Friday 18 March 2016

VOLUTION GROUP PLC

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2016

Strong results in line with our expectations. Interim dividend up 14%.

Volution Group plc ("Volution" or "the Group" or "the Company", LSE: FAN), a leading supplier of ventilation products to the residential and commercial construction market, today announces its unaudited interim financial results for the 6 months ended 31 January 2016.

Highlights	6 months to January 2016	6 months to January 2015	Movement	Movement in Constant Currency
Revenue (£000)	70,142	64,349	9.0%	13.0%
Adjusted EBITDA (£000)	16,525	15,038	9.9%	13.4%
Adjusted operating profit (£000)	15,207	13,990	8.7%	12.2%
Adjusted profit before tax (£000)	14,597	12,709	14.9%	18.7%
Reported profit before tax (£000)	8,040	7,499	7.2%	13.7%
Basic and diluted EPS (p)	3.64	2.94	23.8%	32.2%
Adjusted basic and diluted EPS (p)	5.73	4.98	15.1%	19.9%
Adjusted operating cash flow (£000)	11,439	11,809	(3.1%)	
Interim dividend per share (p)	1.20	1.05	14.3%	
Net debt (£000)	38,988	31,400		

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

Overview

Financial highlights

- Strong results in line with our expectations.
- Revenue in the 6 months was £70.1 million, a 9.0% increase (13.0% at constant currency).
- Organic revenue declined by 1.1% (2.1% growth at constant currency) and revenue grew by 10.1% as a result of acquisitions (10.9% at constant currency).
- Ventilation Group revenue growth including acquisitions was 14.0% at constant currency.
- UK New Build Residential revenue growth was 7.1% with growth in order intake of more than 10%.
- UK RMI declined by 5.0% with destocking in some major Private RMI customers and a continuing difficult market for Public RMI.
- Revenue growth in the Nordics was an exceptionally strong 18.3% at constant currency.
- OEM (Torin-Sifan) results improved as revenue grew 8.0% at constant currency, despite an un-seasonally mild winter.
- Adjusted profit before tax increased by 14.9% to £14.6 million assisted by lower interest costs as a result of refinancing our bank facilities in February 2015.
- The Group's reported profit before tax was £8.0 million (H1 2015: profit of £7.5 million).
- Continued strong adjusted operating cash flow.
- Interim dividend of 1.20 pence per share, up 14.3% compared to H1 2015.

Strategic highlights

- We saw an increase in sales of high end products such as quiet, silent and energy efficient fans and the launch of a range of app controlled fans in the Group.
- Three acquisitions completed in the first half year with all integration activity progressing as anticipated.
  - Ventilair provides the Group with access to markets in both Belgium and the Netherlands with the sales in the first half of the year growing ahead of the first half of 2015, a period prior to our ownership.
  - Welair, a small heat recovery manufacturer in Sweden provides the Nordic business with a wider product portfolio and greater exposure to the New Build markets.
  - Energy Technique Plc and subsidiaries (trading as Diffusion) complements the Group's leading position in the UK residential markets with a strong position in the niche market of fan coils for both commercial and residential heating and cooling of primarily new buildings.
- OEM (Torin-Sifan) revenue growth was assisted by growth in the EC sales category in both the heating and ventilation markets.

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

"We have delivered results in line with our expectations and the level of our cash generation continues to support our ambition to also grow through acquisition. The Nordic revenue growth of 18.3% is the notable highlight of our first half and we are seeing good traction from our new acquisitions in Belgium, the Netherlands and most recently the UK.

New product launches in the first half of the year such as the new applications software controlled fan are good examples of where the Group is able to leverage product development across a number of different geographies. This product will soon be launched in Belgium and the Netherlands, having already been successfully launched in the Nordics and UK."

Outlook

"We are confident of delivering against our full year expectations because of the breadth of our activities and the continuing successful integration of our acquisitions. Public RMI remains weak but there are early signs of improvement in Private RMI in the UK."

-Ends-

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Note to Editors

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

The Group sold approximately 12.5 million ventilation products and accessories in the six months ended 31 January 2016. The Volution Group operates through two divisions: the Ventilation Group and the OEM (Torin–Sifan) division. The Ventilation Group consists of 9 key brands - Vent-Axia, Manrose, Diffusion, Fresh, PAX, Welair, inVENTer, Brüggemann and Ventilair, focused primarily on the UK, Nordic, German and Benelux ventilation markets. The Ventilation Group principally supplies ventilation products for residential and commercial ventilation applications. The OEM (Torin-Sifan) division, supplies motors, fans and blowers to OEMs of heating and ventilation products for both residential and commercial construction applications in Europe.

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

Cautionary statement regarding forward-looking statements

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

CHIEF EXECUTIVE OFFICER'S REVIEW

Overview

We continued to deliver on our growth strategies in the first half of this financial year, despite currency headwinds. Our results for the 6 months were in line with our expectations. Revenue was up against H1 2015 by 9.0% (13.0% at constant currency) at £70.1 million. Adjusted EBITDA grew strongly, up 9.9% (13.4% at constant currency) to £16.5 million, 23.6% of revenue.

The acquisitions of Ventilair, Welair and Energy Technique were completed in the half year and the integration of all three is progressing to plan. Our organic growth results were mixed, with strong growth in the Nordics and UK Residential New Build offset by the disappointing performance in UK Residential RMI. Our exposure to the UK New Build Commercial markets is now significantly enhanced with the recent acquisition of Diffusion.

Ventilation Group: Revenue of £59.7 million (H1 2015: £54.4 million)
Adjusted operating profit of £14.3 million (H1 2015: £13.3 million)

Revenue	Reported	Constant Currency		
	2016	2016	2015	Growth
Market Sectors	*£000*	*£000*	*£000*	*%*
UK Residential RMI	17,011	17,011	17,907	(5.0%)
UK Residential New Build	8,333	8,333	7,782	7.1%
UK Commercial	8,246	8,246	7,960	3.6%
UK Export[1]	2,816	2,992	3,923	(23.7%)
Nordics[2]	12,433	13,691	11,570	18.3%
Central Europe[2]	10,858	11,746	5,274	122.7%
Total Ventilation Group	**59,697**	**62,019**	**54,416**	**14.0%**

[1] During H1 2015 sales to the Ventilair group from the UK were included within UK Export. For the six months to 31 January 2016 Ventilair was a member of the Volution Group therefore all sales to Ventilair have been eliminated on consolidation for H1 2016. Sales to Ventilair in H1 2015 were £870,000. Like for like UK Export revenue declined by 7.8% (2.0% decline at constant currency).

[2] Represents revenue generated from our legal entities located in these geographies (see note 4 for further details).

Our Ventilation Group segment's revenue was £59.7 million in the six months, a 9.7% increase on prior year (14.0% growth at constant currency). Organic revenue declined by 1.1% (2.1% growth at constant currency).

Our UK Residential RMI sector declined by 5.0%. The decline was most significant in the Residential Public RMI sector where sales were lower than we anticipated. This area of the market continues to be the subject of public spending austerity measures and our objective has been to restart the process of making structural share gains, as we expect the overall market to be subdued for the foreseeable future. New product development is a key factor in gaining market share in this sector and our new "Revive" public housing fan range will be launched in the UK this summer. In the Residential Private RMI sector destocking by two major customers explains some of the decline. We continue our efforts to transform the UK Residential RMI private market to deliver growth by promoting the sale of more high end products such as quiet, silent and energy efficient fans. The "app" controlled fan, successfully launched as Calima in the Nordics, was launched in the UK as "Svara" in January and the sales in the first month were very encouraging.

Our UK Residential New Build sector delivered revenue growth of 7.1% and our order intake grew by more than 10% on the prior year. The new range of increased performance heat recovery systems has been launched and our outlook for central systems remains positive.

UK Export sales (excluding sales from the UK to Ventilair as it is now part of the Group) were broadly unchanged on the prior year at constant currency. Sales to Ventilair, which previously was a UK Export customer, are now eliminated on consolidation. After the exceptionally strong export sales growth in FY15 (25.2% at constant currency) we did not anticipate continuing strong growth in FY16. The order intake for heat recovery systems in Eire was very pleasing in the first half.

Sales in the Nordic Sector were £12.4 million, an increase of 7.5% on H1 2015 (18.3% at constant currency). Growth in Sweden was assisted by the local government initiative in Residential RMI where we were able to capitalise on our leadership position for ventilation supply for refurbishment. The "Calima" fan was successfully launched in Sweden and the roll out is continuing to the adjacent markets in Norway, Denmark and Finland. The more recent addition of Welair to the Group will enable us to expand our market reach to new build applications utilising our trade and retail routes to market.

Since the acquisition of Ventilair we have formed a new market sector, Central Europe (Germany, the Netherlands and Belgium). Revenue in Central Europe was £10.9 million, more than doubling versus the prior period principally through the acquisition of Ventilair; revenue in Germany remained flat in local currency. Germany continues to develop its range of products and the "iV12-Smart" has performed very well in the first half. The Brüggemann distribution company has also been integrated into the Group and now only supplies our own manufactured products to the market. As well as the development of new heat recovery products work is underway to utilise the Group's capability in the development of new ventilation controllers.

In Belgium and the Netherlands the integration process is largely complete and the local teams are now focussed on launching the Group's products utilising their routes to market mainly in the trade/professional channel.

OEM (Torin-Sifan): Revenue of £10.4 million (H1 2015: £9.9 million)
Adjusted operating profit of £1.9 million (H1 2015: £1.5 million)

Revenue	**Reported**	**Constant Currency**		
	2016	**2016**	**2015**	**Growth**
Market Sectors	*£000*	*£000*	*£000*	*%*
OEM	10,445	10,726	9,933	8.0%
Total OEM	**10,445**	**10,726**	**9,933**	**8.0%**

Our OEM (Torin-Sifan) segment revenue was £10.4 million in the six months and has grown by 5.2% (8.0% at constant currency) despite an unseasonably mild winter.

Sales of EC/DC motorised impellers for both heating and ventilation products continue to grow and we focus on this attractive market. The three phase EC/DC motor development is nearing the final stages of extended life testing and is now expected to contribute sales towards the end of FY16.

Three Strategic Pillars

Our strategy continues to focus on three key pillars:

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

In our core markets, we expect to continue to benefit from a favourable regulatory backdrop that focuses on reducing carbon emissions from buildings, the need for improving energy efficiency and the emerging understanding of the importance of indoor air quality in the developed world. This is especially evident in new construction where our growth in the UK Residential New Build market was 7.1% in the first half of the financial year. Through the acquisition of Ventilair in Belgium we also have an increased exposure to the new construction market for residential homes and more recently Diffusion is benefitting from low carbon energy efficient heating and cooling solutions primarily for new commercial buildings. Continuing investment in internal resources and focusing on product management and product development will enable us to deliver product and system solutions to meet customers' needs.

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

Over the last three years we have made a significant investment in OEM (Torin-Sifan) in new product development and a new production facility to capitalise on the growth in demand for EC (Electronically Commutated) motors used in various residential and commercial ventilation products. The new EC production facility is now fully commissioned and operational delivering substantially improved customer service and quality to our customers. The product development of the new range of high performance air movement products is nearing completion later than anticipated as a result of extending our accumulated life testing programme. These new products will be launched towards the end of the second half of the 2016 financial year and we are reviewing plans for the ongoing expansion of the range.

Board

As announced separately today, Gavin Chittick, our non-independent Non-Executive Director, has decided to retire from the Board and will step down with immediate effect. Mr. Chittick joined the Group in 2012 and was appointed to the Board in May 2014, just prior to IPO, as the director representing Windmill Holdings B.V. the Group's controlling shareholder. The Board would like to thank Gavin for his valuable contribution to the Board and wish him well for the future.

Ronnie George

Chief Executive Officer

18 March 2016

FINANCIAL REVIEW

Trading Performance Summary

	Adjusted[1]			Reported		
	6 months to 31 January 2016	6 months to 31 January 2015	Movement	6 months to 31 January 2016	6 months to 31 January 2015	Movement
Revenue (£000)	70,142	64,349	9.0%	70,142	64,349	9.0%
EBITDA (£000)	16,525	15,038	9.9%	15,353	14,992	2.4%
Operating profit (£000)	15,207	13,990	8.7%	7,945	8,142	(2.4%)
Finance costs (£000)	621	1,287	51.7%	621	1,287	51.7%
Profit/ (loss) before tax (£000)	14,597	12,709	14.9%	8,040	7,499	7.2%
Basic and diluted EPS (p)	5.73	4.98	15.1%	3.64	2.94	23.8%
Operating cash flow (£000)	11,439	11,809	(3.1%)	10,267	11,763	(12.7%)
Net Debt (£000)	38,988	31,400		38,988	31,400	

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

1. Details of adjusted EBITDA, adjusted operating profit and adjusted profit before tax can be found in note 7. For a definition of all adjusted measures see the glossary of terms in note 20.

Revenue

Group Revenue during the six months ended 31 January 2016 was £70.1 million (H1 2015: £64.3 million) a 9.0% increase (13.0% at constant currency). This comprised a 1.1% decline in organic revenue (2.1% growth on a constant currency basis), with 10.1% the result of three acquisitions in the period (10.9% at constant currency).

The Group continued to enjoy strong demand for its ventilation products, especially newer, higher value added ventilation systems including 7.1% growth in UK Residential New Build sales and 18.3% growth (at constant currency) in our Nordics region. UK Residential RMI sector revenue declined by 5.0% with destocking in some of our major Private RMI customers and continued softness in the Public RMI market. In the UK Commercial sector, growth was 3.6% including the benefit from one month of sales from the acquisition of Diffusion which primarily serves that market sector. UK Exports declined by 28.2% (23.7% at constant currency) as a consequence of the acquisition of Ventilair in August 2015; Ventilair was a significant export customer of our UK businesses in prior periods and now sales to Ventilair are intra-Group and eliminated on consolidation. On a like for like basis our UK Export business declined slightly by 2.0% on a constant currency basis after strong growth in our prior financial year. Sales in our OEM (Torin-Sifan) segment showed strong growth of 5.2% (8.0% at constant currency) despite another exceptionally warm winter.

Profitability

Our underlying result, as measured by adjusted EBITDA, was £16.5 million (H1 2015: £15.0 million), 23.6% of revenues, a £1.5 million improvement compared to H1 2015. At constant currency our profit performance improved by £2.0 million, equivalent to 13.4% growth and 24.3% of revenues. The Group benefitted from the three acquisitions in the period and from continuing cost reductions and synergy benefits.

On sales growth of 9.0% (13.0% at constant currency) our adjusted profit before tax improved by 14.9%, £1.9 million, to £14.6 million. At constant currency, adjusted profit before tax was £15.1 million representing growth of 18.7% and 21.5% of revenues. The improvement included a £0.7 million reduction in finance costs mainly as a consequence of the refinancing of our bank facilities in February 2015.

The Group's reported profit before tax in the six months was £8.0 million (H1 2015: £7.5 million), growth of £0.5 million.

Acquisitions

The Group's trading benefitted in the six months from three acquisitions which were completed in the period and financed from our existing cash reserves and bank facilities:

- On 5 August 2015 we completed the acquisition of Ventilair Group International BVBA, based in Belgium with operations in Belgium and the Netherlands. The consideration was €14.3 million (approximately £9.7 million net of cash acquired), €16.3 million including settlement of target's debt at acquisition;
- On 1 December 2015 we completed the acquisition of Weland Luftbehandling AB, based in Sweden. The company has subsequently changed its name to Welair AB. The consideration was SEK 7.8 million (approximately £0.6 million); and
- On 21 December 2015 we completed the acquisition of Energy Technique plc based in the UK. The business subsequently changed its name to Energy Technique Limited following de-listing and trades as Diffusion. The consideration was £9.4 million (£8.2 million net of cash acquired).

For further details please refer to note 14.

Exceptional items and adjusted performance measures

Exceptional items, by virtue of their size, incidence or nature, are disclosed separately in order to allow a better understanding of the underlying trading performance of the Group. During the period ended 31 January 2016 exceptional items were £1.0 million all related to acquisitions made in the period (H1 2015: £0.1 million). Details of these exceptional items can be found in note 6.

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

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

- On acquisition of a business, we obtain an independent valuation of material identifiable acquired intangible fixed assets such as trademarks and customer base and recognise these assets in our consolidated statement of financial position; we then amortise these acquired assets over their useful lives. In the six months the amortisation charge of these intangible assets was £6.1 million (H1 2015: £5.8 million);
- At each reporting period end date we measure the fair value of financial derivatives and recognise any gains or losses immediately in finance cost. In the six months we recognised a gain of £0.7 million (H1 2015: gain £0.6 million); and
- Other non-recurring items not meeting the definition of exceptional, such as restructuring costs of £0.2 million (H1 2015: £nil).

Finance revenue and costs

Finance costs of £0.6 million in the six months (H1 2015: £1.3 million) have reduced, largely as a consequence of the refinancing of our bank facility in February 2015 leading to a lower overall interest rate coupled with flexibility on repayments leading to a lower average debt during the period.

Taxation

As a result of the summer Finance Bill 2015, which achieved royal assent during the period, future UK corporation tax rates were reduced to 19%, effective from 1 April 2017 and 18% effective from 1 April 2020. We have large deferred tax liabilities on our consolidated statement of financial position and the liabilities have been recalculated as a consequence of these tax rate changes. As a result the deferred tax liability has decreased, with a one off credit of £1.1 million recognised in the income statement. This has reduced our effective tax rate in the period to 9.4% (H1 2015: 21.6%).

Operating cash flow

The Group continued to be cash generative in the six months with adjusted operating cash inflow of £11.4 million. This represents a cash conversion, after capital expenditure of 74.6% (H1 2015: 84.1%). The Group continues to manage its working capital efficiently with operating working capital representing 27.5% of half year revenue (H1 2015: 29.5%). Adjusting for the acquisition of Diffusion and Welair our like for like working capital would have been 26.7% of our half year revenue. See glossary of terms in note 20 for a definition of adjusted operating cash flow.

Purchase of own shares

In the period the Group loaned £1.0 million 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 Long Term Incentive Plan and Deferred Share Bonus Plan. The Employee Benefit Trust acquired 528,000 shares at an average price of £1.87 per share in the period, an aggregate consideration of £1.0 million. The Employee Benefit Trust has been consolidated into our interim results for the first time and the shares purchased have been treated as treasury shares deducted from shareholders' funds.

Net debt

Net debt as at 31 January 2016 was £39.0 million made up of bank borrowings of £54.9 million (FY 2015: £32.8 million, H1 2015: £52.3 million) offset by cash and cash equivalents of £15.9 million.

Movements in net debt position for the 6 months ending 31 January 2016

	2016 £m	2015 £m
Opening net debt 1 August	**(21.2)**	**(42.9)**
Adjusted operating cash flow		
EBITDA	16.5	15.0
movement in working capital	(2.5)	(0.6)
capital expenditure	(2.6)	(2.6)
	11.4	11.8
Other movements from normal business operations		
interest paid	(0.5)	(1.3)
income tax paid	(2.1)	(0.4)
exceptional and restructuring items paid	(0.3)	(0.1)
other	0.3	0.1
foreign exchange	(2.6)	1.4
Movements from investment activities		
acquisition consideration	(18.5)	-
Movements from financing activities		
dividends paid	(4.5)	-
purchase of own shares	(1.0)	-
Closing net debt 31 January	**(39.0)**	**(31.4)**

- The movements in foreign currency arise as a result of the revaluation of foreign currency borrowings.
- Acquisition consideration is net of cash acquired.
- Of the £2.5 million increase in working capital in the period, £0.6 million was the result of movements in foreign currency exchange rates.

Bank facilities, refinancing and liquidity

The Group's bank facilities, at the period end 31 January 2016, consisted of a £90 million revolving credit facility, maturing April 2019. The current debt balance is £54.9 million leaving an unutilised facility of £35.1 million and cash reserves of £15.9 million.

Foreign exchange

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

We are also exposed to translational currency risk as the Group consolidates foreign currency denominated assets, liabilities, income and expenditure into Group reporting denominated in sterling. We hedge the translation risk of the net assets in Fresh and PAX with £14.8 million borrowings denominated in SEK (H1 2015: £17.8 million). We have partially hedged our risk of translation of the net assets of inVENTer and Ventilair by having Euro denominated bank borrowings in the amount of £19.9 million as at 31 January 2016 (H1 2015: £9.5 million). We do not hedge the results of overseas subsidiaries.

During the six months, movements in foreign currency exchange rates have had an adverse effect on the reported revenue and profitability of our business. If we had translated the H1 2016 performance of our business at our 2015 exchange rates our reported Group revenues would have been £72.7 million, £2.5 million (4.0%) higher and operating profit would have been £8.4 million, £0.5 million (6.3%) higher.

Earnings per share

The basic and diluted earnings per share for the 6 months ended 31 January 2016 was 3.64 pence (H1 2015: 2.94 pence). Our adjusted basic and diluted earnings per share was 5.73 pence (H1 2015: 4.98 pence).

Interim dividend

The Board has declared an interim dividend of 1.20 pence per share, which represents growth of 14.3% compared to H1 2015. This dividend will be paid on 5 May 2016 to shareholders on the register at the close of business on 1 April 2016.

Ian Dew

Chief Financial Officer

18 March 2016

PRINCIPAL RISKS AND UNCERTANTIES

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The directors do not consider that the principal risks and uncertainties have changed since the publication of the Annual Report for the year ended 31 July 2015. These risks are summarised below, and how the Group seeks to mitigate these risks is set out on pages 24 and 27 of the Annual Report 2015 which can be found at www.volutiongroupplc.com.

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

Economic Risk

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

Foreign Exchange Risk

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

Acquisitions

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

Innovation

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

Supply chain and raw materials

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

IT systems

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

Customers

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

Legal and regulatory environment

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

People

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

VIABILITY STATEMENT

In accordance with provision C.2.2 of the UK Corporate Governance Code 2014 (which applies to the Group for the financial year ended 31 July 2016), the Board will assess the prospects of the Group over a longer period than the twelve months required by the Going Concern provision. The Board will determine the period of time which is relevant to the Group and its prospects over that period, and make a disclosure together with the reasons why the period was chosen, in the Annual Report and Accounts 2016.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors confirm that to the best of their knowledge:

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

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

(b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the Group during that period; and any changes in the related party transactions described in the Annual Report 2015 that could do so.

The directors of Volution Group plc are as listed in the Company's Annual Report for the year ended 31 July 2015.

By order of the Board

Ronnie George
Chief Executive Officer
18 March 2016

Ian Dew
Chief Financial Officer
18 March 2016

INDEPENDENT REVIEW REPORT TO VOLUTION GROUP PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 January 2016 which comprises the interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of financial position, interim condensed consolidated statement of changes in equity, interim condensed consolidated statement of cash flows and the related notes 1 to 20. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' Responsibilities

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

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

Our Responsibility

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 January 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
18 March 2016

Notes:

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

Interim condensed consolidated statement of comprehensive income

For the six months ended 31 January

	Notes	*31 January 2016 Unaudited £000*	*31 January 2015 Unaudited £000*
Revenue	4	70,142	64,349
Cost of sales		(35,521)	(32,996)
Gross profit		34,621	31,353
Distribution costs		(9,679)	(9,832)
Administrative expenses		(16,021)	(13,333)
Operating profit before exceptional items		8,921	8,188
Exceptional items	6	(976)	(46)
Operating profit		7,945	8,142
Finance revenue		716	644
Finance costs	8	(621)	(1,287)
Profit before tax		8,040	7,499
Income tax	9	(769)	(1,621)
Profit for the period		7,271	5,878
Other comprehensive expense:			
Items that may subsequently be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		1,708	(343)
Loss on hedge of net investment in foreign operation		(832)	(49)
Other comprehensive income/(expense) for the period		876	(392)
Total comprehensive income for the period		8,147	5,486
Earnings per share			
Basic and diluted, pence per share	10	3.64	2.94

Interim condensed consolidated statement of financial position

	Notes	*31 January 2016* *Unaudited* *£000*	*31 July 2015* *Audited* *£000*
Non-current assets			
Property, plant and equipment	11	17,998	16,047
Intangible assets – goodwill	12	62,344	51,725
Intangible assets – other	13	106,763	100,951
Deferred tax assets		394	394
		187,499	169,117
Current assets			
Inventories		18,178	15,019
Trade and other receivables		29,935	26,271
Other current financial assets	16	479	-
Cash and short term deposits		15,948	11,565
		64,540	52,855
Total assets		252,039	221,972
Current liabilities			
Trade and other payables		(28,849)	(25,295)
Other current financial liabilities	16	-	(225)
Income tax		(2,332)	(1,411)
Provisions		(1,024)	(855)
		(32,205)	(27,786)
Non-current liabilities			
Interest bearing loans and borrowings	15	(54,187)	(31,867)
Provisions		(669)	(600)
Deferred tax liabilities		(19,687)	(19,273)
		(74,543)	(51,740)
Total liabilities		(106,748)	(79,526)
Net assets		145,291	142,446
Capital and reserves			
Share capital		2,000	2,000
Share premium		11,527	11,527
Treasury shares at cost		(987)	-
Capital reserve		92,325	92,325
Share-based payment reserve		366	181
Foreign currency translation reserve		413	(463)
Retained earnings		39,647	36,876
Total equity		145,291	142,446

Interim condensed consolidated statement of changes in equity

	Share capital £000	Share premium £000	Capital reserve £000	Treasury shares at cost £000	Share-based payment reserve £000	Foreign currency translation reserve £000	Retained earnings £000	Total £000
At 1 August 2014 (Audited)	2,000	11,527	92,325	-	-	257	27,141	133,250
Profit for the period	-	-	-	-	-	-	5,878	5,878
Other comprehensive expense	-	-	-	-	-	(392)	-	(392)
Total comprehensive income	-	-	-	-	-	(392)	5,878	5,486
At 31 January 2015 (Unaudited)	2,000	11,527	92,325	-	-	(135)	33,019	138,736
Profit for the period	-	-	-	-	-	-	5,957	5,957
Other comprehensive expense	-	-	-	-	-	(328)	-	(328)
Total comprehensive expense/income	-	-	-	-	-	(328)	5,957	5,629
Share-based payment	-	-	-	-	181	-	-	181
Dividends paid	-	-	-	-	-	-	(2,100)	(2,100)
At 31 July 2015 (Audited)	2,000	11,527	92,325	-	181	(463)	36,876	142,446
Profit for the period	-	-	-	-	-	-	7,271	7,271
Other comprehensive expense	-	-	-	-	-	876	-	876
Total comprehensive income	-	-	-	-	-	876	7,271	8,147
Purchase of own shares	-	-	-	(987)	-	-	-	(987)
Share-based payment	-	-	-	-	185	-	-	185
Dividends paid	-	-	-	-	-	-	(4,500)	(4,500)
At 31 January 2016 (Unaudited)	2,000	11,527	92,325	(987)	366	413	39,647	145,291

Capital reserve

The capital reserve is the difference in share capital and reserves arising at the time of the IPO from the use of the pooling of interest method for preparation of the 2014 financial statements following a group re-organisation. This is a non-distributable reserve.

Treasury shares at cost

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 option schemes.

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 directly to the foreign currency translation reserve. No ineffectiveness has been recognised in the statement of comprehensive income for any of the periods presented.

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

Interim condensed consolidated statement of cash flows

For the six months ended 31 January

	Notes	*31 January 2016 Unaudited £'000*	*31 January 2015 Unaudited £'000*
Operating activities			
Profit for the period after tax		7,271	5,878
Adjustments to reconcile profit for the period to net cash flow from operating activities:			
Income tax		769	1,621
Gain on disposal of property, plant and equipment		(6)	(28)
Exceptional items	6	976	46
Cash flows relating to exceptional items		(92)	(46)
Finance revenue		(716)	(644)
Finance costs	8	621	1,287
Share based payment expense		185	-
Depreciation of property, plant and equipment		1,199	990
Amortisation of intangible assets		6,209	5,860
Working capital adjustments:			
Decrease in trade receivables and other assets		153	1,065
(Increase)/decrease in inventories		(1,038)	180
Exceptional costs: fair value of inventories		(333)	-
Decrease in trade payables and other payables		(1,321)	(1,952)
increase in provisions		29	85
UK income tax paid		(1,400)	(373)
Overseas income tax paid		(653)	(27)
Net cash flow from operating activities		11,853	13,942
Investing activities			
Payments to acquire intangible assets		(891)	(700)
Purchase of property, plant and equipment		(1,750)	(2,062)
Proceeds from disposal of property, plant and equipment		71	183
Acquisition of subsidiaries, net of cash acquired	14	(18,513)	-
Interest received		11	6
Net cash flow used in investing activities		(21,072)	(2,573)

Interim condensed consolidated statement of cash flows (continued)

For the six months ended 31 January

	31 January 2016 Unaudited	*31 January 2015 Unaudited*
	£'000	*£'000*
Financing activities		
Repayment of interest bearing loans and borrowings	(1,436)	-
Proceeds from new borrowings	20,622	-
Interest paid	(463)	(1,287)
Dividends paid	(4,500)	-
Purchase of own shares	(987)	-
Net cash flow from financing activities	13,236	(1,287)
Net increase in cash and cash equivalents	4,017	10,082
Cash and cash equivalents at the start of the period	11,565	10,987
Effect of exchange rates on cash and cash equivalents	366	(183)
Cash and cash equivalents at the end of the period	15,948	20,886

1. Corporate Information

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

The interim results were authorised for issue by the Board of Directors on 18 March 2016. The financial information set out herein does not constitute the statutory accounts and is unaudited.

2. Accounting policies

Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2015 annual report. The financial information for the half years ended 31 January 2016 and 31 January 2015 do not constitute statutory within the meaning of Section 434(3) of the Companies Act 2006 and are unaudited.

The annual financial statements of Volution Group plc are prepared in accordance with IFRS as adopted by the European Union. The comparative financial information for the year ended 31 July 2015 included within this report does not constitute the full statutory accounts for that period. The statutory Annual Report and Financial statements for 2015 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for 2015 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) and 498(3) of the Companies Act 2006.

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

The same accounting policies, presentation and methods of computation are followed in these condensed consolidated financial statements as were applied in the Group's latest annual audited financial statements. No new accounting standards and amendments have been adopted during the period. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The Company has established an Employee Benefit Trust (EBT) which is used in connection with the operation of the Company's Long Term Incentive Plan (LTIP) and Deferred Share Bonus 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 2016, a total of 528,000 (31 January 2015: nil) ordinary shares in the Company were held by the Volution EBT, all of which were under option to employees for nil consideration. During the period 528,000 ordinary shares in the Company were purchased by the trustees (31 January 2015: nil), and nil (31 January 2015: nil) were disposed of by the trustees. The market value of the shares at 31 January 2016 was £886,000 (31 January 2015: £nil).

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

Judgements

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

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Judgements (continued)

Exceptional items

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

Development costs

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

Estimates and assumptions

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

Fair value of assets acquired during business combinations

Judgements and estimates are required in assessment of fair value of the consideration and net assets acquired, including the identification and valuation of intangible assets. In valuing certain intangible assets management has made assumptions about the retention rate of customers and cash flow forecasts used to determine the fair value of the assets at the date of acquisition.

Impairment of goodwill and other intangible assets

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

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

Rebates payable and receivable

The Group has a number of customer and supplier rebate agreements that are recognised as a reduction from sales or a reduction of cost of sales as appropriate (collectively referred to as rebates). Rebates are based on an agreed percentage of revenue or purchases, which will increase with the level of revenue achieved or purchases made. These agreements typically run to a different reporting period to that of the Group with some of the amounts payable and receivable being subject to confirmation after the reporting date. At the reporting date, the Directors make estimates of the amount of rebate that will become both payable and due to the Group under these agreements based upon their best estimates of volumes and product mix that will be bought or sold over each individual rebate agreement period. Where the respective customer or supplier has been engaged with the Group for a number of years, historical settlement trends are also used to assist in ensuring an appropriate estimate is recorded at the reporting date and that appropriate internal approvals and reviews take place before rebates are recorded. The total customer rebate provision, included in trade and other payables, at 31 January 2016 is £5,255,000 (31 July 2015: 5,017,000), the total supplier rebate due is an immaterial balance at both 31 January 2015 and 31 July 2016.

Provisions for warranties, bad debts and inventory obsolescence

Provisions for warranties are made with reference to recent trading history and historic warranty claim information, and the view of management as to whether warranty claims are expected.

Provisions for bad debts and inventory obsolescence are made with reference to the ageing of receivables and inventory balances and the view of management as to whether amounts are recoverable. Bad debt and warranty provisions will be determined with consideration to recent customer trading and management experience, and provision for inventory obsolescence to sales history and to latest sales forecasts.

4. Revenue

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

	For the six months ended 31 January 2016	*For the six months ended 31 January 2015*
	£000	*£000*
Sale of goods	68,831	63,215
Rendering of services	1,311	1,134
Total revenue	70,142	64,349

	For the six months ended 31 January 2016	*For the six months ended 31 January 2015*
	£000	*£000*
Market Sectors		
UK Ventilation		
UK Residential RMI	17,011	17,907
UK Residential New Build	8,333	7,782
UK Commercial	8,246	7,960
UK Export	2,816	3,923
Total UK Ventilation	36,406	37,572
Nordic Ventilation[1]	12,433	11,570
Central Europe Ventilation[2]	10,858	5,274
OEM (Torin-Sifan)	10,445	9,933
Total revenue	70,142	64,349

Notes

1. Represents revenue of Fresh AB and its subsidiaries, PAX AB, Volution Norge AS and PAX Norge AS.
2. Represents revenue of inVENTer GmbH, Brüggemann Energiekonzepte GmbH, Ventilair Group International and its subsidiaries.

5. Segmental analysis

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

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

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

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

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

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

	Ventilation	*OEM (Torin Sifan)*	*Unallocated*	*Total segments*	*Eliminations*	*Consolidated*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Six months ended 31 January 2016						
Revenue						
External customers	59,697	10,445	-	70,142	-	70,142
Inter-segment	7,648	436	-	8,084	(8,084)	-
Total revenue	67,345	10,881	-	78,226	(8,084)	70,142
Gross profit	31,265	3,356	-	34,621	-	34,621
Adjusted segment EBITDA	15,319	2,203	(997)	16,525	-	16,525
Depreciation and amortisation of development costs, software and patents	(1,023)	(267)	(28)	(1,318)	-	(1,318)
Adjusted operating profit/(loss)	14,296	1,936	(1,025)	15,207	-	15,207
Amortisation of assets acquired through business combinations	(5,411)	(679)	-	(6,090)	-	(6,090)
Exceptional items	-	-	(976)	(976)	-	(976)
Other non-recurring items not meeting the definition of exceptional	-	-	(196)	(196)	-	(196)
Operating profit/(loss)	8,885	1,257	(2,197)	7,945	-	7,945
Unallocated expenses:						
Net finance income	-	-	95	95	-	95
Profit/(loss) before tax	8,885	1,257	(2,102)	8,040	-	8,040

A portion of Group overhead costs (£997,000) are not allocable to individual operating segments. Likewise, exceptional costs incurred by the holding companies have not been allocated to individual operating segments.

5. Segmental analysis (continued)

	UK Ventilation	*OEM (Torin Sifan)*	*Unallocated*	*Total segments*	*Eliminations*	*Consolidated*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Six months ended 31 January 2015						
Revenue						
External customers	54,416	9,933	-	64,349	-	64,349
Inter-segment	6,546	620	-	7,166	(7,166)	-
Total revenue	60,962	10,553	-	71,515	(7,166)	64,349
Gross profit	28,294	3,059	-	31,353	-	31,535
Adjusted segment EBITDA	14,077	1,717	(756)	15,038	-	15,038
Depreciation and amortisation of development costs, software and patents	(780)	(268)	-	(1,048)	-	(1,048)
Adjusted operating profit/(loss)	13,297	1,449	(756)	13,990	-	13,990
Amortisation of assets acquired through business combinations	(5,156)	(646)	-	(5,802)	-	(5,802)
Exceptional items	-	-	(46)	(46)	-	(46)
Operating profit/(loss)	8,141	803	(802)	8,142	-	8,142
Unallocated expenses:						
Net finance cost	-	-	(643)	(643)	-	(643)
Profit/(loss) before tax	8,141	803	(1,445)	7,499	-	7,499

Geographic information	*For the six months ended 31 January 2016*	*For the six months ended 31 January 2015*
	£000	*£000*
Revenue from external customers (by destination):		
United Kingdom	39,279	39,025
Europe (excluding United Kingdom and Sweden)	19,997	15,546
Sweden	9,724	8,467
Rest of the world	1,142	1,311
Total revenue	70,142	64,349

	31 January 2016	*31 July 2015*
	£000	*£000*
Non-current assets:		
United Kingdom	148,027	142,957
Europe (excluding United Kingdom & Nordics)	26,055	13,787
Nordics	13,023	11,979
Total	187,105	168,723

Non-current assets exclude deferred tax.

6. Exceptional items

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

	For the six months ended 31 January 2016	*For the six months ended 31 January 2015*
	£000	*£000*
Inventory fair value adjustment arising on business combinations	333	-
Acquisition costs	643	-
Costs associated with the stock market listing of the Group	-	46
	976	46
Total tax credit relating to the items above	-	-
	976	46

The acquisition costs relate to the acquisitions of Energy Technique plc (£552,000), Ventilair Group International (£58,000) and Weland Luftbehandling AB (£33,000) completed during the period.

7. Adjusted earnings

	For the six months ended 31 January 2016	*For the six months ended 31 January 2015*
	£000	*£000*
Profit before tax	8,040	7,499
Add back:		
Exceptional items	976	46
Other non-recurring items not meeting the definition of exceptional	196	-
Net gain on financial instruments at fair value	(705)	(638)
Amortisation and impairment of other intangible assets (customer base and trademarks)	6,090	5,802
Adjusted profit before tax	14,597	12,709
Add back:		
Interest payable on bank overdraft and bank loans	621	1,287
Finance income	(11)	(6)
Adjusted operating profit	15,207	13,990
Add back:		
Depreciation of property, plant and equipment	1,199	990
Amortisation of development costs, software and patents	119	58
Adjusted EBITDA	16,525	15,038

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

8. Finance costs

As a result of the Group re-financing, which took place in February 2015, the interest rate paid has reduced resulting in finance costs for the period of £621,000 (2015: £1,287,000). There has been a lower level of borrowings, on average, for the period to 31 January 2016 compared with the period to 31 January 2015.

9. Income taxes

The estimated average annual adjusted tax rate for the period ended 31 January 2016 is approximately 9.4% (H1 2015: 21.6%). As a result of the Summer Finance Bill 2015 which achieved royal assent during the period, future UK corporation tax rates were reduced to 19%, effective from 1 April 2017 and 18% effective from 1 April 2020. We have large deferred tax liabilities on our consolidated statement of financial position and the liabilities have been recalculated as a consequence of these tax rate changes. As a result the deferred tax liability has decreased, with a one off credit of £1.1 million recognised in the income statement. This has reduced our effective tax rate in the period to 9.4% (H1 2015: 21.6%).

10. 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 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 no dilutive potential ordinary shares for the periods ended 31 January 2016 and 2015.

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

	Six months ended 31 January	
	2016	*2015*
	£000	*£000*
Profit attributable to ordinary equity holders	7,271	5,878
	No.	No.
Weighted average number of ordinary shares for basic earnings per share and diluted earnings per share	199,736,000	200,000,000
Earnings per share:		
Basic and diluted	3.64p	2.94p

	Six months ended 31 January	
	2016	*2015*
	£000	*£000*
Adjusted profit attributable to ordinary equity holders	11,450	9,962
	No.	No.
Weighted average number of ordinary shares for adjusted basic earnings per share and diluted earnings per share	200,000,000	200,000,000
Adjusted earnings per share:		
Basic and diluted	5.73p	4.98p

See note 20, glossary of terms for an explanation of the adjusted basic and diluted earnings per share calculation.

11. Property, plant and equipment

	Total £000
Cost	
At 31 July 2015	21,749
Additions	1,750
Disposals	(384)
On acquisition	1,019
Net foreign currency exchange differences	934
As 31 January 2016	25,068
Depreciation	
At 31 July 2015	5,702
Depreciation expense	1,199
Disposals	(320)
Net foreign currency exchange differences	489
As 31 January 2016	7,070
Net book value	
At 31 January 2016	17,998
At 31 July 2015	16,047

12. Intangible assets – goodwill

	Total £000
Cost and net book value:	
At 31 July 2015	51,725
On acquisition of Ventilair Group International BVBA and its subsidiaries	5,547
On acquisition of Weland Luftbehandling AB	93
On acquisition of Energy Technique plc and its subsidiaries	3,931
Net foreign currency exchange differences	1,048
As 31 January 2016	62,344

13. Intangible assets – other

	Total £000
Cost	
At 31 July 2015	141,553
Additions	891
On acquisition	9,374
Net foreign currency exchange differences	2,326
As 31 January 2016	154,144
Amortisation	
At 31 July 2015	40,602
Amortisation expense	6,209
Net foreign currency exchange differences	570
As 31 January 2016	47,381
Net book value	
At 31 January 2016	106,763
At 31 July 2015	100,951

14. Business combinations

Acquisitions in the six months ended 31 January 2016

Ventilair Group International BVBA

On 5 August 2015, Volution Ventilation Group Limited acquired the entire issued share capital of Ventilair Group International BVBA. The transaction was funded from the Group's existing revolving credit facility. The Group acquired Ventilair Group International as it offers a channel to sell existing ventilation products in a new region.

Total consideration for the transaction was cash consideration of €14,276,000 (£9,940,000) and contingent consideration with a fair value of €48,000 (£34,000).

Transaction costs associated with the acquisition in the period ended 31 January 2016 were £58,000 and have been expensed.

The provisional fair value of the net assets acquired is set out below:

	Book value	Fair value adjustments	Provisional fair value
	£000	£000	£000
Intangible assets	114	4,874	4,988
Deferred tax	-	(1,475)	(1,475)
Property, plant and equipment	339	(9)	330
Inventory	1,407	225	1,632
Trade and other receivables	2,574	(282)	2,292
Trade and other payables	(3,583)	(27)	(3,610)
Cash and cash equivalents	270	-	270
Total identifiable net assets	1,121	3,306	4,427
Goodwill on acquisition			5,547
Consideration payable			9,974
Discharged by:			
Consideration satisfied in cash			9,940
Contingent consideration			34

Goodwill of £5,547,000 reflects certain intangible assets that cannot be individually separated and reliably measured due to their nature. These items include the value of expected synergies and the experience and skill of the workforce arising from the acquisition. The fair value of the acquired tradename and customer base was identified and included in intangible assets including the deferred tax therein.

The gross amount of trade and other receivables is £2,574,000. The amounts for trade and other receivables not expected to be collected are £282,000.

Ventilair Group International and its subsidiaries generated revenue of £6,707,000 and generated a profit after tax of £399,000 in the period from acquisition to 31 January 2016 that is included in the consolidated statement of comprehensive income for this reporting period.

14. Business combinations (continued)

Weland Luftbehandling AB

On 1 December 2015, Volution Holdings Sweden AB acquired the entire issued share capital of Weland Luftbehandling AB. The transaction was funded from the Group's existing revolving credit facility. The Group acquired Weland Luftbehandling AB because it provided additional manufacturing capabilities to the current Nordics group. The company changed its name on 29 December 2015 to Welair AB.

Total consideration for the transaction was cash consideration of SEK 7,808,000 (£597,000).

Transaction costs associated with the acquisition in the period ended 31 January 2016 were £33,000 and have been expensed.

The provisional fair value of the net assets acquired is set out below:

	Book value	Fair value adjustments	Provisional fair value
	£000	£000	£000
Intangible assets	-	156	156
Deferred tax	-	(34)	(34)
Property, plant and equipment	168	-	168
Inventory	412	(149)	263
Trade and other receivables	235	(1)	234
Trade and other payables	(227)	(65)	(292)
Cash and cash equivalents	9	-	9
Total identifiable net assets	597	(93)	504
Goodwill on acquisition			93
Consideration payable			597
Discharged by:			
Consideration satisfied in cash			597

The fair value of the acquired customer base was identified and included in intangible assets including the deferred tax therein.

Goodwill of £93,000 reflects certain intangible assets that cannot be individually separated and reliably measured due to their nature. These items include the value of expected synergies and the experience and skill of the workforce arising from the acquisition.

Welair AB generated revenue of £188,000 and generated a loss after tax of £26,000 in the period from acquisition to 31 January 2016 that is included in the consolidated statement of comprehensive income for this reporting period.

14. Business combinations (continued)

Energy Technique plc

On 21 December 2015, Volution Group plc acquired the entire issued share capital of Energy Technique plc ("ET"). The transaction was funded from the Group's existing revolving credit facility. The Group acquired ET because there is a strong commercial and cultural fit between ET and the existing group in terms of their strategies, products and service offerings. The acquisition is in line with the strategy to continue to acquire and integrate businesses with well-established brands in the HVAC and ventilation market, operating in markets underpinned by favourable structural dynamics and with an emphasis on heat recovery systems.

Total consideration for the transaction was £9,396,000.

Transaction costs associated with the acquisition in the period ended 31 January 2016 were £552,000 and have been expensed.

The provisional fair value of the net assets acquired is set out below:

	Book value	Fair value adjustments	Provisional fair value
	£000	£000	£000
Intangible assets	9	4,221	4,230
Deferred tax	(23)	(846)	(869)
Property, plant and equipment	409	112	521
Inventory	816	(49)	767
Trade and other receivables	1,880	-	1,880
Trade and other payables	(2,154)	(120)	(2,274)
Cash and cash equivalents	1,210	-	1,210
Total identifiable net assets	2,147	3,318	5,465
Goodwill on acquisition			3,931
Consideration payable			9,396
Discharged by:			
Consideration satisfied in cash			9,396

The fair value of the acquired customer base, trademark, favourable contract agreements and committed order book were identified and included in intangible assets including the deferred tax therein.

Goodwill of £3,931,000 reflects certain intangible assets that cannot be individually separated and reliably measured due to their nature. These items include the value of expected synergies and the experience and skill of the workforce arising from the acquisition.

The gross amount of trade receivables is £1,729,000. It is expected that the full contractual amounts for trade and other receivables can be collected.

ET generated revenue of £856,000 and generated a profit before tax of £81,000 in the period from acquisition to 31 January 2016 that is included in the consolidated statement of comprehensive income for this reporting period.

15. Interest bearing loans and borrowings

	Current 31 January 2016 £000	Non-current 31 January 2016 £000	Current 31 July 2015 £000	Non-current 31 July 2015 £000
Secured – at amortised cost				
Borrowings under the revolving credit facility	-	54,936	-	32,733
Unamortised finance costs		(749)		(866)
	-	54,187	-	31,867

Interest bearing borrowings comprise a revolving credit facility from Danske Bank A/S, HSBC and The Royal Bank of Scotland with HSBC acting as agent and are governed by a facilities agreement. No security is provided under the facility.

During the period an additional £20,600,000 was drawn down from the revolving credit facility to fund the acquisitions in the period. £1,400,000 was subsequently repaid from cash flows generated through operating activities.

16. Other financial assets and liabilities

	Current 31 January 2016 £000	Non-current 31 January 2016 £000	Current 31 July 2015 £000	Non-current 31 July 2015 £000
Financial assets				
FX forward contracts	479	-	-	-
Financial liabilities				
Interest rate swap	-	-	(73)	-
FX forward contracts	-	-	(152)	-
	-	-	(225)	-

17. Fair values of financial assets and financial liabilities

Derivative financial instruments are deemed to be level 2 in the fair value hierarchy as they are valued using techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly. Their fair value is measured using valuation techniques including the discounted cash flow model. Inputs to this calculation include expected cash flows in relation to these derivative contracts and relevant discount rates.

18. 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.

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

Non-executive director Paul Hollingworth is also a non-executive director of Electrocomponents plc. During the 6 months to 31 January 2016, the Group sold goods to Electrocomponents plc amounting to £98,000 (6 months to 31 January 2015: £136,000). At 31 January 2016, amounts owing by Electrocomponents plc were £25,000 (31 July 2015: £27,000). During the 6 months to 31 January 2016 the Group purchased goods from Electrocomponents plc amounting to £41,000 (6 months to 31 January 2015: £48,000). At 31 January 2016, amounts owed to Electrocomponents plc were £11,000 (31 July 2015: £15,000). All transactions with Electrocomponents plc were conducted at an arm’s length basis.

19. Dividends

The Group paid a final dividend of 2.25 pence per ordinary share during the period in respect of the year ended 31 July 2015. The Board has declared an interim dividend of 1.20 pence per ordinary share in respect of the half year ended 31 January 2016 (6 months to 31 January 2015: 1.05 pence per ordinary share) which will be paid on 5 May 2016 to shareholders on the register at the close of business on 1 April 2016. 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.

20. Glossary of terms

Net debt – bank borrowings less cash and cash equivalents

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

Adjusted profit before tax – earnings before tax, exceptional items, other non-recurring items not meeting the definition of exceptional, amortisation of financing costs, breakage costs on interest rate swaps, net gains or losses on financial instruments at fair value and amortisation and impairment of intangible assets associated with the customer base, trademarks and patents.

Adjusted operating profit – earnings before tax, exceptional items, other non-recurring items not meeting the definition of exceptional, amortisation and impairment of intangible assets associated with the customer base, trademarks and patents and net finance costs.

Adjusted EBITDA – earnings before tax, exceptional items, other non-recurring items not meeting the definition of exceptional, net finance costs, depreciation, amortisation and impairment.

Constant currency – to determine values expressed as being at constant currency we have converted the income statement of our foreign operating companies for the period ended 31 January 2016 at the average exchange rate for the period ended 31 January 2015. In addition we have converted the UK operating companies' sale and purchase transactions in the period ended 31 January 2016, which were denominated in foreign currencies, at the average exchange rates for the period ended 31 January 2015.

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

Diluted earnings per share amounts are calculated by dividing the adjusted net profit/(loss) attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of any dilutive potential ordinary shares into ordinary shares. There are no dilutive potential ordinary shares for the periods ended 31 January 2016 and 2015.

Cash conversion – is calculated by dividing adjusted operating cash flow by adjusted EBITDA less depreciation.