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VOLUTION GROUP PLC

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2019

Further good progress with revenue growth of 16.3% and adjusted operating profit up 10.7%.

Volution Group plc (“Volution” or “the Group” or “the Company”, LSE: FAN), a leading supplier of ventilation products to the residential and commercial construction markets, today announces its unaudited interim financial results for the 6 months ended 31 January 2019.

Financial results	**6 months to 31 January 2019**	**6 months to 31 January 2018**	**Movement**
Revenue (£m)	114.8	98.7	16.3%
Adjusted operating profit (£m)	20.2	18.3	10.7%
Adjusted profit before tax (£m)	19.1	17.8	7.6%
Reported profit before tax (£m)	10.2	10.1	1.4%
Adjusted basic and diluted EPS (p)	7.7	7.1	8.5%
Reported basic and diluted EPS (p)	4.1	4.2	(2.4)%
Adjusted operating cash flow (£m)	15.5	11.8	30.8%
Interim dividend per share (p)	1.60	1.46	9.6%
Net debt (£m)	74.4	34.9	39.5

The Group uses some alternative performance measures to track and assess the underlying performance of the business. These measures include adjusted operating profit, adjusted profit before tax, adjusted basic and diluted EPS and adjusted operating cash flow. For a definition of all the adjusted and non-GAAP measures, please see the glossary of terms in note 20. A reconciliation to the reported measures is set out in note 4.

Financial highlights

- Revenue growth of 16.3% (17.8% at constant currency).
  - Organic revenue growth of 1.9% (3.2% at constant currency).
  - Inorganic revenue growth of 14.4% (14.6% at constant currency).
- Adjusted operating profit increased by 10.7% to £20.2 million (12.4% at constant currency), assisted by acquisitions.
- Adjusted operating profit margin declined by 0.9 percentage points resulting from:
  - operational difficulties at our Reading facility which improved significantly by the end of the period; and
  - higher material cost in OEM (Torin-Sifan) and our UK Commercial sector.
- Reported profit before tax of £10.2 million (H1 2018: £10.1 million), increased less than adjusted operating profit due to:
  - release of £1.5 million contingent consideration in the prior period;
  - amortisation of acquired intangible assets increased by £0.5 million; and
  - offset by lower financing costs and foreign exchange derivatives revalued in the period.
- Adjusted operating cash inflow of £15.5 million (H1 2018: £11.8 million) as a result of higher adjusted profitability and improved working capital management compared to the prior period.
- Net debt of £74.4 million was £39.5 million higher than at 31 January 2018 following £51.0 million spent on four acquisitions completed in H2 2018.
- Interim dividend of 1.60 pence per share, up 9.6% (H1 2018: 1.46 pence).

Strategic and operational highlights

Acquisitions

- The four acquisitions completed in the prior year are all integrating and performing well. These acquisitions have both extended our geographic and product reach, further diversifying and increasing Volution's market access.

Organic growth

- Organic growth highlights in the UK include a return to growth for the UK Public RMI sector and another period of strong organic growth for UK Residential New Build.
- Operational difficulties at our Reading facility adversely impacted on profitability in the period; however, we are pleased by the significant improvement in production levels by the end of the period, which has been sustained into the second half of FY 2019.
- Good traction with our new Xenion range of decentralised heat recovery ventilation in Germany with a substantial increase in gross margin.
- The launch of the first application software controlled ventilation extract fan, Genius, under the Manrose brand sold by our company Simx in New Zealand, further demonstrating our capability to launch existing Volution products in to newly accessed markets.

Post period event, acquisition of Ventair Pty Limited in Australia

- On 1 March 2019, we acquired Ventair Pty Limited, a market leading residential ventilation product supplier, in Australia, for an initial cash consideration of AUS$19.2 million (approximately £10.4 million). A further amount of deferred cash consideration of up to AUS$7.7 million (approximately £4.3 million) may be payable contingent on Ventair achieving an EBITDA target in the financial year ending 31 July 2020.
- The acquisition of Ventair Pty Limited has further increased our geographic diversity, product offer and market access; including the pro-forma effect of this acquisition, our revenue from customers outside the UK now represents 53% of total Group revenue.

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

"I am pleased to announce these results which are underpinned by strong growth, in line with our strategy, as a result of the four acquisitions completed in FY 2018, and our much improved run-rate of organic growth compared to the second half of FY 2018. Organic growth in the UK was considerably improved compared to the second half of 2018, assisted by the return, as the period progressed, to normal production levels at our new injection moulding and fan assembly facility in Reading, UK. Our Residential Public RMI revenue returned to organic growth as our new products and enhanced specification sales teams continued to win market share. All four acquisitions completed in FY 2018 are integrating well. In the Australasian region we have complemented our Simx business in New Zealand, by the post period acquisition of Ventair in Australia, providing additional market access and product range in Australasia."

Outlook

The second half of the financial year started well, continuing the improving organic growth trend demonstrated in the first half. The factory consolidation project, in Reading, UK, is now complete; production levels had normalised by the end of the period and we expect to benefit from these increased levels of output in the second half of FY 2019. Notwithstanding the ongoing uncertainty over the arrangements for the UK to leave the EU, we are now significantly more geographically diverse, and our increasing investment in innovation and new product introductions will provide the support required to make good progress in line with our strategy in the second half of the financial year. The Board currently anticipates full year earnings to be in line with expectations.

-Ends-

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A meeting for analysts will be held at 9.30am today, Monday 18 March, at the offices of Tulchan Communications, 85 Fleet Street, London EC4Y 1AE. 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 Monday 18 March.

Certain information contained in this announcement would have constituted inside information (as defined by Article 7 of Regulation (EU) No 596/2014) 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 supplier of ventilation products to the residential and commercial construction markets in the UK, the Nordics, Central Europe and Australasia.

The Volution Group operates through two divisions: the Ventilation Group and the OEM (Torin-Sifan) division. The Ventilation Group consists of 16 key brands - Vent-Axia, Manrose, Diffusion, National Ventilation, Airtech, Breathing Buildings, Fresh, PAX, VoltAir, Welair, Kair, Air Connection, inVENTer, Ventilair, Simx and Ventair, focused primarily on the UK, the Nordic, Central European and Australasian 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: 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

Volution continued to make good progress on its growth strategy in the first half of the year. Organic revenue growth of 3.2% at constant currency was complemented by inorganic growth of 14.6% at constant currency from the full period effect of the acquisitions of Simx Limited, acquired in March 2018, AirFan B.V., acquired in May 2018, Oy Pamon Ab, acquired in July 2018 and Air Connection ApS, acquired in July 2018. Revenue increased to £114.8 million, an increase of 16.3% (17.8% at constant currency) compared to H1 2018 and adjusted operating profit grew by 10.7% (12.4% at constant currency) to £20.2 million, representing a margin of 17.6% of revenue (H1 2018: 18.5%).

Our organic growth was a result of good sales performance in the Nordics, Central Europe, all of the UK and OEM (Torin-Sifan), slightly offset by the anticipated organic decline in the UK Export sector.

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
- Further development of the OEM (Torin-Sifan) range, to build customer preference and loyalty.

Organic growth was good in the period and much better when compared to the rate of growth in the second half of the prior year. Revenue growth in Residential Public RMI was particularly pleasing compared to the recent history of decline in this sub-sector. Following the challenges relating to the factory consolidation during FY 2018 there has been a significant increase in output at our Reading, UK facility during this period that will continue to support improving revenue for Residential Private RMI in the UK. Residential New Build continued its strong revenue growth trend. We will continue to innovate and bring many new products to market in the second half of the financial year.

The four acquisitions completed in FY 2018 are all integrating well and the integration of the recent acquisition of Ventair in Australia has already started. The ventilation market remains fragmented and we aspire to being one of the larger ventilation groups in this space, leveraging our innovation, procurement and operational improvement ambitions to enhance acquired companies.

Sales of the new EC3 range of motorised impellers in our OEM (Torin-Sifan) segment have developed very well in the year both with external and internal customers. This trend is expected to continue in the second half of the financial year.

Ventilation Group

Revenue: £102.8 million, 89.5% of Group revenue (£104.3 million at constant currency)
(H1 2018: £87.4 million, 88.5% of Group revenue)

Adjusted operating profit: £19.6 million, 97.0% of Group adjusted operating profit
(H1 2018: £17.3 million, 94.7% of Group adjusted operating profit)

		Constant currency		
Market sector revenue	**6 months to 31 January 2019 £m**	**6 months to 31 January 2019 £m**	6 months to 31 January 2018 £m[1]	Growth %
Ventilation Group				
UK Residential RMI	**19.7**	**19.7**	19.7	0.3
UK Residential New Build	**13.1**	**13.1**	11.1	17.5
UK Commercial	**17.3**	**17.3**	16.0	8.2
UK Export	**4.5**	**4.6**	5.9[2]	(22.3)
Nordics	**25.4**	**26.5**	19.6	34.9
Central Europe	**14.6**	**14.6**	14.3	2.5
Australasia	**8.2**	**8.5**	-	
Total Ventilation Group	**102.8**	**104.3**	86.6	20.5
UK export Simx and Air Connection[2]	**0.0**	**0.0**	0.8	
Total Ventilation Group	**102.8**	**104.3**	87.4	19.3

[1] During the second half of 2018 we refined our approach to allocation of products resulting in the reallocation of sales of a small number of products between market sectors; the H1 2018 sales analysis has therefore been restated to reflect this reallocation. The market sector revenue for the affected sectors, previously disclosed in the interim results for the six months ended 31 January 2018, was UK Residential RMI £19.8 million and UK Residential New Build £11.0 million.
[2] Sales to Simx and Air Connection in the prior period of £0.8million have been separated to show a like-for-like comparison with H1 2018 because sales to Simx and Air Connection are now eliminated as intercompany sales.

The Ventilation Group performed well in the half year to 31 January 2019, with a 17.6% increase in revenue compared to H1 2018 (19.3% at constant currency). Sales to our recent acquisitions, Simx and Air Connection, made in the prior period (£0.8 million) have been shown separately to illustrate a like-for-like growth of 20.5%. Organic growth was 1.4% (2.8% at constant currency) due to growth in UK Residential New Build, UK Commercial, UK Residential RMI and Central Europe, partly offset by the declining organic revenue in the UK Export sector and lower organic growth in the Nordics (on a constant currency basis organic growth in the Nordics was 0.2%).

Adjusted operating profit increased by £2.3 million assisted by recent acquisitions; improved margin performance in Central Europe and UK Residential offset by the cost of the above mentioned operational difficulties in our Reading facility and temporarily higher cost of materials supplied to our UK Commercial sector, which is now resolved.

United Kingdom
Sales in our UK Residential RMI sector were £19.7 million (H1 2018: £19.7 million), an increase of 0.3%. Organic revenue in the UK Residential Public RMI sector grew by 0.9%, whilst private refurbishment revenue was flat on the prior period. The improvement in the public sector has been supported by the introduction of new products and improved products in the existing range. Our Revive solution for the Public RMI market gained significant momentum and in February 2019 won the award for the most innovative building product at the EEM Building Communities Awards Event, further confirming the market leading position that we have. UK Residential Private RMI was flat in the first half of the year, a decline in the first quarter and a return to growth in the second quarter underpinned by significantly increased output levels and service from our new Reading factory, a trend which has continued into the second half of the year. Leveraging our three distinct Residential Private RMI ventilation brands (Vent-Axia, Manrose and National Ventilation) is an essential ingredient as we “up sell” the category towards more silent, more aesthetic and more sophisticated products. In the period we designed, manufactured and launched an upgraded range of products under our National Ventilation brand. This has replaced a previously outsourced range, which has improved gross margins due to lower product costs. The new products are driving market share gains as the innovative features of this new range help capture additional shelf space in our distributor customer branches.

Sales in our UK Residential New Build sector were £13.1 million (H1 2018: £11.1 million), showing strong organic growth of 17.5% and continuing a trend of consistent organic growth since 2010. Ongoing investment in additional sales professionals, new products and improved back office service functions were undertaken in the period and there are a number of significant new projects where our products have been specified due to their key features. Growth in this sector has accelerated over the period; the order intake and outlook is positive and we are well positioned for future growth.

Sales in our UK Commercial sector grew organically by 8.2% in the first six months, to £17.3 million (H1 2018: £16.0 million) with all individual product categories performing well. The investment in additional capacity in West Molesey in the UK has supported the increased revenue. We have now upgraded the product range of Breathing Buildings and are now winning more specifications and new orders than previously. Further product launches are planned over the coming months including upgraded control hardware and software utilising existing platforms in the Group.

UK Export sales were £4.5 million (H1 2018: £5.9 million like-for-like), which has declined by 22.8% ((22.3)% at constant currency), the decline being partly attributable to the one-off large export contract to Japan in the prior period. Within our UK Export sector, sales to the new build residential markets in Eire, using our leading range of heat recovery products continue to perform very well with several projects secured for the second half of FY 2019.

The Nordics
Sales in the Nordics sector were £25.4 million (H1 2018: £19.6 million), an increase of 29.0% (34.9% at constant currency). This increase was mainly as a result of the full period effect of the acquisitions made during FY 2018; Oy Pamon Ab and Air Connection ApS, acquired in July 2018. Organic revenue growth was 0.2% at constant currency (declined 5.6% actual).

The recent acquisitions have integrated well with revenue growing compared to the period prior to our ownership. In Air Connection in Denmark we have increased the product portfolio, implemented a new ERP system and have several additional new products to launch in the second half of this financial year. Oy Pamon in Finland has performed ahead of the prior year and investments are underway to further increase the factory output to underpin our plans to sell the product range across the wider Volution market that the company can now access.

In the period we launched the new generation of “intelligent” ventilation for the refurbishment market. Intellivent Sky was launched in Sweden in October 2018 and the roll out across the Nordics is well underway. This upgraded range of “intelligent” ventilation includes innovative application software and also the first odour sensing device for residential refurbishment applications in Europe. This new product range will be launched in all of our markets during the second half of the year.

Central Europe
Sales in the Central Europe sector were £14.6 million (H1 2018: £14.3 million), an increase of 2.2% (2.5% at constant currency). In Germany the Xenion range of decentralised heat recovery products now makes up the main category for our sales. This quieter and improved range of products also delivers a substantial gross margin improvement. In January at a building products trade exhibition in Munich we launched the concept of a full Bluetooth and wireless controlled range of products. This new range was also demonstrated at an exhibition in Frankfurt in March. With this improved functionality and wireless controls, both developed internally, the product is far easier to install and in our opinion provides the most contractor-friendly decentralised heat recovery solution for the refurbishment market in Germany.

In Belgium and the Netherlands our strategy to gain share with the distribution route to market is gaining traction. In both markets there has been a substantial increase in the product range and that will continue in the second half of the year.

Australasia
Sales in the Australasia sector were £8.2 million, as a result of the full period effect of the acquisition of Simx, which was completed on 19 March 2018. The residential construction market in New Zealand has recently been less buoyant; however, we are pleased with the progress in the period. A number of new products have been launched with the new Genius fan the most notable success. The post period acquisition of Ventair increases our presence in the region and provides us with a great opportunity to sell the respective ranges from Australia and New Zealand in to our other markets. Volution was already an OEM supplier to a number of local brands in Australia and we are confident that our product range and planned developments will enable us to expand our share in the Australian market. The acquisition of Ventair provides us with an established brand, extensive sales team and back office support which removes our previous barriers to entry and, coupled with our existing range of products, makes this a compelling opportunity.

OEM (Torin-Sifan)

Revenue: £12.0 million, 10.5% of Group revenue (£12.1 million at constant currency)
(H1 2018: £11.3 million, 11.5% of Group revenue)

Adjusted operating profit: £1.7 million, 8.4% of Group adjusted operating profit
(H1 2018: £2.1 million, 11.4% of Group adjusted operating profit)

Market sector revenue	6 months to 31 January 2019 £m	Constant currency 6 months to 31 January 2019 £m	6 months to 31 January 2018 £m	Growth %
Total OEM	**12.0**	**12.1**	11.3	6.3

Our OEM (Torin-Sifan) segment revenue was £12.0 million (H1 2018: £11.3 million); organic growth of 6.2% (6.3% at constant currency). Sales of our highly efficient Electronically Commutated (EC) technology products have been very good but sales volumes of traditional, Alternating Current (AC) technology products have been disappointing. The unseasonably warm winter in the UK has impacted on sales of higher margin boiler spares but this was partly offset by the price increase implemented in the year.

Adjusted operating profit has declined by £0.4 million due to higher input costs for electronic components in the period, partly inflation related and partly because spot purchases have been at a significant premium. Price increases have recently been successfully implemented to recover the impact of the underlying inflation and the benefits from our ERP implementation in H2 2018 will improve the supply chain performance in the future, therefore reducing the need to spot buy electronic components at a premium.

Operations – Reading factory update

As expected, the operational difficulties at our new Reading factory have had an adverse impact on our profitability in the period; however, production improved significantly by the end of the period. The project is now complete, production levels have returned to normal and we will continue to pursue further production efficiencies. In fact during the period we have invested in additional injection moulding equipment, rigid ducting extrusion line and several fan assembly lines to support the ongoing organic growth and "in-sourcing" projects that we are running across the Group. It is often the case when we acquire a new market position that the acquired company doesn't produce all of the products that they sell. By internalising the manufacture of previously outsourced products to our proprietary design and manufacture we can deliver a substantial increase in gross margins. Several of these projects are underway further increasing the manufacturing demand at our Reading factory.

In the second half of the year we will continue to work hard to optimise the new facility with the recent focus enabling us to identify many other operational excellence opportunities which will enhance our operating margins. Shortening our lead-times, enhancing our customer service still further and improving our logistics are some of the current improvement streams being worked on. The project took six months longer and cost more than anticipated to complete but having done so we now have the capacity headroom to support our ambitious organic and inorganic growth plans.

Dividend

The Board has declared an interim dividend of 1.60 pence per share, which represents growth of 9.6% compared to H1 2018 demonstrating the Board's continuing confidence in the performance of the Group. The interim dividend will be paid on 3 May 2019 to shareholders on the register at the close of business on 29 March 2019.

UK leaving the European Union

Since the UK referendum on EU membership the weakness of sterling against foreign currencies has persisted. The positive and negative effects of this weakness in sterling on our trading are described elsewhere in this report. Other than these currency effects, the business has so far not seen any other effects on trading that can be directly attributed to the decision to leave the EU. The opportunities open to us to mitigate any impact of disruption to the flow of goods at UK borders are limited but, where possible, we are securing supply and increasing strategically placed inventories in the UK and abroad to maintain customer service. The main potential impact we believe will be from possible disruption to supply chains and this is further mitigated for the Group as a consequence of our acquisition strategy as we are now significantly more geographically diverse with 53% of our total Group revenue, on a pro-forma basis, from customers outside the UK.

Board

As announced on 21 January 2019, Ian Dew, Chief Financial Officer ("CFO"), will retire from Volution, during 2019. Ian will continue in his role as CFO until a successor has been appointed, and for a transitional period thereafter. As part of our overall succession planning, we are working with Russell Reynolds Associates, who are assisting us with the search process. Ian joined Volution in 2012 and was appointed as CFO in January 2014. Ian played an integral role in Volution's successful listing on the London Stock Exchange and since then has played a key role in the completion of all acquisitions. Ian will continue to oversee the finance function until a permanent successor is appointed and an update will be provided in due course.

Ronnie George
Chief Executive Officer
18 March 2019

FINANCIAL REVIEW

Trading Performance Summary

	Reported			Adjusted[1]		
	6 months to 31 January 2019	6 months to 31 January 2018	Movement	**6 months to 31 January 2019**	6 months to 31 January 2018	Movement
Revenue (£m)	**114.8**	98.7	16.3%	**114.8**	98.7	16.3%
Operating profit (£m)	**11.3**	11.5	(1.9)%	**20.2**	18.3	10.7%
Finance costs (£m)	**1.1**	1.4	(25.2)%	**1.1**	0.5	127.2%
Profit before tax (£m)	**10.2**	10.1	1.4%	**19.1**	17.8	7.6%
Basic and diluted EPS (p)	**4.1**	4.2	(2.4)%	**7.7**	7.1	8.5%
Operating cash flow (£m)	**14.3**	12.0	19.1%	**15.5**	11.8	30.8%
Interim dividend per share (p)	**1.60**	1.46	9.6%	**1.60**	1.46	9.6%
Net debt (£m)	**74.4**	34.9	39.5	**74.4**	34.9	39.5

[1]The Group uses some alternative performance measures to track and assess the underlying performance of the business. These measures include adjusted operating profit, adjusted profit before tax, adjusted basic and diluted EPS and adjusted operating cash flow. For a definition of all the adjusted and non-GAAP measures, please see the glossary of terms in note 20. A reconciliation to the reported measures is set out below and in note 4.

Revenue

Group revenue during the six months ended 31 January 2019 was £114.8 million (H1 2018: £98.7 million), a 16.3% increase (17.8% at constant currency). Growth was achieved both organically, 1.9% (3.2% at constant currency), and inorganically, 14.4% (14.6% at constant currency) from the full period effect of the four acquisitions made during FY 2018; Simx Limited, acquired in March 2018, AirFan B.V., acquired in May 2018, Oy Pamon Ab, acquired in July 2018 and Air Connection ApS, acquired in July 2018.

Profitability

Our underlying result, as measured by adjusted operating profit, was £20.2 million (H1 2018: £18.3 million), representing 17.6% of revenue (H1 2018: 18.5%), a £1.9 million improvement compared to H1 2018. At constant currency, our adjusted operating profit grew by 12.4%. The adjusted operating profit margin of 17.6% declined by 0.9 percentage points as a consequence of: operational difficulties at our new Reading facility which improved significantly by the end of the period; higher costs associated with expedited material supply in our OEM (Torin-Sifan) and UK Commercial sectors; offset by improved margins in our UK Residential New Build, UK Residential Public RMI and Central Europe sectors.

The Group's reported operating profit in the six months was £11.3 million compared to £11.5 million in H1 2018, down 1.9%; it shows less growth over the prior period than does the adjusted operating result because of increasing amortisation of acquired intangible assets (an increase of £0.5 million) and because the prior period was assisted by the release, in the reported result, of contingent consideration relating to the acquisition of VoltAir System (£1.5 million). The reconciliation between reported and adjusted operating profit can be found below and in note 4.

Reconciliation of statutory measures to adjusted performance measures

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, adjusted profit before tax, adjusted basic and diluted EPS and adjusted operating cash flow. These measures are deemed more appropriate for monitoring trading performance as they exclude income and expenditure which is not directly related to the ongoing trading of the business. A reconciliation of these measures of performance to the corresponding reported figure is shown below and is detailed in note 4.

	Six months ended 31 January 2019			Six months ended 31 January 2018		
	Reported £m	**Adjustments £m**	**Adjusted results £m**	Reported £m	Adjustments £m	Adjusted results £m
Revenue	**114.8**	**-**	**114.8**	98.7	-	98.7
Gross profit	**53.3**	**-**	**53.3**	47.4	-	47.4
Administrative & distribution expenses excluding the costs listed below	**(33.1)**	**-**	**(33.1)**	(29.1)	-	(29.1)
Amortisation of intangible assets acquired through business combinations	**(7.7)**	**7.7**	**-**	(7.2)	7.2	-
Exceptional operating costs	**(1.2)**	**1.2**	**-**	(1.1)	1.1	-
Release of contingent consideration	**-**	**-**	**-**	1.5	(1.5)	-
Operating profit	**11.3**	**8.9**	**20.2**	11.5	6.8	18.3
Net loss on financial instruments at fair value	**-**	**-**	**-**	(0.6)	0.6	-
Exceptional write off of unamortised loan issue costs upon refinancing	**-**	**-**	**-**	(0.3)	0.3	-
Other net finance costs	**(1.1)**	**-**	**(1.1)**	(0.5)	-	(0.5)
Profit before tax	**10.2**	**8.9**	**19.1**	10.1	7.7	17.8
Income tax	**(2.1)**	**(1.8)**	**(3.9)**	(1.8)	(1.9)	(3.7)
Profit after tax	**8.1**	**7.1**	**15.2**	8.3	5.8	14.1

The following are the items excluded from adjusted measures:

- **Amortisation of acquired intangibles**

  On acquisition of a business, where appropriate, we value the identifiable intangible fixed assets acquired, such as trademarks, patents and customer base, and recognise these assets in our consolidated statement of financial position. We then amortise these acquired intangible assets over their useful lives. In the period the amortisation charge of these intangible assets increased to £7.7 million (H1 2018: £7.2 million) as a consequence of recent acquisitions. We exclude this accounting adjustment in the calculation of our adjusted earnings because it is a cost associated with acquisitions, not the underlying trading of the businesses.

- **Exceptional operating costs**

  Exceptional operating costs, 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 business. During the period, exceptional operating costs were £1.2 million (H1 2018: £1.1 million) which include costs relating to acquisitions of £0.1 million (H1 2018: £0.3 million) and our UK Ventilation re-organisation including factory relocation costs of £1.1 million (H1 2018: £0.8 million). Details of these exceptional operating costs can be found in note 7.

- **Reversal of contingent consideration**

  During the period reversal of contingent consideration was £nil million (H1 2018: £1.5 million). On 29 May 2017, Volution Group plc, through one of its wholly owned subsidiaries, Volution Holdings Sweden AB, acquired the entire issued share capital of VoltAir System AB. Part of the consideration was contingent upon the level of EBITDA achieved during the twelve months to 31 December 2017. There was a minimum level of EBITDA which had to be achieved before any contingent consideration was payable. The contingent consideration, recognised in the 31 July 2017 financial statements, was recognised in line with management's best estimate of the level of EBITDA expected to be achieved during the earn-out period. It has now been determined that no contingent consideration will be paid. The previously accrued contingent consideration was reversed in the prior period (H1 2018: £1.5 million) as an exceptional gain.

- **Fair value adjustments**

  At the end of each reporting period we measure the fair value of financial derivatives and recognise any gains or losses immediately in finance costs. During the period, we recognised a loss of £nil million (H1 2018: loss of £0.6 million). We exclude these gains or losses from our measures of adjusted earnings because they are accounting adjustments which will reverse in future periods and do not reflect the underlying trading of the business.

- **Exceptional write off of unamortised loan issue costs upon refinancing**

  During the period exceptional write off of unamortised loan issue costs upon refinancing were £nil million (H1 2018: £0.3 million). On 15 December 2017, the Group refinanced its bank debt (see bank facilities, refinancing and liquidity below). As a consequence of the re-finance, unamortised loan issue costs of £0.3 million relating to the previous loans were written off in H1 2018.

Acquisitions

The Group's trading benefited in the six months from the four acquisitions completed in the prior year, which were financed from our existing cash reserves and bank facilities:

- Simx Limited, based in New Zealand, acquired in March 2018 for a consideration of NZ$53.7 million (approximately £28.2 million) net of cash and bank loans repaid of NZ$19.0 million (approximately £9.8 million);

- AirFan B.V., based in the Netherlands, acquired in May 2018 for a cash consideration of Euro 0.3 million (approximately £0.3 million) net of cash acquired;

- Oy Pamon Ab, based in Finland, acquired in July 2018 for an initial cash consideration of Euro 10.9 million (approximately £9.6 million) net of cash acquired. A further amount of deferred cash consideration of up to Euro 2.0 million (approximately £1.8 million) may be payable, contingent on Oy Pamon's earnings for the two years ending November 2018 and 2019; and

- Air Connection ApS, based in Denmark, acquired in July 2018 for an initial cash consideration of DKK24.1 million (approximately £2.9 million) net of cash acquired. A further amount of deferred cash consideration of up to DKK4.2 million (approximately £0.5 million) may be payable, contingent on Air Connection's earnings for the year ending 31 July 2021.

Finance costs

Reported finance costs were £1.1 million (H1 2018: £1.4 million) including £nil million of net losses on revaluation of financial instruments (H1 2018: net losses of £0.6 million) and £nil million related to the exceptional write off of unamortised loan issue costs upon refinancing (H1 2018: costs of £0.3 million). Adjusted finance costs were £1.1 million (H1 2018: £0.5 million). Adjusted finance costs increased in line with increased levels of debt following the four acquisitions made in the prior period as discussed above.

Taxation

The reported effective tax rate for the six months was 21.1% (H1 2018: 18.0%). Our adjusted effective tax rate, on adjusted profit before tax, was 20.5% (H1 2018: 21.0%). The increase of 3.1 percentage points in our reported effective tax rate was partly due to the greater impact of higher rates in overseas regions. The prior period tax rate also benefited from a deferred tax credit of £188,000 relating to a reduction in the corporate tax rate in Belgium from 33.99% to 29.58%.

The Group's medium-term adjusted effective tax rate is expected to remain around 21% of the Group's adjusted profit before tax.

Operating cash flow

The Group continued to be cash generative in the period, with adjusted operating cash inflow of £15.5 million (H1 2018: £11.8 million). This represents a cash conversion, after capital expenditure and movement in working capital, of 74.5% (H1 2018: 63.2%). The adjusted operating cash flow in the period was £3.7 million higher than in the corresponding period. The Group continues to focus on managing its working capital efficiently with operating working capital representing 23.5% of half year revenue (H1 2018: 24.8%). See the glossary of terms in note 20 for a definition of adjusted operating cash flow and cash conversion. A reconciliation of reported net cash flow from operating activities to adjusted operating cash flow is provided below.

Reconciliation of adjusted operating cash flow	**Six months to 31 January 2019 £m**	Six months to 31 January 2018 £m
Reported net cash flow generated from operating activities	**13.4**	10.3
Net capital expenditure	**(3.4)**	(2.9)
UK and overseas tax paid	**4.5**	3.7
Cash flows relating to exceptional items	**1.0**	0.7
Adjusted operating cash flow	**15.5**	11.8

Employee Benefit Trust

During the period £1.2 million of loans were made to the Volution Employee Benefit Trust for the exclusive purpose of purchasing shares in Volution Group plc in order to partly fulfil the Company's obligations under its share incentive plans (H1 2018: £nil). The Volution Employee Benefit Trust acquired 650,000 shares at an average price of £1.85 per share in the period (H1 2018: no shares acquired) and 19,981 shares (H1 2018: 12,776) were released by the trustees with a value of £36,000 (H1 2018: £22,000). At 31 January 2019, a total of 1,759,884 shares (31 July 2018: 1,129,865) were held by the Volution Employee Benefit Trust. The Volution Employee Benefit Trust has been consolidated into our results and the shares purchased have been treated as treasury shares deducted from shareholders' funds.

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 mostly balanced by euro expenditure in the UK. We have little US dollar income but significant US dollar expenditure. In advance of the 2019 financial year we limited our transactional foreign exchange risk by purchasing the majority of our forecast US dollar requirements for the 2019 financial year.

We are also exposed to translational currency risk as the Group consolidates foreign currency-denominated assets, liabilities, income and expenditure into sterling, the Group's reporting currency. We hedge the translation risk of the net assets denominated in Swedish krona with £23.7 million of borrowings denominated in Swedish krona (31 July 2018: £24.5 million). We have partially hedged our risk of translation of the net assets denominated in euros by having euro-denominated bank borrowings in the amount of £39.0 million as at 31 January 2019 (31 July 2018: £40.0 million). The sterling value of our foreign currency-denominated loans, net of cash, decreased by £1.6 million (H1 2018: decreased by £1.5 million) as a consequence of exchange rate movements. We do not hedge the translational exchange rate risk relating to the results of overseas subsidiaries.

During the six months, movements in foreign currency exchange rates have had an unfavourable effect on the reported revenue and profitability of our business. If we had translated the H1 2019 performance of the Group at our 2018 exchange rates, the reported revenue would have been £116.4 million, £1.6 million higher, and adjusted operating profit would have been £20.5 million, £0.3 million higher.

At the end of the half year, the weakening of sterling increased the value of foreign currency-denominated working capital by £0.2 million compared to the foreign exchange rates applying at the beginning of the half year.

Net debt

Net debt at 31 January 2019 was £74.4 million (H1 2018: £34.9 million); comprised of bank borrowings of £83.7 million (H1 2018: bank borrowings of £45.9 million), offset by cash and cash equivalents of £9.3 million (H1 2018: £11.0 million). The net debt of £74.4 million represents leverage of 1.7x adjusted EBITDA on a trailing 12 month basis (H1 2018: 0.9x adjusted EBITDA on a trailing 12 month basis).

Movements in net debt position for the six months ended 31 January 2019

	2019 £m	2018 £m
Opening net debt 1 August	**(77.2)**	(37.0)
Movements from normal business operations:		
Adjusted EBITDA	**22.4**	20.2
Movement in working capital	**(4.0)**	(5.8)
Share-based payments	**0.5**	0.3
Net capital expenditure	**(3.4)**	(2.9)
Adjusted operating cash flow	**15.5**	11.8
– Interest paid net of interest received	**(0.9)**	(0.3)
– Income tax paid	**(4.5)**	(3.7)
– Exceptional operating costs	**(1.0)**	(0.7)
– Dividend paid	**(5.9)**	(5.6)
– FX on foreign currency loans/cash	**1.6**	1.5
– Issue costs of new borrowings	**(0.2)**	(0.9)
– Purchase of own shares	**(1.2)**	-
Movements from acquisitions:		
– Acquisition consideration	**(0.6)**	-
Closing net debt 31 January	**(74.4)**	(34.9)

Bank facilities, refinancing and liquidity

In December 2018, the Group exercised the option to extend its multicurrency revolving credit facility by a period of 12 months at a cost of £0.2 million; the maturity date is now 15 December 2022.

As at 31 January 2019, the Group had £36.3 million of undrawn, committed bank facilities and £9.3 million of cash and cash equivalents on the consolidated statement of financial position.

Earnings per share

Our adjusted basic and diluted earnings per share grew by 8.5% to 7.7 pence (H1 2018: 7.1 pence).

Our reported basic and diluted earnings per share for the six months ended 31 January 2019 was 4.1 pence (H1 2018: 4.2 pence) down 2.4% on prior year mainly as a consequence of increasing amortisation of acquired intangible assets and transactions in H1 2018 which did not repeat in the current period; the reversal of contingent consideration, the net loss on financial instruments at fair value and the exceptional write off of finance costs, as described in the reconciliation above and in note 4.

Ian Dew
Chief Financial Officer
18 March 2019

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 nature of principal risks and uncertainties have changed since the publication of the Annual Report for the year ended 31 July 2018. These risks are summarised below, and how the Group seeks to mitigate these risks is set out on pages 32 to 37 of the Annual Report 2018 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 including the UK exit from the EU

A decline in general economic activity and/or a specific decline in activity in the construction industry, including, but not exclusively, an economic decline caused by the UK leaving the European Union, would result in a decline in demand for our products serving the residential and commercial construction markets. 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 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 complete or properly integrate the acquisition. The impact could include: revenue and profitability which may not grow in line with management's ambitions and investor expectations; 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 including cyber breach

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

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 a significant adverse 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. Failure to manage certain compliance risks adequately could lead to death or serious injury of an employee or third party, and/or penalties for non-compliance in health and safety, anti-bribery, data protection or competition law.

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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that to the best of their knowledge:

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

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

(b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the Group during that period; and any changes in the related party transactions described in the Annual Report 2018 that could do so.

The Directors of Volution Group plc are listed in the Company's Annual Report for the year ended 31 July 2018. 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
18 March 2019

Ian Dew
Chief Financial Officer
18 March 2019

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 2019 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 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 Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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

Our Responsibility

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

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and 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 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP

London

18 March 2019

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 January 2019

	Notes	**2019 Unaudited £000**	2018 Unaudited £000
Revenue	5	**114,847**	98,736
Cost of sales		**(61,507)**	(51,341)
Gross profit		**53,340**	47,395
Administrative and distribution expenses		**(40,838)**	(36,341)
Operating profit before exceptional items		**12,502**	11,054
Exceptional operating costs	7	**(1,216)**	(1,097)
Release of contingent consideration	7	**-**	1,553
Operating profit		**11,286**	11,510
Finance revenue		**8**	7
Finance costs	7,8	**(1,066)**	(1,426)
Profit before tax		**10,228**	10,091
Income tax	9	**(2,155)**	(1,820)
Profit for the period		**8,073**	8,271
Other comprehensive income:			
Items that may subsequently be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,021)**	(1,337)
Gain on hedge of net investment in foreign operation		**1,640**	1,015
Other comprehensive income/(expense) for the period		**619**	(322)
Total comprehensive income for the period		**8,692**	7,949
Earnings per share			
Basic earnings per share	10	**4.1**	4.2
Diluted earnings per share	10	**4.1**	4.2

Interim Condensed Consolidated Statement of Financial Position
At 31 January 2019

	Notes	**31 January 2019 Unaudited £000**	31 July 2018 Audited £000
Non-current assets			
Property, plant and equipment	11	**23,078**	22,611
Intangible assets – goodwill	12	**112,335**	112,682
Intangible assets – other	13	**96,607**	104,124
		232,020	239,417
Current assets			
Inventories		**30,040**	30,136
Trade and other receivables		**38,900**	38,873
Other current financial assets	14	**298**	302
Cash and short term deposits		**9,304**	18,221
		78,542	87,532
Total assets		**310,562**	326,949
Current liabilities			
Trade and other payables		**(41,960)**	(45,689)
Income tax		**(473)**	(1,410)
Provisions		**(1,263)**	(1,004)
		(43,696)	(48,103)
Non-current liabilities			
Interest bearing loans and borrowings	15	**(82,837)**	(94,605)
Other non-current financial liabilities		**(500)**	(1,144)
Provisions		**(383)**	(384)
Deferred tax liabilities		**(15,893)**	(17,500)
		(99,613)	(113,633)
Total liabilities		**(143,309)**	(161,736)
Net assets		**167,253**	165,213
Capital and reserves			
Share capital		**2,000**	2,000
Share premium		**11,527**	11,527
Capital reserve		**93,855**	93,855
Treasury shares at cost		**(2,030)**	(1,962)
Share-based payment reserve		**1,252**	1,836
Foreign currency translation reserve		**2,126**	1,507
Retained earnings		**58,523**	56,450
Total equity		**167,253**	165,213

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2019

	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 31 July 2017 (Audited)	**2,000**	**11,527**	**93,855**	**(2,027)**	**1,289**	**1,891**	**51,598**	**160,133**
Profit for the period	-	-	-	-	-	-	8,271	8,271
Other comprehensive expense	-	-	-	-	-	(322)	-	(322)
Total comprehensive income/(expense)	-	-	-	-	-	(322)	8,271	7,949
Share-based payment	-	-	-	22	270	-	-	292
Dividends paid	-	-	-	-	-	-	(5,568)	(5,568)
At 31 January 2018 (Unaudited)	**2,000**	**11,527**	**93,855**	**(2,005)**	**1,559**	**1,569**	**54,301**	**162,806**
Profit for the period	-	-	-	-	-	-	5,052	5,052
Other comprehensive expense	-	-	-	-	-	(62)	-	(62)
Total comprehensive income/(expense)	-	-	-	-	-	(62)	5,052	4,990
Share-based payment	-	-	-	43	277	-	-	320
Dividends paid	-	-	-	-	-	-	(2,903)	(2,903)
At 31 July 2018 (Audited)	**2,000**	**11,527**	**93,855**	**(1,962)**	**1,836**	**1,507**	**56,450**	**165,213**
Profit for the period	-	-	-	-	-	-	8,073	8,073
Other comprehensive income	-	-	-	-	-	619	-	619
Total comprehensive income	-	-	-	-	-	619	8,073	8,692
Purchase of own shares	-	-	-	(1,199)	-	-	-	(1,199)
Vesting of shares	-	-	-	1,131	(1,043)	-	(88)	-
Share-based payment	-	-	-	-	459	-	-	459
Dividends paid	-	-	-	-	-	-	(5,912)	(5,912)
At 31 January 2019 (Unaudited)	**2,000**	**11,527**	**93,855**	**(2,030)**	**1,252**	**2,126**	**58,523**	**167,253**

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.

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 incentive plans.

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.

Retained earnings

The parent company of the Volution Group, Volution Group plc, had distributable retained earnings at 31 January 2019 of £77,584,000.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 31 January 2019

	Notes	**2019 Unaudited £'000**	2018 Unaudited £'000
Operating activities			
Profit for the period after tax		**8,073**	8,271
Adjustments to reconcile profit for the period to net cash flow from operating activities:			
Income tax		**2,155**	1,820
Gain on disposal of property, plant and equipment		**(20)**	(17)
Exceptional operating costs	7	**1,216**	1,097
Release of contingent consideration	7	**-**	(1,553)
Cash flows relating to exceptional items		**(1,003)**	(666)
Finance revenue		**(8)**	(7)
Finance costs	8	**1,066**	1,106
Exceptional write off of unamortised loan issue costs upon refinancing	8	**-**	320
Share based payment expense		**459**	265
Depreciation of property, plant and equipment		**1,615**	1,480
Amortisation of intangible assets		**8,300**	7,671
Working capital adjustments:			
(Increase)/decrease in trade and other receivables		**(298)**	2,997
Increase in inventories		**(60)**	(4,922)
Decrease in trade payables and other payables		**(3,885)**	(3,893)
Increase in provisions		**253**	43
Cash generated by operations		**17,863**	14,012
UK income tax paid		**(2,050)**	(2,164)
Overseas income tax paid		**(2,410)**	(1,508)
Net cash flow from operating activities		**13,403**	10,340
Investing activities			
Payments to acquire intangible assets		**(886)**	(524)
Purchase of property, plant and equipment		**(2,593)**	(2,480)
Proceeds from disposal of property, plant and equipment		**102**	169
Acquisition of subsidiaries		**(586)**	-
Interest received		**8**	7
Net cash flow used in investing activities		**(3,955)**	(2,828)
Financing activities			
Repayment of interest bearing loans and borrowings		**(13,067)**	(55,862)
Proceeds from new borrowings		**3,000**	51,862
Issue costs of new borrowings		**(180)**	(941)
Interest paid		**(942)**	(350)
Dividends paid		**(5,912)**	(5,568)
Purchase of own shares		**(1,199)**	-
Net cash flow used in financing activities		**(18,300)**	(10,859)
Net decrease in cash and cash equivalents		**(8,852)**	(3,347)
Cash and cash equivalents at the start of the period		**18,221**	14,499
Effect of exchange rates on cash and cash equivalents		**(65)**	(143)
Cash and cash equivalents at the end of the period		**9,304**	11,009

Notes to the Interim Condensed Consolidated Financial Statements

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 2019. 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 Annual Report 2018. The financial information for the half years ended 31 January 2019 and 31 January 2018 do not constitute statutory within the meaning of Section 434(3) of the Companies Act 2006 and is unaudited.

The annual financial statements of Volution Group plc are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The comparative financial information for the year ended 31 July 2018 included within this report does not constitute the full statutory accounts for that period. The Annual Report 2018 has been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report 2018 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.

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

The same accounting policies, presentation and methods of computation are followed in these condensed consolidated financial statements as were applied in the Group's latest annual audited financial statements except for the adoption of new standards effective as of 1 January 2018.

The accounting standards and interpretations that have become effective in the current reporting period are listed below:

International Financial Reporting Standards (IFRSs)	**Effective date**
IFRS 9 Financial Instruments	1 August 2018
IFRS 15 Revenue from Contracts with Customers	1 August 2018

IFRS 9 Financial Instruments

IFRS 9 addresses the classification, measurement and derecognition of financial assets and liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group has applied IFRS 9 prospectively, with the initial application date of 1 August 2018. There has been no impact on the comparatives for the period beginning 1 August 2017.

Cash and cash equivalents, and trade and other receivables: the new rules do not affect the classification and measurement of these financial assets which continue to be recognised at amortised cost.

Financial liabilities: there are no changes to the classification or measurement of financial liabilities under IFRS 9.

The new impairment model requires the recognition of impairment provisions based on forward-looking expected credit losses (ECL) rather than backward-looking incurred losses previously applied under IAS 39. This applies to financial assets classified at amortised cost, namely cash and cash equivalents and trade and other receivables. The only class of financial asset that is currently impaired under IFRS 9 is trade receivables. The simplified approach has been used to calculate the ECLs on trade receivables. As a large proportion of trade receivables are covered by credit insurance and are typically short term, the adoption of the ECL requirements of IFRS 9 has resulted in an immaterial change in impairment provisions and therefore no adjustment to opening reserves has been made.

Other financial assets: there are no changes to the classification or measurement of any other financial assets under IFRS 9

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 which covers contracts for goods and services. IFRS 15 provides a single, principles-based, five-step model to be applied to all sales contracts, based on the transfer of control of goods and services to customers.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

2. Accounting policies (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

The Group has adopted the standard using the modified retrospective approach applied to all contracts that were not considered completed at 1 August 2018. Due to the Group's revenue being primarily earned from the sale of goods, where the performance obligation in the contracts with customers is satisfied on delivery of goods; there has not been a significant impact on the timing of recognition of revenue under IFRS 15. The Group has a number of supplier rebate agreements; under IFRS 15 these rebates are considered variable consideration. The significant majority of these rebates are provided on contracts for which the revenue is recognised at point in time. When the revenue is recognised an estimate is made of the amount of rebate that will be payable, using the most likely outcome method, and deducted from the revenue recognised. Revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The adoption of the new method is not significantly different from that used under IAS 18 and therefore there has been no impact on the amount or timing of revenue recognised as a result of the adoption of IFRS 15.

The adoption of IFRS 15 has had no impact on the way the Group accounts for warranty liabilities. Volution only offer assurance-type warranties, therefore these do not give rise to a separate performance obligation under IFRS 15. We have continued to create an appropriate provision for expected warranty liabilities in-line with the requirements of IAS 37.

The following listing of standards and interpretations issued are those that the Group reasonably expect to have an impact on disclosures, financial position or performance; but which have an effective date after the date of this condensed set of consolidated financial statements. The Group has not early adopted them and plans to adopt them from the effective dates adopted by the European Union.

International Financial Reporting Standards (IFRSs)	**Effective date**
IFRS 16 Leases	1 August 2019

IFRS 16 Leases

Under IFRS 16 the present distinction between operating and finance leases will be removed for lessees, resulting in all leases being recognised on the balance sheet (except short-term leases and leases of low-value assets) and termed right-of-use assets. At inception, a right-of-use asset will be recognised together with an equivalent liability reflecting the discounted lease payments over the estimated term of the lease. While the overall cost of using the asset over the lease term should be the same, it is likely that the weighting of the charge between periods may differ. Adoption of this standard is likely to result in an increase in gross assets and gross liabilities in the balance sheet, and operating lease costs being reclassified in the income statement to depreciation and / or interest expense.

As permitted by IFRS 16 we anticipate implementing the standard using the modified retrospective approach and we will not restate comparative information. Instead we will recognise the cumulative effect of initially applying the standard as an adjustment to equity at the date of initial application, 1 August 2019. The Group is continuing to work on the effect of IFRS 16 on its consolidated financial statements and based on the above implementation method the estimated impact has not changed from the assessment documented within the consolidated financial statements for year ended 31 July 2018.

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 2019, a total of 1,137,473 (31 July 2018: 1,129,865) ordinary shares in the Company were held by the Volution EBT, all of which were under option to employees. During the period 650,000 ordinary shares in the Company were purchased by the trustees (H1 2018: no ordinary shares), and 642,392 shares (H1 2018: 12,776 shares) were vested. The market value of the shares at 31 January 2019 was £1,797,207 (31 July 2018: £2,293,626).

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

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.

3. Critical accounting judgements and key sources of estimation uncertainty

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 the financial statements:

Exceptional items

The Group discloses exceptional items by virtue of their nature, size or incidence to allow a better understanding of the underlying trading performance of the Group. The Group identifies an item of expense or 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, materiality or incidence such that the Group results would be distorted without specific reference to the event in question.

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

Judgements (continued)

Exceptional items (continued)

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. The following categories are deemed to be exceptional in the current or comparative period: acquisition costs; restructuring and factory consolidation, release of contingent consideration and write off of unamortised loan issue costs upon refinancing. See note 7 for details of the amounts included in the above categories.

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'.

We have technical departments which are involved in activities such as operational support, marketing support, research and new product development. Management exercise judgement to determine whether the expenditure during the development phase of an internal project satisfies the recognition criteria set out in IAS 38.

During H1 2019 there were a number of projects of sufficient size and importance to the business which, in management's judgement, satisfied the recognition criteria set out in IAS 38 to be capitalised. The total cost of the Group's technical departments in the period was £2,785,000, of which £658,000 was capitalised (H1 2018: £2,100,000, of which £121,000 was capitalised).

Estimates and assumptions

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

Impairment of goodwill and other intangible assets

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

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

Details of the impairment review process are described more fully in the Annual Report 2018.

See notes 12 and 13 for details of the carrying values of goodwill and other intangible assets.

Rebates payable and receivable

The Group has a number of customer and supplier rebate agreements (collectively referred to as rebates) that are recognised as a reduction from sales or a reduction from cost of sales, as appropriate. 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 2019 is £6,813,000 (31 July 2018: £5,764,000). The total supplier rebate due is an immaterial balance at both 31 January 2019 and 31 July 2018.

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

The total warranty provision at 31 January 2019 is £1,264,000 (31 July 2018: £1,004,000). The total provision for inventory obsolescence at 31 January 2019 is £4,105,000 (31 July 2018: £4,083,000).

Notes to the Interim Condensed Consolidated Financial Statements (continued)

4. 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, adjusted profit before tax, adjusted basic and diluted EPS and adjusted operating cash flow. These measures are deemed more appropriate as they remove income and expenditure which is not directly related to the ongoing trading of the business. For a definition of all the adjusted and non-GAAP measures, please see the glossary of terms in note 20.

	For the six months ended 31 January 2019 £000	For the six months ended 31 January 2018 £000
Profit after tax	**8,073**	8,271
Add back:		
Exceptional operating costs (note 7)	**1,216**	1,097
Reversal of contingent consideration (note 7)	**-**	(1,553)
Net loss on financial instruments at fair value (note 8)	**5**	639
Exceptional write off of unamortised loan issue costs upon refinancing (note 8)	**-**	320
Amortisation of intangible assets acquired through business combinations	**7,732**	7,224
Tax effect of the above	**(1,777)**	(1,922)
Adjusted profit after tax	**15,249**	14,076
Add back:		
Adjusted tax charge	**3,932**	3,742
Adjusted profit before tax	**19,181**	17,818
Add back:		
Interest payable on bank overdraft and bank loans	**1,061**	467
Finance income	**(8)**	(7)
Adjusted operating profit	**20,234**	18,278
Add back:		
Depreciation of property, plant and equipment	**1,615**	1,480
Amortisation of development costs, software and patents	**568**	447
Adjusted EBITDA	**22,417**	20,205

5. Revenue

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

	For the six months ended 31 January 2019 £000	For the six months ended[4] 31 January 2018 £000
Sale of goods	**111,087**	94,740
Rendering of services	**3,760**	3,996
Total revenue	**114,847**	98,736

Market Sectors	**For the six months ended 31 January 2019 £000**	For the six months ended 31 January 2018 £000
Ventilation Group		
UK Residential RMI	**19,691**	19,634
UK Residential New Build	**13,088**	11,136
UK Commercial	**17,285**	15,980
UK Export	**4,546**	6,699
Nordics[1]	**25,357**	19,659
Central Europe[2]	**14,599**	14,278
Australasia[3]	**8,232**	-
Total Ventilation Group	**102,798**	87,386
Original Equipment Manufacturer (OEM (Torin Sifan))		
OEM (Torin-Sifan)	**12,049**	11,350
Total revenue	**114,847**	98,736

Notes
1. Represents revenue of Volution Holdings Sweden AB and its subsidiaries.
2. Represents revenue of inVENTer GmbH, Ventilair Group International BVBA and its subsidiaries.
3. Represents revenue of Simx Limited.
4. During the second half of 2018 we refined our approach to allocation of products resulting in the reallocation of sales of a small number of products between market sectors; the H1 2018 sales analysis has therefore been restated to reflect this reallocation. The market sector revenue for the affected sectors, previously disclosed in the Interim results for the six months ended 31 January 2018, was UK Residential RMI £19,768,000 and UK Residential New Build £11,002,000.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

6. 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 operating profit (see note 20 for definition) for each operating segment. Gross profit and the analysis below segment profit are additional voluntary information and not 'segment information' prepared in accordance with IFRS 8.

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

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

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

Six months ended 31 January 2019	**Ventilation Group £000**	**OEM £000**	**Unallocated £000**	**Total £000**	**Eliminations £000**	**Consolidated £000**
Revenue						
External customers	**102,798**	**12,049**	**-**	**114,847**	**-**	**114,847**
Inter-segment	**10,697**	**613**	**-**	**11,310**	**(11,310)**	**-**
Total revenue	**113,495**	**12,662**	**-**	**126,157**	**(11,310)**	**114,847**
Gross profit	**50,100**	**3,241**	**-**	**53,341**	**-**	**53,341**
Adjusted segment EBITDA	**21,197**	**2,019**	**(799)**	**22,417**	**-**	**22,417**
Depreciation and amortisation of development costs, software and patents	**(1,548)**	**(324)**	**(311)**	**(2,183)**	**-**	**(2,183)**
Adjusted operating profit/(loss)	**19,649**	**1,695**	**(1,110)**	**20,234**	**-**	**20,234**
Amortisation of assets acquired through business combinations	**(7,053)**	**(679)**	**-**	**(7,732)**	**-**	**(7,732)**
Exceptional operating costs	**-**	**-**	**(1,216)**	**(1,216)**	**-**	**(1,216)**
Operating profit/(loss)	**12,596**	**1,016**	**(2,326)**	**11,286**	**-**	**11,286**
Unallocated expenses:						
Net finance cost	**-**	**-**	**(1,058)**	**(1,058)**	**-**	**(1,058)**
Profit/(loss) before tax	**12,596**	**1,016**	**(3,384)**	**10,228**	**-**	**10,228**

A portion of Group overhead costs, £799,000 (H1 2018: £864,000), are not allocable to individual operating segments. Likewise, exceptional items attributable to the holding companies have not been allocated to individual operating segments.

Six months ended 31 January 2018	Ventilation Group £000	OEM £000	Unallocated £000	Total £000	Eliminations £000	Consolidated £000
Revenue						
External customers	87,386	11,350	-	98,736	-	98,736
Inter-segment	10,251	559	-	10,810	(10,810)	-
Total revenue	97,637	11,909	-	109,546	(10,810)	98,736
Gross profit	43,834	3,561	-	47,395	-	47,395
Adjusted segment EBITDA	18,681	2,388	(864)	20,205	-	20,205
Depreciation and amortisation of development costs, software and patents	(1,365)	(304)	(258)	(1,927)	-	(1,927)
Adjusted operating profit/(loss)	17,316	2,084	(1,122)	18,278	-	18,278
Amortisation of assets acquired through business combinations	(6,545)	(679)	-	(7,224)	-	(7,224)
Exceptional items	-	-	(1,097)	(1,097)	-	(1,097)
Release of contingent consideration	-	-	1,553	1,553	-	1,553
Operating profit/(loss)	10,771	1,405	(666)	11,510	-	11,510
Unallocated expenses:						
Net finance cost	-	-	(1,419)	(1,419)	-	(1,419)
Profit/(loss) before tax	10,771	1,405	(2,085)	10,091	-	10,091

6. Segmental analysis (continued)

Geographic information

Revenue from external customers (by destination):	**For the six months ended 31 January 2019 £000**	For the six months ended 31 January 2018 £000
United Kingdom	**56,550**	52,303
Europe (excluding United Kingdom and Sweden)	**35,230**	25,853
Sweden	**13,063**	17,793
Rest of the world	**10,004**	2,787
Total revenue	**114,847**	98,736

Non-current assets excluding deferred tax	**31 January 2019 £000**	31 July 2018 £000
United Kingdom	**138,007**	142,859
Europe (excluding United Kingdom & Nordics)	**25,961**	26,698
Nordics	**31,042**	33,227
Australasia	**37,010**	36,633
Total	**232,020**	239,417

7. 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 items are summarised below:

	For the six months ended 31 January 2019 £000	For the six months ended 31 January 2018 £000
Acquisition related costs, including inventory fair value adjustments	**149**	347
UK Ventilation re-organisation including factory relocation costs	**1,067**	750
Exceptional operating costs	**1,216**	1,097
Reversal of contingent consideration	**-**	(1,553)
	1,216	(456)
Total tax credit relating to the items above	**(199)**	(197)
	1,017	(653)

Acquisition related costs, including inventory fair value adjustments

The acquisition related costs in the period are £149,000 (H1 2018: £347,000).

UK Ventilation re-organisation including factory relocation costs

The costs for the factory relocation relate to a project to combine manufacturing locations. A breakdown of the cost is as follows:

	For the six months ended 31 January 2019 £000	For the six months ended 31 January 2018 £000
Consultancy fees	**290**	83
Project manager	**43**	64
Redundancy related costs	**-**	54
Stock write off	**-**	57
Site clearance and closure	**-**	12
Dual running costs of site	**89**	343
Start-up costs	**645**	137
	1,067	750

The project to relocate the factories to the new facility is now complete. All costs associated with the project have been treated as exceptional.

The costs associated with this project have been deemed as exceptional given their size in aggregate and the unusual (one-off) nature of the project.

Start-up costs in the period include exceptional costs associated with material handling, despatch and freight. In the prior period start-up costs also included the cost of production variances incurred as a result of the disruption during the transition period when machinery, inventory and people were in the process of relocating to the new factory and were therefore not operating efficiently.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

7. Exceptional items (continued)

Reversal of contingent consideration

During the period reversal of contingent consideration was £nil million (H1 2018: £1.5 million). On 29 May 2017, Volution Group plc, through one of its wholly owned subsidiaries, Volution Holdings Sweden AB, acquired the entire issued share capital of VoltAir System AB. In the financial statements to 31 July 2017, management recognised £1.5 million contingent consideration. It was subsequently determined that no contingent consideration will be paid resulting in its reversal in H1 2018.

Write off of unamortised loan issue costs upon refinancing

In addition to the exceptional operating costs disclosed in the table above, in the prior period we incurred exceptional finance costs relating to the write off of unamortised loan issue costs upon refinancing as disclosed in note 8.

8. Finance costs

	For the six months ended 31 January 2019 £000	For the six months ended 31 January 2018 £000
Interest payable on bank loans	**1,037**	426
Revaluation of financial instruments	**5**	639
Exceptional write off of unamortised loan issue costs upon refinancing	**-**	320
Other interest	**24**	41
	1,066	1,426

During the period, the Group exercised the option to extend the termination of the facility by a period of 12 months (new maturity date of 15 December 2022).

In the prior period, on 15 December 2017, the Group refinanced its bank debt. The Group now has in place a £120 million multicurrency revolving credit facility (now due to mature in December 2021) together with an accordion of up to £30 million. The old facility was repaid in full when the new multicurrency revolving credit facility was entered in to. As a consequence of the re-finance, the unamortised finance costs of £320,000 relating to the previous loans were written off on 15 December 2017.

9. Income taxes

The reported effective tax rate for the six months was 21.1% (H1 2018: 18.0%). Our adjusted effective tax rate, on adjusted profit before tax, was 20.5% (H1 2018: 21.0%). The increase of 3.1 percentage points in our reported effective tax rate was partly due to the greater impact of higher rates in overseas regions. The prior period tax rate also benefited from a deferred tax credit of £188,000 relating to a reduction in the corporate tax rate in Belgium from 33.99% to 29.58%.

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 257,340 dilutive potential ordinary shares for the periods ended 31 January 2019 (31 January 2018: Nil).

Notes to the Interim Condensed Consolidated Financial Statements (continued)

10. Earnings per share (EPS) (continued)

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

	For the six months ended 31 January 2019 £000	For the six months ended 31 January 2018 £000
Profit attributable to ordinary equity holders	**8,073**	8,271
	Number	Number
Weighted average number of ordinary shares for basic earnings per share	**198,699,637**	198,838,009
Weighted average number of ordinary shares for diluted earnings per share	**199,133,077**	198,838,009
Earnings per share:		
Basic	**4.1p**	4.2p
Diluted	**4.1p**	4.2p

Adjusted profit attributable to ordinary equity holders	**15,249**	14,076
	Number	Number
Weighted average number of ordinary shares for adjusted basic earnings per share	**198,699,637**	198,838,009
Weighted average number of ordinary shares for adjusted diluted earnings per share	**199,133,077**	198,838,009
Adjusted earnings per share:		
Basic	**7.7p**	7.1p
Diluted	**7.7p**	7.1p

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 2018	33,433
Additions	2,593
Disposals	(409)
Transfer to intangible assets	(517)
Net foreign currency exchange differences	(351)
At 31 January 2019	34,749
Depreciation	
At 31 July 2018	10,822
Depreciation expense	1,615
Disposals	(334)
Transfer to intangible assets	(214)
Net foreign currency exchange differences	(218)
At 31 January 2019	11,671
Net book value	
At 31 January 2019	23,078
At 31 July 2018	22,611

12. Intangible assets – goodwill

	Total £000
Cost and net book value:	
At 31 July 2018	112,682
Net foreign currency exchange differences	(347)
At 31 January 2019	112,335

Notes to the Interim Condensed Consolidated Financial Statements (continued)

13. Intangible assets – other

	Total £000
Cost	
At 31 July 2018	189,009
Additions	886
Transfer from tangible assets	517
Net foreign currency exchange differences	(864)
At 31 January 2019	189,548
Amortisation	
At 31 July 2018	84,885
Amortisation expense	8,300
Transfer from tangible assets	214
Net foreign currency exchange differences	(458)
At 31 January 2019	92,941
Net book value	
At 31 January 2019	96,607
At 31 July 2018	104,124

14. Other financial assets and liabilities

	Current 31 January 2019 £000	**Non-current 31 January 2019 £000**	Current 31 July 2018 £000	Non-current 31 July 2018 £000
Financial assets				
FX forward contracts	**298**	**-**	302	-
Financial liabilities				
Contingent consideration	**-**	**500**	-	1,144

In December 2018, the contingent consideration relating to Oy Pamon of €650,000 (approximately £585,000) was paid out as the EBITDA target for the year ended 30 November 2018 was achieved. The remaining £500,000 relates to the contingent consideration payable in relation to Air Connection ApS which is based on its EBITDA performance achieved during the twelve months to 31 July 2021.

15. Interest bearing loans and borrowings

	Non-current 31 January 2019 £000	Non-current 31 July 2018 £000
Unsecured at amortised cost		
Borrowings under the revolving credit facility (maturing 2022)	**83,703**	95,410
Unamortised finance costs	**(866)**	(805)
	82,837	94,605

In December 2018, the Group took the option to extend its multicurrency revolving credit facility by a period of 12 months; the maturity date is now 15 December 2022.

Revolving credit facility – at 31 January 2019

Currency	**Amount outstanding £000**	**Termination date**	**Repayment Frequency**	**Rate %**
GBP	21,000	15 Dec 2022	One payment	Libor + margin%
Euro	39,005	15 Dec 2022	One payment	Euribor + margin%
Swedish Krona	23,698	15 Dec 2022	One payment	Stibor + margin%
Total	**83,703**			

Revolving credit facility – at 31 July 2018

Currency	Amount outstanding £000	Termination date	Repayment frequency	Rate %
GBP	31,000	15 Dec 2021	One payment	Libor + margin%
Euro	39,943	15 Dec 2021	One payment	Euribor + margin%
Swedish Krona	24,467	15 Dec 2021	One payment	Stibor + margin%
Total	**95,410**			

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 2019, Group leverage was 1.7:1 (31 July 2018: 1.7:1) and therefore the margin was 1.40% (31 July 2018: 1.40%). At 31 January 2019, the Group had £36,300,000 (31 July 2018: £24,590,000) of its multi-currency revolving credit facility unutilised.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

16. 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 14. 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.

17. Related party transactions

Transactions between Volution Group plc and its subsidiaries, along with transactions between subsidiaries, are eliminated on consolidation and are not included within these financial statements.

There have been no related party transactions in the period to 31 January 2019 apart from compensation of key management personnel.

18. Dividends

The Group paid a final dividend of 2.98 pence per ordinary share during the period in respect of the year ended 31 July 2018. The Board has declared an interim dividend of 1.60 pence per ordinary share in respect of the half year ended 31 January 2019 (6 months to 31 January 2018: 1.46 pence per ordinary share) which will be paid on 3 May 2019 to shareholders on the register at the close of business on 29 March 2019. 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.

19. Events after the reporting period

On 1 March 2019 Volution Group plc, through one of its wholly owned subsidiaries, Woomera Ventilation Pty Limited, purchased the entire issued share capital of Ventair Pty Limited in Australia. Ventair Pty Limited is a leading specialist supplier of high quality, air movement products to the Australian residential ventilation markets. The integration of Ventair in to the Volution Group will provide an opportunity for further growth in the Australasian region.

The acquisition was on a debt free, cash free basis for an initial cash consideration of AUS$19.2 million (approximately £10.4 million), funded from Volution's existing cash and banking facilities. A further amount of deferred cash consideration of up to AUS$7.7 million (approximately £4.3 million) may be payable, contingent on Ventair's earnings before interest, tax, depreciation and amortisation in the financial year ending 31 July 2020. The Group is still working on the acquisition accounting and can therefore not provide any further disclosure in line with IFRS 3, 'Business Combinations' at this stage.

There have been no other material events between 31 January 2019 and the date of authorisation of the interim condensed consolidated financial statements that would require adjustments to the interim condensed consolidated financial statements or disclosure.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

20. Glossary of terms

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 257,340 dilutive potential ordinary shares for the periods ended 31 January 2019 (31 January 2018: Nil).

Adjusted EBITDA – adjusted operating profit before depreciation and amortisation.

Adjusted finance costs – finance costs removing 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.

Adjusted operating profit – operating profit removing exceptional operating costs, release of contingent consideration and amortisation of assets acquired through business combinations.

Adjusted profit after tax – profit after tax removing exceptional operating costs, release of contingent consideration, exceptional write off of unamortised loan issue costs upon refinancing, net gains or losses on financial instruments at fair value, amortisation of assets acquired through business combinations and the tax effect on these items.

Adjusted profit before tax – profit before tax removing exceptional operating costs, release of contingent consideration, exceptional write off of unamortised loan issue costs upon refinancing, net gains or losses on financial instruments at fair value and amortisation of assets acquired through business combinations.

Adjusted tax charge – the reported tax charge less the tax effect on the adjusted items.

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

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 2019 at the average exchange rate for the period ended 31 January 2018. In addition we have converted the UK operating companies' sale and purchase transactions in the period ended 31 January 2019, which were denominated in foreign currencies, at the average exchange rates for the period ended 31 January 2018.

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

Like-for-like – like-for-like is the performance of the Group excluding revenue which was third party in the comparative period and is now intercompany revenue due to the acquisition of the third party.

Net debt – bank borrowings less cash and cash equivalents.

Operating cash flow – EBITDA plus or minus movements in operating working capital, less net investment in property, plant and equipment and intangible assets.