 2022	92,014

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the period ended 31 January 2022

10. Business combinations

Acquisitions in the half year ended 31 January 2022

ERI

On 9 September 2021, Volution Group acquired ERI Corporation, a leading manufacturer and supplier of low-carbon, energy efficient heat exchanger cells, for an initial consideration of €20.0 million with a further contingent cash consideration of up to €12.4 million based on stretching targets for the financial results for the year ending 31 December 2023. The acquisition of ERI Corporation is in line with the Group's strategy to grow by selectively acquired value-adding businesses in new and existing markets and geographies.

ERI designs and manufactures a range of innovative and highly efficient aluminium heat exchanger cells for use primarily in commercial heat recovery ventilation systems. Products are manufactured in ERI's modern, high quality production facility in Bitola, North Macedonia, and are supplied to heat recovery and air handling unit manufacturers predominantly in Europe, including existing Volution Group companies. The business combination encompasses 100% of the issued share capital of ERI Corporation DOO Bitola (North Macedonia), ERI Corporation S.R.L. (Italy) and Energy Recovery Industries Trading SLU (Spain) and 51% of the issued share capital of Energy Recovery Industries Corporation Ltd (UK). For the financial year ended 31 December 2020, ERI generated revenue of €11.3 million and profit before tax of €2.0 million.

The provisional fair value of the net assets acquired were as follows:

	Book value £000	Fair Value adjustments £000	Fair value £000
Intangible assets	420	15,536	15,956
Property, plant and equipment	3,199	—	3,199
Inventory	2,326	—	2,326
Trade and other receivables	3,745	—	3,745
Trade and other payables	(2,413)	—	(2,413)
Deferred tax liabilities	—	(1,923)	(1,923)
Bank debt	(3,285)	—	(3,285)
Cash and cash equivalents	902	—	902
Total identifiable net assets	4,894	13,613	18,507
Non-controlling Interest in ERI UK			(34)
Goodwill on the business combination			6,098
Discharged by:			
Cash consideration (including deferred cash consideration)			16,893
Contingent consideration			7,678

Goodwill of £6,098,000 reflects certain intangibles that cannot be individually separated and reliably measured due to their nature. These items include the value of expected synergies arising from the business combination 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 fair value of the property, plant and equipment is assessed to be same as book value.

The gross amount of trade and other receivables is £3,745,000. All of the trade receivables are expected to be collected in full. Transaction costs relating to professional fees associated with the business combination in the period ended 31 January 2022 were £126,000 and have been expensed.

ERI generated revenue of £5,700,000 and generated a profit after tax of £1,209,000 in the period from acquisition to 31 January 2022 that is included in the consolidated statement of comprehensive income for this reporting period. If the combination had taken place at 1 August 2021, the Group's revenue would have been £151,104,000 and the profit before tax from continuing operations would have been £21,696,000.

Cash outflows arising from business combinations are as follows

	6 months ended 31 January 2022 £000	6 months ended 31 January 2021 £000
ERI		
Cash consideration	16,892	—
Less: cash acquired with the business	(902)	—
Ventair		
Deferred cash consideration paid	4,163	—
Air Connection		
Deferred cash consideration paid	476	—
ClimaRad BV		
Cash consideration	—	37,067
Less: cash acquired with the business	—	(879)
Total	20,629	36,188

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the period ended 31 January 2022

11. Property, plant and equipment

Property, plant and equipment excluding right-of-use assets 2022	Land and buildings £000	Plant and Machinery £000	Fixtures, fittings, tools, equipment and vehicles £000s	Total £000
Cost				
At 1 August 2021	15,370	13,840	11,544	40,754
Transferred to right-of-use assets	(17)	—	(191)	(208)
Additions	44	1,912	1,119	3,075
Additions on acquisition	1,329	1,776	94	3,199
Disposals	—	(11)	(302)	(313)
Net foreign currency exchange differences	(248)	3	(263)	(508)
At 31 January 2022	16,478	17,520	12,001	45,999
Depreciation				
At 1 August 2021	4,542	5,795	6,509	16,846
Transferred to right-of-use assets	(7)	—	—	(7)
Charge for the period	255	631	968	1,854
Disposals	—	(11)	(231)	(242)
Net foreign currency exchange differences	(62)	48	(90)	(104)
At 31 January 2022	4,728	6,463	7,156	18,347
Net book value				
At 31 January 2022	11,750	11,057	4,845	27,652

Commitments for the acquisition of property, plant and equipment as of 31 January 2022 £1,154,000 (31 July 2021: £1,380,000).

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the period ended 31 January 2022

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 2022	Land and buildings £000	Plant and Machinery £000	Fixtures, fittings, tools, equipment and vehicles £000s	Total £000
Cost				
At 1 August 2021	28,073	203	2,819	31,095
Transferred from property, plant and equipment	17	—	191	208
Additions	1,085	10	439	1,534
Disposals	—	(17)	(98)	(115)
Expiration of leases	(98)	(7)	(8)	(113)
Net foreign currency exchange differences	(196)	-	(43)	(239)
At 31 January 2022	28,881	189	3,300	32,370
Depreciation				
At 1 August 2021	5,298	139	1,181	6,618
Transferred from property, plant and equipment	7	—	—	7
Charge for the period	1,477	29	295	1,801
Disposals	—	(12)	(38)	(50)
Expiration of leases	(98)	(7)	(8)	(113)
Net foreign currency exchange differences	171	4	(99)	76
At 31 January 2022	6,855	153	1,331	8,339
Net book value				
At 31 January 2022	22,026	36	1,969	24,031

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 2022	Land and buildings £000	Plant and Machinery £000	Fixtures, fittings, tools, equipment and vehicles £000s	Total £000
At 1 August 2021	24,281	75	1,073	25,429
Additions to lease liabilities	1,085	10	439	1,534
Disposals	—	(13)	(72)	(85)
Interest expense	232	4	20	256
Lease payments	(1,736)	(35)	(142)	(1,913)
Foreign exchange movements	(385)	7	(76)	(454)
At 31 January 2022	23,477	48	1,242	24,767
Analysis				
Current	2,828	36	473	3,337
Non-current	20,649	12	769	21,430
At 31 January 2022	23,477	48	1,242	24,767

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

	Total £000
Depreciation expense of right-of-use assets (cost of sales)	1,048
Depreciation expense of right-of-use assets (administrative expenses)	753
Interest expense	256

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the period ended 31 January 2022

13. Other financial liabilities

2022	Air Connection ApS £000	Ventair Pty Limited £000	ClimaRad BV £000	Nordiska Klimatfabriken AB £000	Energent Ab £000	ERI £000	Total £000
Contingent consideration							
At 1 August 2021	483	4,070	5,514	251	256	—	10,574
Contractual liability to purchase remaining non-controlling interest	—	—	983	—	—	—	983
Contingent consideration	—	—	—	—	—	7,678	7,678
Consideration paid during the year	(476)	(4,163)	—	—	(256)	—	(4,895)
Foreign exchange	(7)	93	—	(11)	—	—	75
At 31 January 2022	—	—	6,497	240	—	7,678	14,415
Analysis							
Current	—	—	—	240	—	—	240
Non-current	—	—	6,497	—	—	7,678	14,175
Total	—	—	6,497	240	—	7,678	14,415

The financial liability to purchase the non-controlling interest in ClimaRad BV is sensitive to the estimation of the expected future performance of ClimaRad which is used to calculate the future amount payable – based on an EBITDA multiple. If EBITDA for the calendar year ended 31 December 2024 is 10% higher than expected, contingent consideration would be £1,600,000 higher, discounted to present value.

At the 31 July 2021 £507,000 was paid into escrow as part of consideration but deferred relating to Nordiska Klimatfabriken AB £251,000 and Energent £256,000, during the period the £256,000 relating to Energent was transferred to the seller.

The financial liability to pay contingent consideration relating to the acquisition in the period of ERI is sensitive to the estimation of the expected future performance of ERI which is used to calculate the future amount payable – based on an EBITDA multiple. If EBITDA for the calendar year ended 31 December 2023 is 10% higher than expected, contingent consideration would be £1,400,000 higher, discounted to present value.

2021	Air Connection ApS £000	Ventair Pty Limited £000	ClimaRad BV £000	Nordiska Klimatfabriken AB £000	Energent Ab £000	Total £000
Contingent consideration						
At 1 August 2020	508	960	—	—	—	1,468
Contractual liability to purchase remaining non-controlling interest	—	—	5,514	—	—	5,514
Further consideration recognised	—	3,287	—	261	258	3,806
Foreign exchange	(25)	(177)	—	(10)	(2)	(214)
At 31 July 2021	483	4,070	5,514	251	256	10,574
Analysis						
Current	483	4,070	—	—	—	4,553
Non-current	—	—	5,514	251	256	6,021
Total	483	4,070	5,514	251	256	10,574

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the period ended 31 January 2022

14. Interest-bearing loans and borrowings

	31 January 2022		31 July 2021	
	Current £000	Non-current £000	Current £000	Non-current £000
Unsecured – at amortised cost				
Borrowings under the revolving credit facility (maturing 2024)	–	94,380	–	73,293
Cost of arranging bank loan	–	(1,051)	–	(956)
	–	93,329	–	72,337
ClimaRad vendor loan	–	9,587	–	10,551
Long term lease liabilities	3,337	21,430	3,454	21,975
Interest-bearing loans and borrowings	3,337	124,346	3,454	104,863

In December 2021, the Group took the option to extend its multicurrency “Sustainability Linked Revolving Credit Facility”, together with an accordion of up to £30 million by a period of 12 months the maturity date is now December 2024. At the 31 January 2022 we had £300,000 of fees relating to the option to extend the revolving credit facility included in accruals.

Revolving credit facility – at 31 January 2022

Currency	Amount outstanding £000	Termination date	Repayment frequency	Rate %
GBP	11,200	2 December 2024	One payment	Sonia + margin%
Euro	71,680	2 December 2024	One payment	Euribor + margin%
Swedish Krona	11,500	2 December 2024	One payment	Stibor + margin%
Total	94,380			

During the period the rate of interest used by the bank on our GBP loans has transitioned from the London Interbank Offered Rate (LIBOR) to Sterling Overnight Indexed Average (SONIA).

Revolving credit facility – at 31 July 2021

Currency	Amount outstanding £000	Termination date	Repayment frequency	Rate %
GBP	–	2 December 2023	One payment	Libor + margin%
Euro	57,304	2 December 2023	One payment	Euribor + margin%
Swedish Krona	15,989	2 December 2023	One payment	Stibor + margin%
Total	73,293			

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 2022, Group leverage was below 1.5:1 but greater than 1.0:1 and therefore the margin will increase to 1.50% in H2 2022.

At 31 January 2022, the Group had £55,620,000 (31 July 2021: £76,707,000) of its multicurrency revolving credit facility unutilised.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the period ended 31 January 2022

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 Board has declared an interim dividend of 2.30 pence per ordinary share in respect of the half year ended 31 January 2022 (6 months to 31 January 2021: 1.90 pence per ordinary share) which will be paid on 3 May 2022 to shareholders on the register at the close of business on 25 March 2022. 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 2022 or 31 January 2021.

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.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the period ended 31 January 2022

18. 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 2,966,484 dilutive potential ordinary shares at 31 January 2022 (H1 2021: 649,644).

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 operating cash flow: adjusted EBITDA plus or minus movements in operating working capital, less net investments in property, plant and equipment and intangible assets less the operating activities part of the contingent consideration.

Adjusted operating profit: operating profit before adjustments to re-measurement 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 re-measurement 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 re-measurement 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 2022 at the average exchange rate for the period ended 31 January 2021. In addition, we have converted the UK operating companies' sale and purchase transactions in the period ended 31 January 2022, which were denominated in foreign currencies, at the average exchange rates for the period ended 31 January 2021.

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

Net debt: bank borrowings 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.