Monday 19 March 2018

VOLUTION GROUP PLC

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2018

Further progress with revenue growth of 11.6% and adjusted EPS up 8.3%.

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 2018.

Financial results	**6 months to 31 January 2018**	**6 months to 31 January 2017**	**Movement**
Revenue (£m)	98.7	88.5	11.6%
Adjusted operating profit (£m)	18.3	17.1	6.7%
Adjusted profit before tax (£m)	17.8	16.5	7.8%
Reported profit before tax (£m)	10.1	8.8	14.5%
Adjusted basic and diluted EPS (p)	7.08	6.54	8.3%
Reported basic and diluted EPS (p)	4.16	3.61	15.2%
Adjusted operating cash flow (£m)	11.8	16.4	(27.9)%
Interim dividend per share (p)	1.46	1.35	8.1%
Net debt (£m)	34.9	40.6	(5.7)

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 11.6% (10.3% at constant currency):
  - Organic revenue growth of 6.3% (5.1% at constant currency),
  - Inorganic revenue growth of 5.3% (5.2% at constant currency).
- Adjusted operating profit increased by 6.7% to £18.3 million (6.4% at constant currency).
- As anticipated, adjusted operating profit margin declined by 0.9 percentage points, partly as a consequence of the effect of acquired businesses with lower margins than the Group.
- Reported profit before tax of £10.1 million (H1 2017: £8.8 million), benefiting from the release of contingent consideration on the acquisition of VoltAir System which will not be paid.
- Adjusted operating cash inflow was £11.8 million (H1 2017: £16.4 million).
- Refinancing of banking facilities. The Group now has in place a £120 million multicurrency revolving credit facility together with an accordion of up to £30 million, maturing December 2021.
- Interim dividend of 1.46 pence per share, up 8.1% (H1 2017: 1.35 pence).

Strategic highlights

- The process of consolidating our existing Slough and Reading facilities in to a single new, purpose built injection moulding and fan assembly facility at Suttons Business Park in Reading, has commenced. We expect to complete the relocation by the end of the financial year.
- Further progress in our German business with the launch of our new Xenion decentralised heat recovery ventilation system, with improved air flow performance and low noise, enhancing our position as a leading supplier to both the new and refurbishment market for residential homes in Germany.
- Further extension of our public housing range of ventilation equipment for the refurbishment market in the UK is helping us gain new customers in spite of the current funding cutbacks in this sector.
- OEM (Torin-Sifan) has seen an excellent take up of its new high-efficiency Revolution 360 range of EC fans, more commonly known as EC3, with further capacity investment underway to support the growth in sales.

Post period event

- As announced today, we have acquired Simx Limited, the market leading residential ventilation products supplier in New Zealand for both new and refurbishment applications with channel access enabling us to place many of our existing Group products in this market.

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

"Volution has again delivered a good set of results with organic growth achieved in each of our geographic sectors. As well as the continuing organic growth in the Nordics and Central Europe, our growth in the UK was significantly stronger than the prior year.

The investment in our new UK injection moulding and fan assembly facility will be completed by the end of the financial year and will underpin our growth ambitions for the future."

Outlook

Volution has delivered another set of good results in the first half of this financial year. We expect to make further progress with our strategy in the full year, notwithstanding our caution in some of our market sectors. We are a well diversified business across product and geography and this, coupled with the acquisition of Simx, announced today, will help underpin further growth.

-Ends-

For further information:

Enquiries:

Volution Group plc	
Ronnie George, Chief Executive Officer	+44 (0) 1293 441501
Ian Dew, Chief Financial Officer	+44 (0) 1293 441536
Tulchan Communications	+44 (0) 207 353 4200
James Macey White	
David Ison	

A presentation will be held for analysts at 9.30 am today, Monday 19 March, at the offices of Tulchan Communications, 85 Fleet Street, London, EC4Y 1AE.

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 19 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 14 key brands - Vent-Axia, Manrose, Diffusion, National Ventilation, Airtech, Breathing Buildings, Fresh, PAX, VoltAir, Welair, inVENTer, Brüggemann, Ventilair and Simx 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 5.1% at constant currency is the highest level of organic growth since listing in June 2014. This is complemented by inorganic growth of 5.2% at constant currency from the full period effect of the acquisition of Breathing Buildings in the UK, acquired in December 2016 and VoltAir System in the Nordics, acquired in May 2017. Revenue increased to £98.7 million, an increase of 11.6% (10.3% at constant currency) compared to H1 2017 and adjusted operating profit grew by 6.7% (6.4% at constant currency) in the first six months to £18.3 million, representing a margin of 18.5% of revenue.

Our strong organic growth was a result of good sales performance in the Nordics, Central Europe, most of the UK and OEM (Torin-Sifan), slightly offset by the organic decline in the UK Commercial sector, which experienced a weaker refurbishment market.

Ventilation Group

Revenue: £87.4 million, 88.5% of Group revenue (£86.4 million at constant currency)
(H1 2017: £77.7 million, 87.8% of Group revenue)

Adjusted operating profit: £17.3 million, 94.7% of Group adjusted operating profit
(H1 2017: £16.3 million, 94.9% of Group adjusted operating profit)

		Constant currency		
Market sectors	**6 months to 31 January 2018 £m**	**6 months to 31 January 2018 £m**	6 months to 31 January 2017 £m	Growth %
Ventilation Group				
UK Residential RMI	**19.8**	**19.8**	18.9	4.4
UK Residential New Build	**11.0**	**11.0**	10.2	7.6
UK Commercial	**16.0**	**16.0**	15.1	6.2
UK Export	**6.7**	**6.6**	4.7	40.1
Nordics	**19.6**	**19.2**	15.5	24.3
Central Europe	**14.3**	**13.8**	13.3	3.6
Total Ventilation Group	**87.4**	**86.4**	77.7	11.2

The Ventilation Group's performance was good, with a 12.4% increase in revenue compared to H1 2017 (11.2% at constant currency). Organic growth was 6.4% (5.2% at constant currency) due to growth in UK Residential RMI, UK Residential New Build, UK Export, Nordics and Central Europe, partly offset by the declining organic revenue in the UK Commercial market.

United Kingdom

Sales in our UK Residential RMI sector were £19.8 million (H1 2017: £18.9 million), growth of 4.4%. Organic revenue in the UK Residential Public RMI sector remained weak, down by 5.0%, whilst private refurbishment revenue grew by 11.2%. The decline in the public sector was at a slower rate than in the prior period, but reflects the ongoing weak demand for ventilation refurbishment in public housing. A number of new products, such as the Revive fan and the recently launched Positive Input Ventilation range, are starting to gain momentum and we are confident that share gains in this sector in the future should help offset the overall weaker demand. Since the acquisition of NVA Services in May 2016 we have been integrating both the National Ventilation and Airtech brands, strengthening them both in areas of the market where we previously found access difficult. "In-sourcing" and new product development has underpinned these revenue streams and is also providing significant margin expansion with some additional benefits still to be delivered in the next year.

UK Residential Private RMI growth in the first half of the year has been strong. The gain of new business in the retail sector and the continued upselling initiatives across all of our relevant UK brands has enabled us to grow market share.

Sales in our UK Residential New Build sector were £11.0 million (H1 2017: £10.2 million), organic growth of 7.6%. As in previous years, our order intake has grown more quickly than sales and, with the gain of an existing account to become the sole supplier confirmed in the first half of the year, we are well positioned for the future.

Sales in our UK Commercial sector were more mixed. Overall the sector grew by 6.2% in the first six months, to £16.0 million (H1 2017: £15.1 million) as a result of the full period effect of the acquisition of Breathing Buildings. Fan coil sales have grown with the outlook being positive, but RMI sales, as well as natural and hybrid ventilation sales, have been weaker than anticipated. The organic revenue in this sector declined by 6.1%.

UK Export sales were £6.7 million (H1 2017: £4.7 million), very strong growth of 42.0% (40.1% at constant currency), benefiting from: the previously announced, unusually large export contract to Japan; system ventilation sales in Eire and a general increase in a number of accounts in continental Europe.

The Nordics

Sales in the Nordics sector were £19.6 million (H1 2017: £15.5 million), an increase of 27.0% (24.3% at constant currency) partly as a result of the acquisition of VoltAir System in May 2017. Organic revenue growth in the Nordics was strong at 8.7% (6.4% growth at constant currency) buoyed by both good sales in the local Nordic market but also a key growth initiative supplying both standard and premium range fans under our brands to ongoing refurbishment projects in South America. The Nordic performance is reassuring in the face of the generally perceived weakness in the Nordic construction market. Since the acquisition of VoltAir System we are now better placed to take advantage of the new build project market.

Central Europe

Sales in the Central Europe sector were £14.3 million (H1 2017: £13.3 million), an increase of 7.1% (3.6% at constant currency). The improvement of existing products and introduction of new products in Germany with a much higher performance and improved aesthetics have supported our organic growth. In Belgium we continue to switch sales towards the electric wholesaler channel; this is going very well and the outlook for further account gains is positive. In the Netherlands our focus on growing wholesaler business is also taking hold with expected momentum to carry in to the second half of the 2018 financial year.

OEM (Torin-Sifan)

Revenue: £11.3 million, 11.5% of Group revenue (£11.2 million at constant currency)
(H1 2017: £10.8 million, 12.2% of Group revenue)

Adjusted operating profit: £2.1 million, 11.4% of Group adjusted operating profit
(H1 2017: £2.1 million, 12.5% of Group adjusted operating profit)

Market sectors	**6 months to 31 January 2018 £m**	Constant currency **6 months to 31 January 2018 £m**	6 months to 31 January 2017 £m	Growth %
Total OEM	**11.3**	**11.2**	10.8	4.2

Our OEM (Torin-Sifan) segment revenue was £11.3 million (H1 2017: £10.8 million); organic growth of 5.5% (4.2% at constant currency). Sales of our highly efficient Electrically Commutated (EC) technology products have been gaining momentum but sales volumes of traditional, Alternating Current (AC) technology products have, as expected, reduced; however, price increases for these AC products have partly supported revenue. The wider market for EC motors is expected to continue to grow across Europe as manufacturers pursue a strategy, consistent with that of the Volution Ventilation Group, of providing innovative and lower energy consuming ventilation devices to comply with the ever tighter requirements of the various European regulations.

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.

These pillars provide the Group with the long term growth opportunities driven by a favourable regulatory backdrop that focuses on reducing carbon emissions from buildings (in particular new buildings) as well as the need to improve energy efficiency and indoor air quality.

The ventilation market remains highly fragmented and we will continue to pursue acquisition opportunities leveraging the Group's capabilities in operations, procurement, distribution and finance.

We will continue to provide clear central leadership in research and development to facilitate the Group's growth. Investment in our own sourcing team in China is adding value to the procurement efforts around the enlarged Group.

The investment we have made in Torin-Sifan, both in new product development and a new production facility, has established a base for future revenue growth and profit improvement.

Operations - factory rationalisation

As previously announced in 2017 we are now significantly advanced with our project to rationalise the UK fan assembly and injection moulding from the current two facilities in Reading and Slough, to our new, purpose built facility in Suttons Business Park in Reading. We commenced fan assembly at the new facility at the beginning of January 2018. Whilst the overall project will complete on time by the end of July 2018, there have been some commissioning issues resulting in temporary delays in product supply to the market. The move to this new facility is intended to future proof our growth plans, both in the UK but also to underpin future growth across the wider Ventilation Group. Our plan is to make this facility much leaner and considerably more efficient than was possible within the previous two-site logistical constraints. The operations team are working hard to improve the current product supply situation and once fully operational and in line with our expectations, we believe the new Suttons Business Park facility will be the highest output fan assembly and injection moulding facility in Western Europe.

Dividend

The Board has declared an interim dividend of 1.46 pence per share, which represents growth of 8.1% compared to H1 2017. The interim dividend will be paid on 3 May 2018 to shareholders on the register at the close of business on 3 April 2018.

UK leaving the European Union

Other than the weakness of sterling following the vote to leave the European Union we have not yet seen any directly attributable effects on the business as a result of the decision. In the UK, the relative strength of the US dollar is primarily felt through our US dollar denominated purchases from Asia. The additional cost will continue to be absorbed in 2018. We see no further impact on our business as a result of the UK leaving the European Union as we go through H2 2018, although we will continue to monitor developments.

Board

As announced separately today, Amanda Mellor, currently the Group Secretary and Head of Corporate Governance of Marks and Spencer Group plc, has been appointed as an Independent Non-Executive Director with immediate effect. The Board is delighted to welcome Amanda who brings a broad range of experience in M&A, operations, shareholder relations, strategy, and governance, gained during a career in retail, investment banking and as a Non-Executive Director (in construction). The Board looks forward to working with Amanda and benefiting from her experience.

People

I recently attended one of the workshop modules for our third Management Development Programme and was pleased to see how well this cohort is developing. The team are working on internal opportunities covering the areas of innovation, procurement, wider group product management and our culture. These work programmes provide a further catalyst and tool to help with the integration of our recent acquisitions. Inorganic growth is a key principle of our strategy and the ability to utilise a wider pool of managers to assist with future integrations not only de-risks those transactions, but also accelerates the delivery of the synergies and benefits.

Several projects such as the integration of new ERP systems in both the Nordics and the UK, as well as the UK factory rationalisation project, have placed a significant work load on our employees. I am hugely appreciative of the hard work and dedication of our employees, not just in the area of these special projects, but also the wider efforts and commitment to improving our organisation and laying down the foundations for future growth.

Ronnie George
Chief Executive Officer
19 March 2018

FINANCIAL REVIEW

Trading Performance Summary

	Reported			Adjusted[1]		
	6 months to 31 January 2018	6 months to 31 January 2017	Movement	**6 months to 31 January 2018**	6 months to 31 January 2017	Movement
Revenue (£m)	**98.7**	88.5	11.6%	**98.7**	88.5	11.6%
Operating profit (£m)	**11.5**	9.6	19.5%	**18.3**	17.1	6.7%
Finance costs (£m)	**1.4**	0.8	72.0%	**0.5**	0.6	(23.3)%
Profit before tax (£m)	**10.1**	8.8	14.5%	**17.8**	16.5	7.8%
Basic and diluted EPS (p)	**4.16**	3.61	15.2%	**7.08**	6.54	8.3%
Operating cash flow (£m)	**12.0**	15.7	(23.5)%	**11.8**	16.4	(27.9)%
Interim dividend per share (p)	**1.46**	1.35	8.1%	**1.46**	1.35	8.1%
Net debt (£m)	**34.9**	40.6	(5.7)	**34.9**	40.6	(5.7)

[1]The Group's reported profit before tax and adjusted measures of performance are reconciled in the table below and note 4. For a definition of all adjusted measures see the glossary of terms in note 20.

Revenue

Group revenue during the six months ended 31 January 2018 was £98.7 million (H1 2017: £88.5 million), an 11.6% increase (10.3% at constant currency). Growth was achieved both organically, 6.3% (5.1% at constant currency), and inorganically, 5.3% (5.2% at constant currency) from the full period effect of the two acquisitions made during FY 2017; Breathing Buildings in December 2016 and VoltAir System in May 2017.

Profitability

Our underlying result, as measured by adjusted operating profit, was £18.3 million (H1 2017: £17.1 million), representing 18.5% of revenue (H1 2017: 19.4%), a £1.2 million improvement compared to H1 2017. At constant currency, our adjusted operating profit grew by 6.4% to £18.2 million, a margin of 18.5%. At constant currency the adjusted operating profit margin of 18.5% represents a 0.9 percentage point decline in the period as a consequence of; the full year effect of acquired businesses with lower margins than the Group average, a decline in the UK Residential Public RMI sector, currency inflation on imported materials and the investment in indirect costs for future growth.

The Group's reported operating profit in the six months was £11.5 million compared to £9.6 million in H1 2017, growth of £1.9 million, 19.5%. The growth in reported operating profit is analysed below and was assisted by the release, in the reported result, of contingent consideration relating to the acquisition of VoltAir System (£1.5 million), which is no longer required. 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 2018			Six months ended 31 January 2017		
	Reported £m	**Adjustments £m**	**Adjusted results £m**	Reported £m	Adjustments £m	Adjusted results £m
Revenue	**98.7**	**-**	**98.7**	88.5	-	88.5
Gross profit	**47.4**	**-**	**47.4**	43.6	-	43.6
Administrative & distribution expenses excluding the costs listed below	**(29.1)**	**-**	**(29.1)**	(26.5)	-	(26.5)
Amortisation of intangible assets acquired through business combinations	**(7.2)**	**7.2**	**-**	(6.7)	6.7	-
Exceptional operating costs	**(1.1)**	**1.1**	**-**	(0.8)	0.8	-
Release of contingent consideration	**1.5**	**(1.5)**	**-**	-	-	-
Operating profit	**11.5**	**6.8**	**18.3**	9.6	7.5	17.1
Net loss on financial instruments at fair value	**(0.6)**	**0.6**	**-**	(0.2)	0.2	-
Exceptional write off of unamortised loan issue costs upon refinancing	**(0.3)**	**0.3**	**-**	-	-	-
Other net finance costs	**(0.5)**	**-**	**(0.5)**	(0.6)	-	(0.6)
Profit before tax	**10.1**	**7.7**	**17.8**	8.8	7.7	16.5
Income tax	**(1.8)**	**(1.9)**	**(3.7)**	(1.6)	(1.9)	(3.5)
Profit after tax	**8.3**	**5.8**	**14.1**	7.2	5.8	13.0

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 £7.2 million (H1 2017: £6.7 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 £1.1 million (H1 2017: £0.8 million) which include costs relating to acquisitions £0.3 million (H1 2017: £0.6 million) and our UK factory rationalisation project of £0.8 million (H1 2017: £0.2 million). Details of these exceptional operating costs can be found in note 7.

- **Reversal of contingent consideration**

  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. Whilst the level of contingent consideration payable has yet to be agreed with the sellers, financial results for the twelve months indicate that the minimum level of EBITDA has not been achieved and the contingent consideration will not be paid. It has therefore been reversed in the period as an exceptional gain £1.5 million (H1 2017: £nil).

- **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 £0.6 million (H1 2017: loss of £0.2 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**

  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 £320,000 relating to the previous loans were written off in the period.

Acquisitions

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

- On 29 May 2017 we completed the acquisition of VoltAir System AB, based in Sweden. Total consideration was cash consideration of SEK 79.7 million (approximately £7.1 million) and contingent consideration with a fair value of SEK 16.9 million (approximately £1.5 million).

- On 16 December 2016 we completed the acquisition of Breathing Buildings Limited, based in the UK. The consideration was £11.9 million (£11.6 million net of cash acquired).

Finance costs

Reported finance costs were £1.4 million (H1 2017: £0.8 million) including £0.6 million of net losses on revaluation of financial instruments (H1 2017: £0.2 million) and £0.3 million related to the exceptional write off of unamortised loan issue costs upon refinancing (H1 2017: £nil). Adjusted finance costs were £0.5 million (H1 2017: £0.6 million) after adjusting for net losses on revaluation of financial instruments and the exceptional write off of unamortised loan issue costs upon refinancing.

Taxation

The reported effective tax rate for the 6 months was 18.0% (H1 2017: 18.5%). Our adjusted effective tax rate, on adjusted profit before tax, was 21.0% (H1 2017: 21.3%). The reduction of 0.3 percentage points was partly due to the reduction in the UK corporation tax rate from 20% to 19% which came into effect on 1 April 2017.

On 22 December 2017, the Belgian parliament enacted legislation in which the corporate tax rate is incrementally reduced from 33.99% to 29.58% in 2018 and to 25% in 2020. As a result, we have recognised a deferred tax credit of £188,000 which has reduced the reported effective tax rate in the period.

The Group's medium-term adjusted effective tax rate is expected to remain around 21.0% 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 £11.8 million (H1 2017: £16.4 million). This represents a cash conversion, after capital expenditure and movement in working capital, of 63.2% (H1 2017: 94.0%). The adjusted operating cash flow in the period was lower than in the corresponding period because of very low levels of working capital at the end of the previous financial year and a temporary increase in inventory levels in the UK organisation to support customer service. The Group continues to focus on managing its working capital efficiently with operating working capital representing 24.8% of half year revenue (H1 2017: 22.3%). 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 2018 £m**	Six months to 31 January 2017 £m
Reported net cash flow generated from operating activities	**10.3**	15.6
Net capital expenditure	**(2.9)**	(1.9)
UK and overseas tax paid	**3.7**	2.3
Cash flows relating to exceptional items	**0.7**	0.3
Exceptional items: fair value of inventories	**-**	0.1
Adjusted operating cash flow	**11.8**	16.4

Employee Benefit Trust

The Trustees of the Volution Employee Benefit Trust released 12,776 shares (H1 2017: no shares) from the Trust at £22,000 (H1 2017: £nil) to satisfy the Company's obligations under its Long Term Incentive Plan. As at 31 January 2018 the Employee Benefit Trust held 1,154,102 shares (31 July 2017: 1,166,878). The 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. We have limited our transactional foreign exchange risk by purchasing the majority of our forecast US dollar requirements for, and in advance of, the 2018 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 £22.1 million of borrowings denominated in Swedish krona (31 July 2017: £23.2 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 £22.8 million as at 31 January 2018 (31 July 2017: £23.3 million). The sterling value of our foreign currency-denominated loans, net of cash, decreased by £1.5 million (H1 2017: increased by £0.8 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 a favourable effect on the reported revenue and profitability of our business. If we had translated the H1 2018 performance of the Group at our 2017 exchange rates, the reported revenue would have been £97.6 million, £1.1 million lower, and adjusted operating profit would have been £18.2 million, £0.1 million lower.

At the end of the half year, the weakening of sterling increased the value of foreign currency-denominated working capital by £0.3 million compared to the foreign exchange rates applying at the beginning of the half year.

Net debt

Net debt at 31 January 2018 was £34.9 million (H1 2017: £40.6 million); comprised of bank borrowings of £45.9 million (H1 2017: bank borrowings of £54.3 million), offset by cash and cash equivalents of £11.0 million (H1 2017: £13.7 million). The net debt of £34.9 million represents leverage of 0.9x adjusted EBITDA on a trailing 12 month basis.

Movements in net debt position for the six months ended 31 January 2018

	2018 £m	2017 £m
Opening net debt 1 August	**(37.0)**	(36.1)
Movements from normal business operations:		
Adjusted EBITDA	**20.2**	18.9
Movement in working capital	**(5.8)**	(0.9)
Share-based payments	**0.3**	0.3
Capital expenditure	**(2.9)**	(1.9)
Adjusted operating cash flow	**11.8**	16.4
– Interest paid net of interest received	**(0.3)**	(0.6)
– Income tax paid	**(3.7)**	(2.3)
– Exceptional operating costs	**(0.7)**	(0.4)
– Dividend paid	**(5.6)**	(5.2)
– FX on foreign currency loans/cash	**1.5**	(0.8)
– Issue costs of new borrowings	**(0.9)**	-
Movements from acquisitions:		
– Acquisition consideration net of cash acquired	**-**	(11.6)
Closing net debt 31 January	**(34.9)**	(40.6)

Bank facilities, refinancing and liquidity

On 15 December 2017, the Group refinanced its bank debt. The Group now has in place a £120 million multicurrency revolving credit facility together with an accordion of up to £30 million, maturing in December 2021, with the option to extend the termination of the facility by a period of 12 months. This new facility is provided under standard Loan Market Association terms and replaces the Group's previous facilities. The new facility is provided at a slightly lower interest rate than the facility refinanced.

As at 31 January 2018, the Group had £74.1 million of undrawn, committed bank facilities and £11.0 million of cash and cash equivalents on the consolidated statement of financial position.

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 seen no other effects on trading that can be directly attributed to the decision to leave the EU. We continue to monitor our business closely for any such effects but believe that the decision to leave the EU will not have any material near-term impact on demand for our products.

Earnings per share

Our adjusted basic and diluted EPS grew by 8.3% to 7.08 pence (H1 2017: 6.54 pence).

The basic and diluted earnings per share for the six months ended 31 January 2018 was 4.16 pence (H1 2017: 3.61 pence) an increase of 15.2%. A reconciliation of reported profit after tax to adjusted profit after tax is set out in note 4.

Ian Dew
Chief Financial Officer
19 March 2018

PRINCIPAL RISKS AND UNCERTANTIES

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The Directors do not consider that the principal risks and uncertainties have changed since the publication of the Annual Report for the year ended 31 July 2017. 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 2017 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 an adverse significant effect on our revenue from that customer.

Legal and regulatory environment

Changes in laws or regulation relating to the carbon efficiency of buildings or the efficiency of electrical products may change. The shift towards higher value-added and more energy-efficient products may not develop as anticipated resulting in lower sales and profit growth. If our products are not compliant and we fail to develop new products in a timely manner we may lose revenue and market share to our competitors. 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 2017 that could do so.

The Directors of Volution Group plc are listed in the Company's Annual Report for the year ended 31 July 2017, with the exception of Adrian Barden who retired as a Director on 13 December 2017 and Amanda Mellor who was appointed as a Director on 19 March 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
19 March 2018

Ian Dew
Chief Financial Officer
19 March 2018

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 2018 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 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 Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 January 2018 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
19 March 2018

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 January 2018

	Notes	**2018 Unaudited £000**	2017 Unaudited £000
Revenue	5	**98,736**	88,478
Cost of sales		**(51,341)**	(44,885)
Gross profit		**47,395**	43,593
Administrative and distribution expenses		**(36,341)**	(33,201)
Operating profit before exceptional items		**11,054**	10,392
Exceptional operating costs	7	**(1,097)**	(758)
Release of contingent consideration	7	**1,553**	-
Operating profit		**11,510**	9,634
Finance revenue		**7**	10
Finance costs	7,8	**(1,426)**	(829)
Profit before tax		**10,091**	8,815
Income tax	9	**(1,820)**	(1,629)
Profit for the period		**8,271**	7,186
Other comprehensive income:			
Items that may subsequently be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,337)**	661
Gain/(loss) on hedge of net investment in foreign operation		**1,015**	(493)
Other comprehensive income for the period		**(322)**	168
Total comprehensive income for the period		**7,949**	7,354
Earnings per share			
Basic and diluted, pence per share	10	**4.16**	3.61

Interim Condensed Consolidated Statement of Financial Position

At 31 January 2018

	Notes	2018 Unaudited £000	31 July 2017 Audited £000
Non-current assets			
Property, plant and equipment	11	**20,226**	19,590
Intangible assets – goodwill	12	**80,936**	81,584
Intangible assets – other	13	**93,179**	101,006
Deferred tax assets		**810**	810
		195,151	202,990
Current assets			
Inventories		**27,418**	22,737
Trade and other receivables		**33,902**	37,231
Other current financial assets	14	**15**	16
Cash and short term deposits		**11,009**	14,499
		72,344	74,483
Total assets		**267,495**	277,473
Current liabilities			
Trade and other payables		**(36,867)**	(40,629)
Other current financial liabilities	14	**(1,233)**	(2,124)
Income tax		**(3,417)**	(3,768)
Provisions		**(1,873)**	(1,841)
		(43,390)	(48,362)
Non-current liabilities			
Interest bearing loans and borrowings	15	**(45,045)**	(51,088)
Provisions		**(133)**	(134)
Deferred tax liabilities		**(16,121)**	(17,756)
		(61,299)	(68,978)
Total liabilities		**(104,689)**	(117,340)
Net assets		**162,806**	160,133
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		**(2,005)**	(2,027)
Share-based payment reserve		**1,559**	1,289
Foreign currency translation reserve		**1,569**	1,891
Retained earnings		**54,301**	51,598
Total equity		**162,806**	160,133

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2018

	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 2016 (Audited)	2,000	11,527	93,855	(1,533)	649	1,462	45,585	153,545
Profit for the period	-	-	-	-	-	-	7,186	7,186
Other comprehensive income	-	-	-	-	-	168	-	168
Total comprehensive income	-	-	-	-	-	168	7,186	7,354
Share-based payment	-	-	-	-	314	-	-	314
Dividends paid	-	-	-	-	-	-	(5,176)	(5,176)
At 31 January 2017 (Unaudited)	2,000	11,527	93,855	(1,533)	963	1,630	47,595	156,037
Profit for the period	-	-	-	-	-	-	6,691	6,691
Other comprehensive income	-	-	-	-	-	261	-	261
Total comprehensive income	-	-	-	-	-	261	6,691	6,952
Purchase of own shares	-	-	-	(494)	-	-	-	(494)
Share-based payment	-	-	-	-	326	-	-	326
Dividends paid	-	-	-	-	-	-	(2,688)	(2,688)
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 income	-	-	-	-	-	(322)	-	(322)
Total comprehensive income	-	-	-	-	-	(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**

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 2018 of £75,500,000.

Interim Condensed Consolidated Statement of Cash Flows
For the six months ended 31 January 2018

	Notes	**2018 Unaudited £'000**	2017 Unaudited £'000
Operating activities			
Profit for the period after tax		**8,271**	7,186
Adjustments to reconcile profit for the period to net cash flow from operating activities:			
Income tax		**1,820**	1,629
Gain on disposal of property, plant and equipment		**(17)**	(53)
Exceptional operating costs	7	**1,097**	758
Release of contingent consideration	7	**(1,553)**	-
Cash flows relating to exceptional items		**(666)**	(414)
Finance revenue		**(7)**	(10)
Finance costs	8	**1,106**	829
Exceptional write off of unamortised loan issue costs upon refinancing	8	**320**	-
Share based payment expense		**265**	314
Depreciation of property, plant and equipment		**1,480**	1,464
Amortisation of intangible assets		**7,671**	7,075
Working capital adjustments:			
Decrease in trade and other receivables		**2,997**	2,487
Increase in inventories		**(4,922)**	(750)
Exceptional costs: fair value of inventories		**-**	(81)
Decrease in trade payables and other payables		**(3,893)**	(2,532)
Increase/(decrease) in provisions		**43**	(54)
UK income tax paid		**(2,164)**	(1,284)
Overseas income tax paid		**(1,508)**	(1,025)
Net cash flow from operating activities		**10,340**	15,539
Investing activities			
Payments to acquire intangible assets		**(524)**	(832)
Purchase of property, plant and equipment		**(2,480)**	(1,097)
Proceeds from disposal of property, plant and equipment		**169**	83
Acquisition of subsidiaries, net of cash acquired		**-**	(11,631)
Interest received		**7**	10
Net cash flow used in investing activities		**(2,828)**	(13,467)
Financing activities			
Repayment of interest bearing loans and borrowings		**(55,862)**	(10,000)
Proceeds from new borrowings		**51,862**	11,540
Issue costs of new borrowings		**(941)**	-
Interest paid		**(350)**	(609)
Dividends paid		**(5,568)**	(5,176)
Net cash flow used in financing activities		**(10,859)**	(4,245)
Net decrease in cash and cash equivalents		**(3,347)**	(2,173)
Cash and cash equivalents at the start of the period		**14,499**	15,744
Effect of exchange rates on cash and cash equivalents		**(143)**	101
Cash and cash equivalents at the end of the period		**11,009**	13,672

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 19 March 2018. 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 2017. The financial information for the half years ended 31 January 2018 and 31 January 2017 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 2017 included within this report does not constitute the full statutory accounts for that period. The Annual Report 2017 has been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report 2017 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. No new accounting standards and amendments have been adopted during the period. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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) and Deferred Share Bonus Plan. The Company's own shares held by the Volution EBT are treated as treasury shares and deducted from shareholders' funds until they vest unconditionally with employees.

At 31 January 2018, a total of 1,154,102 (31 July 2017: 1,166,878) ordinary shares in the Company were held by the Volution EBT, all of which were under option to employees for nil consideration. During the period no ordinary shares in the Company were purchased by the trustees (H1 2017: no ordinary shares), and 12,776 shares (H1 2017: no shares) were disposed of by the trustees. The market value of the shares at 31 January 2018 was £2,527,000 (31 July 2017: £2,220,000).

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

Judgements

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

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

Judgements (continued)

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 2018 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 was £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 2017.

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 2018 is £5,092,000 (31 July 2017: £5,061,000). The total supplier rebate due is an immaterial balance at both 31 January 2018 and 31 July 2017.

Provisions for warranties, bad debts and inventory obsolescence

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

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

The total warranty provision at 31 January 2018 is £1,323,000 (31 July 2017: £1,291,000). The total provision for bad debts at 31 January 2018 is £956,000 (31 July 2017: £967,000). The total provision for inventory obsolescence at 31 January 2018 is £2,637,000 (31 July 2017: £2,829,000).

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 2018 £000	For the six months ended 31 January 2017 £000
Profit after tax	**8,271**	7,186
Add back:		
Exceptional operating costs (note 7)	**1,097**	758
Reversal of contingent consideration (note 7)	**(1,553)**	-
Net loss on financial instruments at fair value (note 8)	**639**	220
Exceptional write off of unamortised loan issue costs upon refinancing (note 8)	**320**	-
Amortisation of intangible assets acquired through business combinations	**7,224**	6,742
Tax effect of the above	**(1,922)**	(1,895)
Adjusted profit after tax	**14,076**	13,011
Add back:		
Adjusted tax charge	**3,742**	3,524
Adjusted profit before tax	**17,818**	16,535
Add back:		
Interest payable on bank overdraft and bank loans	**467**	609
Finance income	**(7)**	(10)
Adjusted operating profit	**18,278**	17,134
Add back:		
Depreciation of property, plant and equipment	**1,480**	1,464
Amortisation of development costs, software and patents	**447**	333
Adjusted EBITDA	**20,205**	18,931

5. Revenue

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

	For the six months ended 31 January 2018 £000	For the six months ended 31 January 2017 £000
Sale of goods	**94,740**	87,332
Rendering of services	**3,996**	1,146
Total revenue	**98,736**	88,478

Market Sectors	**For the six months ended 31 January 2018 £000**	For the six months ended 31 January 2017 £000
Ventilation Group		
UK Residential RMI	**19,768**	18,929
UK Residential New Build	**11,002**	10,222
UK Commercial	**15,980**	15,044
UK Export	**6,699**	4,717
Nordics[1]	**19,659**	15,478
Central Europe[2]	**14,278**	13,328
Total Ventilation Group	**87,386**	77,718
Original Equipment Manufacturer (OEM (Torin Sifan))		
OEM (Torin-Sifan)	**11,350**	10,760
Total revenue	**98,736**	88,478

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

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 is additional voluntary information and not 'segment information' prepared in accordance with IFRS 8.

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

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

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

Six months ended 31 January 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 operating costs	**-**	**-**	**(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**

A portion of Group overhead costs, £864,000 (H1 2017: £1,065,000), 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 2017	Ventilation Group £000	OEM £000	Unallocated £000	Total £000	Eliminations £000	Consolidated £000
Revenue						
External customers	77,718	10,760	-	88,478	-	88,478
Inter-segment	8,002	465	-	8,467	(8,467)	-
Total revenue	85,720	11,225	-	96,945	(8,467)	88,478
Gross profit	39,987	3,606	-	43,593	-	43,593
Adjusted segment EBITDA	17,560	2,436	(1,065)	18,931	-	18,931
Depreciation and amortisation of development costs, software and patents	(1,304)	(287)	(206)	(1,797)	-	(1,797)
Adjusted operating profit/(loss)	16,256	2,149	(1,271)	17,134	-	17,134
Amortisation of assets acquired through business combinations	(6,063)	(679)	-	(6,742)	-	(6,742)
Exceptional items	-	-	(758)	(758)	-	(758)
Operating profit/(loss)	10,193	1,470	(2,029)	9,634	-	9,634
Unallocated expenses:						
Net finance cost	-	-	(819)	(819)	-	(819)
Profit/(loss) before tax	10,193	1,470	(2,848)	8,815	-	8,815

Notes to the Interim Condensed Consolidated Financial Statements (continued)

6. Segmental analysis (continued)

Geographic information

Revenue from external customers (by destination):	**For the six months ended 31 January 2018 £000**	For the six months ended 31 January 2017 £000
United Kingdom	**52,303**	49,754
Europe (excluding United Kingdom and Sweden)	**25,853**	26,627
Sweden	**17,793**	10,411
Rest of the world	**2,787**	1,686
Total revenue	**98,736**	88,478

Non-current assets excluding deferred tax	**31 January 2018 £000**	31 July 2017 £000
United Kingdom	**147,168**	151,732
Europe (excluding United Kingdom & Nordics)	**26,842**	28,226
Nordics	**20,331**	22,222
Total	**194,341**	202,180

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 2018 £000	For the six months ended 31 January 2017 £000
Acquisition related costs, including inventory fair value adjustments	**347**	563
Factory relocation	**750**	195
Exceptional operating costs	**1,097**	758
Reversal of contingent consideration	**(1,553)**	-
	(456)	758
Total tax credit relating to the items above	**(197)**	(92)
	(653)	666

Acquisition related costs, including inventory fair value adjustments

The acquisition related costs in the period are £347,000 (H1 2017: £563,000).

Factory relocation

The costs for the factory relocation relate to a project to combine manufacturing locations.

With the assistance of Colliers International (commercial estate agents) an extensive year long search has produced a suitable site – the business has now set-up a relocation project team and has recruited the expertise of a professional project manager with experience in managing industrial relocations. A breakdown of the cost is as follows:

	For the six months ended 31 January 2018 £000	For the six months ended 31 January 2017 £000
Colliers – finders fee	**-**	75
Legal fees	**-**	49
Consultancy fees	**83**	22
Project manager	**64**	49
Redundancy related costs	**54**	-
Stock write off	**57**	-
Site clearance and closure	**12**	-
Dual running costs of site	**343**	-
Start-up costs	**137**	-
	750	195

The project to relocate the factories to the new facility will last until mid-2018 when we expect to finalise the production move. It is our intention that all costs associated with the project will similarly be treated as exceptional. Total costs spent to date are £1.3 million, with a further c. £1.4 million to spend.

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

7. Exceptional items (continued)

Reversal of contingent consideration

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. Total consideration for the transaction was cash consideration of SEK 79,711,000 (£7,091,000) and contingent consideration with a fair value of SEK 16,930,000 (£1,506,000), giving total consideration of SEK 96,641,000 (£8,597,000). The contingent consideration was based on the level of EBITDA achieved during the twelve months to 31 December 2017. There was a minimum level of EBITDA which must be achieved otherwise no contingent consideration is payable. The contingent consideration, recognised in the 31 July 2017 financial statement, was recognised in line with management's best estimate of the level of EBITDA expected to be achieved during the earn-out period. Whilst the level of contingent consideration payable has yet to be agreed with the sellers, financial results for the twelve months indicate that the minimum level of EBITDA has not been achieved and the contingent consideration will not be paid and therefore has been reversed in the period as an exceptional item.

Write off of unamortised loan issue costs upon refinancing

In addition to the exceptional operating costs disclosed in the table above, we have 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 2018 £000	For the six months ended 31 January 2017 £000
Interest payable on bank loans	**426**	551
Revaluation of financial instruments	**639**	220
Exceptional write off of unamortised loan issue costs upon refinancing	**320**	-
Other interest	**41**	58
	1,426	829

On 15 December 2017, the Group refinanced its bank debt. The Group now has in place a £120 million multicurrency revolving credit facility (maturing in December 2021) together with an accordion of up to £30 million, with the option to extend the termination of the facility by a period of 12 months. The old facility was repaid in full when the new multicurrency revolving credit facility was entered into. 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 6 months was 18.0% (H1 2017: 18.5%). Our adjusted effective tax rate, on adjusted profit before tax, was 21.0% (H1 2017: 21.3%). The reduction of 0.3 percentage points was partly due to the reduction in the UK corporation tax rate from 20% to 19% which came into effect on 1 April 2017.

On 22 December 2017, the Belgian parliament enacted legislation in which the corporate tax rate is incrementally reduced from 33.99% to 29.58% in 2018 and to 25% in 2020. As a result, we have recognised a deferred tax credit of £188,000 which has reduced the reported effective tax rate in the period.

The Group's medium-term adjusted effective tax rate is expected to remain around 21.0% of the Group's adjusted profit before tax.

10. Earnings per share (EPS)

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

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of any dilutive potential ordinary shares into ordinary shares. There are no dilutive potential ordinary shares for the periods ended 31 January 2018 and 31 January 2017.

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 2018 £000	For the six months ended 31 January 2017 £000
Profit attributable to ordinary equity holders	**8,271**	7,186
	Number	Number
Weighted average number of ordinary shares for basic earnings per share and diluted earnings per share	**198,838,009**	199,083,122
Earnings per share:		
Basic and diluted	**4.16p**	3.61p

	For the six months ended 31 January 2018 £000	For the six months ended 31 January 2017 £000
Adjusted profit attributable to ordinary equity holders	**14,076**	13,011
	Number	Number
Weighted average number of ordinary shares for adjusted basic earnings per share and diluted earnings per share	**198,838,009**	199,083,122
Adjusted earnings per share:		
Basic and diluted	**7.08p**	6.54p

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 2017	29,720
Additions	2,480
Disposals	(599)
Net foreign currency exchange differences	(407)
As 31 January 2018	31,194
Depreciation	
At 31 July 2017	10,130
Depreciation expense	1,480
Disposals	(447)
Net foreign currency exchange differences	(195)
As 31 January 2018	10,968
Net book value	
At 31 January 2018	20,226
At 31 July 2017	19,590

12. Intangible assets – goodwill

	Total £000
Cost and net book value:	
At 31 July 2017	81,584
Net foreign currency exchange differences	(648)
As 31 January 2018	80,936

13. Intangible assets – other

	Total £000
Cost	
At 31 July 2017	171,083
Additions	524
Disposals	(1)
Net foreign currency exchange differences	(1,159)
As 31 January 2018	170,447
Amortisation	
At 31 July 2017	70,077
Amortisation expense	7,671
Disposals	(1)
Net foreign currency exchange differences	(479)
As 31 January 2018	77,268
Net book value	
At 31 January 2018	93,179
At 31 July 2017	101,006

Notes to the Interim Condensed Consolidated Financial Statements (continued)

14. Other financial assets and liabilities

	Current 31 January 2018 £000	Current 31 July 2017 £000
Financial assets		
Cash held in escrow	**15**	16
Financial liabilities		
FX forward contracts	**1,233**	536
Contingent consideration	**-**	1,588
	1,233	2,124

15. Interest bearing loans and borrowings

	Non-current 31 January 2018 £000	Non-current 31 July 2017 £000
Unsecured at amortised cost		
Borrowings under the revolving credit facility (maturing 2021)	**45,956**	-
Unamortised finance costs	**(911)**	-
Unsecured at amortised cost		
Borrowings under the revolving credit facility (maturing 2019)	**-**	51,490
Unamortised finance costs	**-**	(402)
	45,045	51,088

On 15 December 2017, the Group refinanced its bank debt. The Group now has in place a £120 million multicurrency revolving credit facility, together with an accordion of up to £30 million. The facility matures in December 2021, with the option to extend the termination of the facility by a period of 12 months. The old facility was repaid in full early, on 15 December 2017, and a new multicurrency revolving credit facility was entered into. Interest bearing loans at 31 January 2018 comprise this multicurrency revolving credit facility, together with an accordion, from Danske Bank A/S, HSBC and the Royal Bank of Scotland, with HSBC acting as agent and are governed by a facilities agreement. No security is provided under the facility.

Bank loans at 31 July 2017 comprised a revolving credit facility from Danske Bank A/S, HSBC and the Royal Bank of Scotland with HSBC acting as agent and are governed by a facilities agreement. The outstanding loans are set out in the table below. No security is provided under the new facility.

During the period, other than the repayment of the old loan (£49,862,000) and the drawdown of the new loan (£51,862,000), £6,000,000 was repaid from cash flows generated through operating activities.

Revolving credit facility – at 31 January 2018

Currency	**Amount outstanding £000**	**Termination date**	**Repayment Frequency**	**Rate %**
GBP	1,000	15 Dec 2021	One payment	Libor + 0.90%
Euro	22,841	15 Dec 2021	One payment	Euribor + 0.90%
Swedish Krona	22,115	15 Dec 2021	One payment	Stibor + 0.90%
Total	**45,956**			

Revolving credit facility – at 31 July 2017

Currency	Amount outstanding £000	Termination date	Repayment frequency	Rate %
GBP	5,000	30 April 2019	One payment	Libor + 1.00%
Euro	23,320	30 April 2019	One payment	Euribor + 1.00%
Swedish Krona	23,170	30 April 2019	One payment	Stibor + 1.00%
Total	**51,490**			

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 2018, Group leverage was below 1.0:1 and therefore the margin will remain at 0.9%.

At 31 January 2018, the Group had £74,045,000 (31 July 2017: £37,010,000) 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 in note 14 and the contingent consideration in note 7. 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 2018 apart from compensation of key management personnel.

18. Dividends

The Group paid a final dividend of 2.80 pence per ordinary share during the period in respect of the year ended 31 July 2017. The Board has declared an interim dividend of 1.46 pence per ordinary share in respect of the half year ended 31 January 2018 (6 months to 31 January 2017: 1.35 pence per ordinary share) which will be paid on 3 May 2018 to shareholders on the register at the close of business on 3 April 2018. 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 19 March 2018 Volution Group plc, through one of its wholly owned subsidiaries, Chinook Limited, purchased the entire issued share capital of Simx Limited in New Zealand. Simx Limited is the market leading residential ventilation products supplier in New Zealand. As a result of the acquisition, the Group will gain access to new markets.

The consideration for the acquisition was NZ$72.0 million (approximately £37.8 million), on a debt-free, cash-free basis, funded from the Group's existing cash and banking facilities. The Group is in the process of finalising 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 2018 and the date of authorisation of the condensed consolidated financial statements that would require adjustments to the 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 no dilutive potential ordinary shares for the periods ended 31 January 2018 and 31 January 2017.

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 2018 at the average exchange rate for the period ended 31 January 2017. In addition we have converted the UK operating companies' sale and purchase transactions in the period ended 31 January 2018, which were denominated in foreign currencies, at the average exchange rates for the period ended 31 January 2017.

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

Net debt – bank borrowings less cash and cash equivalents.

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