Tuesday 11 October 2016

Volution Group plc

Preliminary Results for the Year Ended 31 July 2016

Strong results with revenue growth of 19% and EPS up 15%

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 audited financial results for the 12 months ended 31 July 2016.

Highlights	**2016**	**2015**	**Change**	**Movement in constant currency**
Revenue (£m)	154.5	130.2	18.7%	18.6%
Adjusted operating profit (£m)	32.5	29.4	10.4%	10.3%
Adjusted profit before tax (£m)	31.3	27.5	13.9%	13.8%
Reported profit before tax (£m)	18.4	15.5	18.3%	18.0%
Basic and diluted EPS (p)	7.8	5.9	32.5%	32.2%
Adjusted basic and diluted EPS (p)	12.6	11.0	14.5%	14.0%
Adjusted operating cash flow (£m)	31.1	27.6	12.6%	
Dividend per share (p)	3.80	3.30	15.2%	
Net debt (£m)	36.1	21.2	14.9	

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 adjusted and non-GAAP measures, see the glossary of terms in note 20.

Financial highlights

- Four acquisitions completed in the year broadening our geographic range and routes to market.
- Revenue growth of 18.7% (18.6% at constant currency) comprised:
  - organic revenue growth of 3.0% (3.1% at constant currency); and
  - inorganic revenue growth of 15.7% (15.5% at constant currency) as a result of acquisitions.
- Adjusted operating profit growth of 10.4% to £32.5 million (10.3% at constant currency).
- As anticipated, adjusted operating profit margin declined by 1.6%, as a consequence of new acquisitions. Like-for-like adjusted operating profit margin improved by 0.2 percentage points to 22.8%.
- Reported profit before tax of £18.4 million (2015: £15.5 million).
- Net debt increased as a result of four acquisitions made in the year; adjusted EBITDA ratio of 1.0x.
- Full year dividend of 3.80 pence per share, up 15.2%.
- Adjusted EPS growth of 14.5% to 12.6 pence (2015: 11.0 pence).

Strategic highlights

- We saw an increase in sales of high end products such as quiet, silent and energy-efficient fans and the launch of a range of app-controlled fans in the Group, driving organic growth.
- Four acquisitions completed during the year with all integration activity progressing as anticipated:
    - Ventilair provides the Group with access to markets in both Belgium and the Netherlands.
    - Energy Technique (trading as Diffusion) complements the Group's leading position in the UK with its strong position in the niche market of fan coils for heating and cooling of both commercial and residential buildings. Diffusion sells mainly into the new build market.
    - NVA Services (trading as National Ventilation and Airtech) provides the Group with additional brands and routes to the UK market. It supplies ventilation products for both residential and commercial applications.
    - Welair, a small heat recovery manufacturer in Sweden, provides the Nordic business with a wider product portfolio and greater exposure to the new build market.
- OEM (Torin-Sifan) revenue growth was assisted by growth in the Electronically Commutated (EC) motor sales category in both the heating and ventilation markets.

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

"In our second full financial year since listing, we continued to deliver strong revenue and earnings growth, assisted by the completion of four acquisitions. Total revenue was £154.5 million, an increase of 18.7% compared to the prior year, with the organic highlights being growth in the Nordics of 11.3% and 8.8% in the OEM (Torin-Sifan) segment.

The four acquisitions completed in the year are substantially integrated in to the Group and are opening up access to new markets, with significant product cross selling and swap-out opportunities, all of which will underpin our future growth."

Outlook

The new financial year has started well and notwithstanding the ongoing uncertainty in the UK post the EU Referendum, our acquisitions completed in the 2016 financial year, as well as new product launches and the various sales initiatives across the Group, give us confidence in delivering further growth in 2017.

-Ends-

For further information:

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A presentation will be held for analysts at 9.30 am today, Tuesday 11 October, 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 http://www.volutiongroupplc.com/ from 7.00 am.

This announcement contains inside information.

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 and northern Europe.

The Group sold approximately 22 million ventilation products and accessories in the twelve months ended 31 July 2016. The Volution Group operates through two divisions: the Ventilation Group and the OEM (Torin-Sifan) division. The Ventilation Group consists of 11 key brands - Vent-Axia, Manrose, Diffusion, National Ventilation, Airtech, Fresh, PAX, Welair, inVENTer, Brüggemann and Ventilair, focused primarily on the UK, Nordic and central European ventilation markets. The Ventilation Group principally supplies ventilation products for residential and commercial ventilation applications. The OEM (Torin-Sifan) division, supplies motors, fans and blowers to OEMs of heating and ventilation products for both residential and commercial construction applications in Europe.

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

Cautionary statement regarding forward-looking statements

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

CHIEF EXECUTIVE OFFICER'S REVIEW

Overview

Our second full financial year as a listed company continues to build on the success of the previous year and I am pleased to report yet another year of strong results. Volution continues to make good progress in its strategy of making selective value-adding acquisitions with four acquisitions completed in the year:

- Ventilair, based in Belgium and the Netherlands, completed in August 2015;
- Energy Technique (trading as Diffusion) in the UK was completed in December 2015;
- Welair in Sweden also completed in December 2015;
- NVA Services in the UK (trading as National Ventilation and Airtech), completed in May 2016.

The integration of Ventilair was completed during the year with additional cross selling of heat recovery and domestic fan products from the UK ventilation business, as well as the recent introduction of the world's first app-controlled extractor fan from the Nordics, being sold through the new sales channels for the Group in Belgium and the Netherlands.

In the UK we achieved another year of good organic growth in the sales of higher-value ventilation systems used in new residential dwellings and of more quiet, energy efficient ventilation used for residential repair, maintenance and improvement (RMI) applications which was also underpinned by the launch of the new app-controlled fan.

Torin-Sifan delivered good organic revenue growth, despite another mild winter, and the benefits of improved customer service and reliability were delivered with the first full financial year of operation of the additional new production site in Swindon, UK.

Ventilation Group

Revenue: £134.1 million, 86.8% of Group revenue (£134.0 million at constant currency)
(2015: £111.5 million, 85.6% of Group revenue)

Adjusted operating profit: £31.6 million, 97.3% of Group adjusted operating profit
(2015: £28.9 million, 98.3% of Group adjusted operating profit)

		Constant currency		
Market sectors	**2016 £000**	**2016 £000**	2015 £000	Growth %
Ventilation Group				
UK Residential RMI	**35,427**	**35,427**	36,574	(3.1)%
UK Residential New Build	**19,818**	**19,818**	17,180	15.4%
UK Commercial	**21,677**	**21,677**	16,188	33.9%
UK Export	**7,803**	**7,775**	8,374	(7.2)%
Nordics	**25,521**	**25,695**	22,241	15.5%
Central Europe	**23,820**	**23,653**	10,904	116.9%
Total Ventilation Group	**134,066**	**134,045**	111,461	20.3%

The Ventilation Group's performance was encouraging, with a 20.3% increase in revenue on prior year (20.3% at constant currency). Organic growth was 1.9% (2.0% at constant currency) including the declining revenue from the disappointing results in UK Residential RMI, offset by the strong organic growth in UK Residential New Build and in the Nordics.

United Kingdom

Sales in our UK Residential New Build sector were £19.8 million (2015: £17.2 million), growth of 15.4%, assisted in the year by the additional revenues from Diffusion, acquired in December 2015. Organic growth achieved was 7.2% with the order intake for new residential projects growing more quickly than sales. The new Kinetic Advance was successfully launched in the year and has been specified for a number of projects which will come to fruition in our financial year 2017.

The UK Residential RMI market was soft with both private refurbishment and public refurbishment volumes declining, with prices remaining stable. Public refurbishment declined by 5.3% in the year (organic decline of 6.0%), the first half of the year declining by 8.7%. The public market remains difficult due to the ongoing austerity measures and government cutbacks, in particular, the impact on Housing Association budgets of rent reductions for their tenants. Several initiatives are underway in an attempt to gain further market share in the future. The new product development of the Revive bathroom and kitchen fan was completed in the year and the product was launched in the summer of 2016.

The Revive is one of the most efficient, quiet and discrete bathroom and kitchen fans available to the public refurbishment market and together with the additional new product range there has been significant investment in the sales team during the year. Private refurbishment declined by 1.6% in the year (an organic decline of 3.4%) and this was exacerbated by the annual price increase being delayed until financial year 2017, against a strong comparator, which benefited from pre-price increase buying. The new Svara app-controlled fan was launched in 2016 and has already established a position with both electrical wholesalers and retailers which is expected to bring additional revenue benefit in financial year 2017.

UK Commercial grew by 33.9% in the year to £21.7 million (2015: £16.2 million) as a result of the acquisition of Diffusion. The organic decline was 7.0% which was primarily due to the RMI market which performed less well than the market for new applications. Since acquisition, Diffusion sales have performed very strongly with a number of notable project wins for the supply of fan coils, requiring us to increase the manufacturing capacity of the business to support the increasing demand.

UK Export sales were £7.8 million (2015: £6.6 million excluding sales to Ventilair which are now eliminated as intercompany sales), strong growth of 17.4%, benefiting from the additional export sales from Diffusion with an organic like-for-like growth of 3.9% (3.5% growth at constant currency). Sales to our distribution partner Simx in New Zealand performed particularly well as did sales of heat recovery systems to Eire.

The Nordics

Sales in the Nordics sector were £25.5 million (2015: £22.2 million), an increase of 14.7% (15.5% at constant currency) with organic revenue growth of 10.5% (11.3% growth at constant currency). Sales of the market-leading, low-energy and near-silent ventilation products continued to grow during the year as they had in the prior year. The new Calima fan, the first app-controlled extractor fan on the market, performed very well in the year. There was also significant growth in the sales of our electric towel warmers sold under the PAX brand. Following the acquisition of Welair in December 2015, integration is progressing as expected and in the autumn of 2016 we will launch an extended range of heat recovery units in the Nordics under the Fresh brand, designed and manufactured by Welair.

Central Europe

Sales in Central Europe were £23.8 million, strong growth with sales more than doubling due to the acquisition of Ventilair in Belgium and the Netherlands. Sales in Germany were down 2.3% on the prior year although this was offset by higher gross margin generated by replacing existing products with those exclusively manufactured by Volution. This decision, whilst accretive to earnings, resulted in a small loss of sales whilst the changeover process was implemented. In June and July 2016 the sales in Germany generated strong organic growth compared to the prior year. During the year we increased the number of agents operating in Germany and now have full coverage of the market, the benefit of which we expect to see in the financial year 2017.

OEM (Torin-Sifan) segment

Revenue: £20.4 million, 13.2% of Group revenue (£20.4 million at constant currency)
(2015: £18.7 million, 14.4% of Group revenue)

Adjusted operating profit: £3.3 million, 10.0% of Group adjusted operating profit
(2015: £2.5 million, 8.5% of Group adjusted operating profit)

		Constant currency		
Market sectors	**2016 £000**	**2016 £000**	2015 £000	Growth %
OEM	**20,398**	**20,358**	18,717	8.8%
Total OEM	**20,398**	**20,358**	18,717	8.8%

Our OEM (Torin-Sifan) segment's revenue in the year was £20.4 million (2015: £18.7 million), an increase of 9.0% (8.8% at constant currency), with sales of EC fans growing strongly in the year despite the delays in launching the new EC3 motorised impeller range. Sales of alternating current (AC) fans also delivered growth, mainly as a result of the price increase implemented on the traditional product lines including spares for gas boilers. Whilst it was another mild winter with volumes broadly constant with the prior year, the additional price improvement increased the revenue in this category. As reported last year, the market for sales of electrically commutated direct current (EC/DC) motorised impellers continues to grow as this area is supported by regulatory drivers, both in the UK and in continental Europe. Our investment in the new EC3 motorised impeller range, whilst delayed, is expected to gain sales traction in financial year 2017.

Three strategic pillars

Our strategy continues to focus on three key pillars:

- organic growth in our core markets (which now extend through Ventilair to Belgium and the Netherlands);
- growth through a disciplined and value-adding acquisition strategy; and
- further develop Torin-Sifan's range, build customer preference and loyalty.

Our core markets were greatly extended during the year and now extend to Belgium and the Netherlands with the acquisition of Ventilair, to heat recovery markets in the Nordics through the acquisition of Welair, more comprehensive commercial exposure in the UK with the acquisition of Diffusion, and greater access to the UK residential market with the acquisition of National Ventilation and Airtech. These markets, as well as the original core markets for Volution, continue to benefit from the favourable regulatory backdrop that focuses on reducing carbon emissions from buildings (in particular new buildings) as well as the need to improve energy efficiency.

The European market remains highly fragmented and we will continue to pursue acquisition opportunities leveraging the Group capabilities in operations, procurement, distribution and finance, which we have invested in over recent years. Our Research and Development function, as well as our recently expanded procurement function, including our own sourcing team in China (a new investment in 2016), should enable us to deliver substantial synergies from both existing and potential new acquisitions.

The investment we have made in Torin-Sifan, both in new product development and a new production facility, helped underpin our improvements during the financial year 2016. The service levels from Torin-Sifan, mainly an OEM supplier of motorised impellers, significantly improved during the year. The launch of the new EC3 motorised impeller range, whilst later than planned, is now starting to gain approval and we expect to see sales commence during the financial year 2017.

People

I am delighted to advise that in April 2016 we launched our second internal Management Development Programme (MDP) which consists of fifteen high potential managers from across all geographic and functional areas of the Group. The programme will now run for just over a year including site visits to several of the Volution Group locations.

During the financial year 2016, we completed four acquisitions, with the integration of each of these made so much easier by the considerable hard work and dedication of our employees. Whilst focussing on the considerable benefits of integration, the efforts of our employees, their openness and collaborative approach, has ensured that all of our employees, including those in the newly acquired businesses, really do feel part of a wider Volution team. I am particularly proud of how this process has worked and would like to thank everyone across the Group for making the year a great success.

UK referendum on EU membership

Following the UK's vote to leave the European Union, the Company has been monitoring business performance closely and has not yet seen any discernible impact on trading.

Although too early to assess the implications for our business and operations over the longer term, we believe that the outcome of the referendum will not have any material near-term impact on demand for our products. Following the four acquisitions completed during the last financial year, Volution is now a more diversified and flexible business which can adjust if necessary. With our proven track record of performing well in challenging trading environments and our strong balance sheet, we are confident about delivering on our strategy over time.

Outlook

The new financial year has started well and notwithstanding the ongoing uncertainty in the UK post the EU Referendum, our acquisitions completed in the 2016 financial year, as well as new product launches and the various sales initiatives across the Group, give us confidence in delivering further growth in 2017.

Ronnie George

Chief Executive Officer

11 October 2016

FINANCIAL REVIEW

Trading Performance Summary

	Reported			Adjusted[1]		
	Year ended 31 July 2016	Year ended 31 July 2015	Movement	**Year ended 31 July 2016**	Year ended 31 July 2015	Movement
Revenue (£m)	**154.5**	130.2	18.7%	**154.5**	130.2	18.7%
EBITDA (£m)	**33.9**	31.4	8.2%	**35.4**	32.1	10.2%
Operating profit (£m)	**18.4**	17.2	7.0%	**32.5**	29.4	10.4%
Finance costs (£m)	**1.2**	2.2	45.6%	**1.2**	2.0	39.9%
Profit before tax (£m)	**18.4**	15.5	18.3%	**31.3**	27.5	13.9%
Basic and diluted EPS (p)	**7.8**	5.9	32.2%	**12.6**	11.0	14.5%
Total dividend per share (p)	**3.80**	3.30	15.2%	**3.80**	3.30	15.2%
Operating cash flow (£m)	**31.1**	27.6	12.6%	**31.1**	27.6	12.6%
Net debt (£m)	**36.1**	21.2	14.9	**36.1**	21.2	14.9

[1]The reconciliation of the Group's reported profit before tax to adjusted measures of performance is summarised in the table above and in detail in note 9 to the consolidated financial statements. For a definition of all adjusted measures see the glossary of terms in note 20.

Revenue

The Group continued its strong revenue growth during 2016. Revenue for the year ended 31 July 2016 was £154.5 million (2015: £130.2 million), an 18.7% increase (18.6% at constant currency). Growth was achieved both organically, 3.0% (3.1% at constant currency), and inorganically from acquisitions, 15.7% (15.5% at constant currency). The inorganic growth was a result of the four acquisitions made in the year and the full year effect of the acquisition of Brüggemann in April 2015.

The Ventilation Group revenues grew by 20.3% (20.3% at constant currency), of which organic growth represented 1.9% (2.0% at constant currency). OEM (Torin-Sifan) grew, entirely organically, by 9.0% (8.8% at constant currency).

Despite the significant weakening of Sterling in June 2016, the movements in foreign currency exchange rates for the year as a whole have had a minimal effect on the reported revenue of our business. If we had translated the full year revenue of our business at our 2015 exchange rates, the reported Group revenues would have been £154.4 million, less than 0.1% lower.

Profitability

Our underlying result, as measured by adjusted operating profit, was £32.5 million (2015: £29.4 million), 21.0% of revenues (2015: 22.6%), delivering a £3.1 million improvement compared to the prior year. The Group benefited from the effect of the acquisitions of Ventilair in August 2015, Energy Technique in December 2015, NVA Services in May 2016 and the full year effect of the prior year acquisition of Brüggemann in April 2015.

On sales growth of 18.7%, adjusted profit before tax improved by £3.8 million to £31.3 million, growth of 13.9%. Our Group adjusted profit before tax margin of 20.3% declined by 0.8 percentage points in the year as a consequence of the acquisition of businesses that operated with profit margins lower than our Group average. Our like-for-like adjusted profit before tax margins (of the organic portion of our business) improved by 0.8% to 21.9% of revenues.

The Group's reported profit before tax in the year was £18.4 million compared to £15.5 million in 2015. The reported profit before tax for the period has benefited from:

- increased organic adjusted operating profits and margins;
- a reduction in finance costs to £1.2 million (2015: £2.2 million), from the full year effect of our refinancing in February 2015 of the prior financial year; and
- recent acquisitions.

Acquisitions

The Group's trading benefited in the year from the full year effect of the acquisition of Brüggemann in Germany, acquired in April 2015.

A further four acquisitions were completed during the year:

- Ventilair, based in Belgium and the Netherlands, acquired in August 2015 for a consideration of €14.3 million (approximately £10.0 million net of cash acquired), €16.3 million including settlement of the target's debt on acquisition;
- Energy Technique (trading as Diffusion), based in the UK, acquired in December 2015 for a consideration of £9.4 million (£8.2 million net of cash acquired);
- Welair, based in Sweden, acquired in December 2015 for a consideration of SEK 7.8 million (approximately £0.6 million); and
- NVA Services (trading as National Ventilation and Airtech), based in the UK, acquired in May 2016 for a consideration of £6.7 million (£8.4 million including net debt acquired).

All four acquisitions were funded in full from the Group's existing cash and banking facilities.

Exceptional items and adjusted performance measures

Exceptional items, by virtue of their size, incidence or nature, are disclosed separately in order to allow a better understanding of the underlying trading performance of the Group. During the year, exceptional items were £1.2 million (2015: £0.7 million) and relate solely to the cost of the four acquisitions made in the year. Details of these exceptional items can be found in note 7 to the consolidated financial statements.

The Board believes that the performance measures, adjusted operating profit and adjusted profit before tax, stated before deduction of exceptional items, give a clearer indication of the underlying performance of the business. A reconciliation of these measures of performance to profit before tax is detailed in note 9. In addition to exceptional items, the following are also excluded from adjusted measures, as reconciled in note 9:

- **Amortisation of acquired intangibles:** on acquisition of a business, where appropriate, we value identifiable intangible fixed assets acquired such as trademarks 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 year the amortisation charge of these intangible assets increased to £12.7 million (2015: £11.5 million) as a consequence of recent acquisitions.
- **Fair value adjustments:** at each reporting period end date, we measure the fair value of financial derivatives and recognise any gains or losses immediately in finance cost. During the year, we recognised a gain of £1.1 million (2015: gain of £0.4 million).

Finance revenue and costs

Finance costs of £1.2 million (2015: £2.2 million) have reduced during the year, largely as a consequence of the full year effect of refinancing our bank debt in February 2015 resulting in lower interest rates during the period.

Taxation

As a result of the Summer Finance Bill 2015, which achieved royal assent during the period, future UK corporation tax rates were reduced to 19% effective from 1 April 2017 and 18% effective from 1 April 2020. We have large deferred tax liabilities on our consolidated statement of financial position, arising on recognition of identifiable intangible fixed assets acquired, and these liabilities have been recalculated as a consequence of the tax rate changes. As a result the deferred tax liability has decreased, with a one-off credit of £1.6 million recognised in the income statement. This has reduced our effective tax rate in the period to 15.0% (2015: 23.8%). Our underlying effective tax rate, before the effect of this adjustment to deferred tax liabilities, was 20.0% (2015: 20.1%).

The Group's medium-term adjusted effective tax rate is expected to remain around 20% of the Group's adjusted profit before tax.

Operating cash flow

The Group continued to be strongly cash generative in the year with adjusted operating cash inflow of £31.1 million (2015: £27.6 million). This represents a cash conversion, after capital expenditure and movement in working capital, of 95% (2015: 93%). The Group continues to manage its working capital efficiently with operating working capital representing 11.7% of revenue (2015: 12.3%). In addition, the Group continues to invest for the future with net capital expenditure of £4.4 million (2015: £4.6 million) including investment in new product development and improved IT systems. See the glossary of terms in note 20 for a definition of adjusted operating cash flow and cash conversion.

Employee Benefit Trust

In the period the Group loaned £1.5 million to the Volution Employee Benefit Trust for the exclusive purpose of purchasing shares in Volution Group plc in order to partly fulfil the Company's obligations under its Long Term Incentive Plan and Deferred Share Bonus Plan. The Employee Benefit Trust acquired 916,878 shares at an average price of £1.67 per share in the period, an aggregate consideration of £1.5 million. The Employee Benefit Trust has been consolidated into our results and the shares purchased have been treated as treasury shares deducted from shareholders' funds.

Net debt

Year-end net debt was £36.1 million (2015: £21.2 million), comprised of bank borrowings of £51.8 million (2015: bank borrowings of £32.8 million), offset by cash and cash equivalents of £15.7 million (2015: £11.6 million). The net debt of £36.1 million represents leverage of 1.0x adjusted EBITDA.

Movements in net debt position for the year ended 31 July 2016

	£m
Opening net debt 1 August 2015	**(21.2)**
Movements from normal business operations:	
– Adjusted operating cash flow	31.1
– Interest paid net of interest received	(1.0)
– Income tax paid	(5.2)
– Exceptional items	(1.0)
– Dividend paid	(6.9)
– Purchase of own shares	(1.5)
– FX on foreign currency loans/cash	(5.4)
Movements from acquisitions:	
– Acquisition consideration net of cash acquired	(25.0)
Closing net debt 31 July 2016	**(36.1)**

Bank facilities, refinancing and liquidity

The Group's bank facilities, at the year end, consisted of a £90 million revolving credit facility, maturing April 2019.

As at 31 July 2016, we had £38.2 million of undrawn, committed bank facilities and £15.7 million of cash and cash equivalents on the consolidated statement of financial position.

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 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 2017 financial year.

We are also exposed to translational currency risk as the Group consolidates foreign currency-denominated assets, liabilities, income and expenditure into Group reporting denominated in Sterling. We hedge the translation risk of the net assets in Fresh and PAX with £15.9 million of borrowings denominated in SEK (2015: £13.4 million). We have partially hedged our risk of translation of the net assets of inVENTer, Brüggemann and Ventilair by having Euro-denominated bank borrowings in the amount of £22.0 million as at 31 July 2016 (2015: £8.3 million). The Sterling value of our foreign currency-denominated loans increased by £5.4 million in the year as a consequence of exchange rate movements, in particular the significant weakening of Sterling in June 2016. We do not hedge the translational exchange rate risk to the results of overseas subsidiaries.

During the year, movements in foreign currency exchange rates have had a minimal effect on the reported revenue and profitability of our business. If we had translated the full year performance of our business at our 2015 exchange rates, our reported Group revenues would have been £154.4 million or less than 0.1% lower and adjusted operating profit would have been £32.5 million or 0.1% lower.

At the end of the financial year the weakening of Sterling increased the value of foreign currency-denominated working capital by £0.9 million compared to the foreign exchange rates applying at the beginning of the year.

Earnings per share

The basic and diluted earnings per share for the year was 7.8 pence (2015: 5.9 pence). Our adjusted basic and diluted earnings per share was 12.6 pence (2015: 11.0 pence), a significant 14.5% increase.

Dividends

In May 2016 the Group paid an interim dividend of 1.20 pence per share.

The Board has proposed a final dividend of 2.60 pence per share. Subject to approval at our Annual General Meeting of shareholders on 9 December 2016, the recommended final dividend will be paid on 14 December 2016 to shareholders who are on the register on 18 November 2016.

Ian Dew
Chief Financial Officer
11 October 2016

Consolidated Statement of Comprehensive Income

For the year ended 31 July 2016

	Notes	**2016 £000**	2015 £000
Revenue	5	**154,464**	130,178
Cost of sales		**(79,098)**	(67,019)
Gross profit		**75,366**	63,159
Distribution costs		**(22,500)**	(18,052)
Administrative expenses		**(33,255)**	(27,174)
Operating profit before exceptional items		**19,611**	17,933
Exceptional items	7	**(1,209)**	(731)
Operating profit		**18,402**	17,202
Finance revenue	8	**1,164**	533
Finance costs	8	**(1,202)**	(2,209)
Profit before tax		**18,364**	15,526
Income tax	10	**(2,757)**	(3,691)
Profit for the year		**15,607**	11,835
Other comprehensive income/(expense):			
Items that may subsequently be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**3,394**	(533)
Loss on hedge of net investment in foreign operations		**(1,469)**	(187)
Other comprehensive income/(expense) for the year		**1,925**	(720)
Total comprehensive income for the year		**17,532**	11,115
Basic and diluted earnings per share (pence per share)	11	**7.8p**	5.9p

Consolidated Statement of Financial Position

At 31 July 2016

	Notes	2016 £000	2015 £000
Non-current assets			
Property, plant and equipment		**19,130**	16,047
Intangible assets – goodwill	12	**68,228**	51,725
Intangible assets – others	13	**105,361**	100,951
Deferred tax assets	10	**450**	394
		193,169	169,117
Current assets			
Inventories		**20,156**	15,019
Trade and other receivables		**32,935**	26,271
Other current financial assets		**914**	—
Cash and short-term deposits		**15,744**	11,565
		69,749	52,855
Total assets		**262,918**	221,972
Current liabilities			
Trade and other payables		**(35,090)**	(25,295)
Other current financial liabilities		**—**	(225)
Income tax		**(2,472)**	(1,411)
Provisions		**(1,268)**	(855)
Deferred tax liabilities	10	**(2,395)**	—
		(41,225)	(27,786)
Non-current liabilities			
Interest-bearing loans and borrowings	16	**(51,235)**	(31,867)
Provisions		**(671)**	(600)
Deferred tax liabilities	10	**(16,242)**	(19,273)
		(68,148)	(51,740)
Total liabilities		**(109,373)**	(79,526)
Net assets		**153,545**	142,446
Capital and reserves			
Share capital		**2,000**	2,000
Share premium		**11,527**	11,527
Treasury shares		**(1,533)**	—
Capital reserve		**93,855**	92,325
Share-based payment reserve		**649**	181
Foreign currency translation reserve		**1,462**	(463)
Retained earnings		**45,585**	36,876
Total equity		**153,545**	142,446

The consolidated financial statements of Volution Group plc (registered number: 09041571) were approved by the Board of Directors and authorised for issue on 11 October 2016.

On behalf of the Board

Ronnie George
Chief Executive Officer

Ian Dew
Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended 31 July 2016

	Share capital £000	Share premium £000	Treasury shares £000	Capital reserve £000	Share-based payment reserve £000	Foreign currency translation reserve £000	Retained earnings £000	Total £000
At 1 August 2014	2,000	11,527	—	92,325	—	257	27,141	133,250
Profit for the year	—	—	—	—	—	—	11,835	11,835
Other comprehensive expense	—	—	—	—	—	(720)	—	(720)
Total comprehensive income/(expense)	—	—	—	—	—	(720)	11,835	11,115
Share-based payment	—	—	—	—	181	—	—	181
Dividends paid	—	—	—	—	—	—	(2,100)	(2,100)
At 31 July 2015	2,000	11,527	—	92,325	181	(463)	36,876	142,446
Profit for the year	—	—	—	—	—	—	15,607	15,607
Other comprehensive expense	—	—	—	—	—	1,925	—	1,925
Total comprehensive income	—	—	—	—	—	1,925	15,607	17,532
Fair Value adjustment [1]	—	—	—	1,530	—	—	(4)	1,526
Purchase of own shares	—	—	(1,533)	—	—	—	—	(1,533)
Share-based payment including tax	—	—	—	—	468	—	—	468
Dividends paid	—	—	—	—	—	—	(6,894)	(6,894)
At 31 July 2016	**2,000**	**11,527**	**(1,533)**	**93,855**	**649**	**1,462**	**45,585**	**153,545**

[1] The adjustment relates to a correction to the deferred tax on fair value adjustments made on acquisitions in prior years.

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 consolidated financial statements in 2014. This is a non-distributable reserve.

Treasury shares

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

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 hedge 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 July 2016 of £64,368,000.

Consolidated Statement of Cash Flows

For the year ended 31 July 2016

	Notes	**2016 £000**	2015 £000
Operating activities			
Profit for the year after tax		**15,607**	11,835
Adjustments to reconcile profit for the year to net cash flow from operating activities:			
Income tax		**2,757**	3,691
Loss/(gain) on disposal of property, plant and equipment		**9**	(19)
Exceptional costs	7	**1,209**	731
Cash flows relating to exceptional costs		**(795)**	(89)
Finance revenue	8	**(1,164)**	(533)
Finance costs	8	**1,202**	2,209
Share-based payment expense		**431**	181
Depreciation of property, plant and equipment		**2,559**	2,536
Amortisation of intangible assets		**12,987**	11,646
Working capital adjustments:			
Decrease/(Increase) in trade receivables and other assets		**572**	(895)
Movement in inventories		**(775)**	453
Exceptional costs: fair value of inventories		**(332)**	—
(Decrease)/increase in trade and other payables		**(41)**	750
Movement in provisions		**186**	(164)
UK income tax paid		**(3,900)**	(2,313)
Overseas income tax paid		**(1,349)**	(770)
Net cash flow from operating activities		**29,163**	29,249
Investing activities			
Payments to acquire intangible assets		**(1,626)**	(1,723)
Purchase of property, plant and equipment		**(2,879)**	(3,880)
Proceeds from disposal of property, plant and equipment		**162**	979
Acquisition of subsidiaries, net of cash acquired	15	**(24,983)**	(1,521)
Interest received		**24**	66
Net cash flow used in investing activities		**(29,302)**	(6,079)
Financing activities			
Repayment of interest-bearing loans and borrowings		**(15,291)**	(57,060)
Proceeds from new borrowings		**28,222**	39,760
Issue costs of new borrowings		—	(968)
Interest paid		**(971)**	(2,004)
Dividends paid		**(6,894)**	(2,100)
Purchase of own shares		**(1,533)**	—
Net cash flow generated from/(used in) financing activities		**3,533**	(22,372)
Net increase in cash and cash equivalents		**3,394**	798
Cash and cash equivalents at the start of the year		**11,565**	10,987
Effect of exchange rates on cash and cash equivalents		**785**	(220)
Cash and cash equivalents at the end of the year		**15,744**	11,565

Notes to the Consolidated Financial Statements

For the year ended 31 July 2016

1. Publication of non-statutory consolidated financial statements

The preliminary results were authorised for issue by the Board of Directors on 11 October 2016. The financial information set out herein does not constitute the Group's statutory consolidated financial statements for the years ended 31 July 2016 or 2015, but is derived from those accounts. Statutory consolidated financial statements for 2016 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditors have reported on those accounts; their report was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 2006.

2. Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future

Group cash flow forecasts have been produced for the period to 31 July 2019 and demonstrate that the Group will be able to meet its liabilities as and when they fall due for the foreseeable future. The Group is also forecast to remain in compliance with its banking agreement covenants at each quarter end during the forecast period.

The Directors confirm that, after making appropriate enquiries, they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

3. Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements have been consistently applied to the years presented.

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union and the Companies Act 2006. The consolidated financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of the consolidated financial information in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are set out in note 4.

The consolidated financial statements are presented in GBP and all values are rounded to the nearest thousand (£000), except as otherwise indicated. 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.

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

Judgements

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

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

Exceptional items

The Group discloses exceptional items by virtue of their nature, size or incidence to allow a better understanding of the underlying trading performance of the Group mainly relating to acquisition costs, inventory fair value adjustments as a result of acquisitions and restructuring costs following acquisitions. The Group identifies an item of expense or income as exceptional, when in managements judgement, the underlying event giving rise to the exceptional item is deemed to be non-recurring in its nature, size or incidence such that Group results would be distorted without specific reference to the event in question. To enable the full impact of an exceptional item to be understood, the tax impact is disclosed and they are presented separately in the statement of cash flows. See note 7 for details of exceptional items.

Estimates and assumptions

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

Fair value of assets acquired during business combinations

Judgements and estimates are required in assessment of fair value of the consideration and net assets acquired, including the identification and valuation of intangible assets. In valuing certain intangible assets management has made assumptions about the retention rate of customers and cash flow forecasts used to determine the fair value of the assets at the date of acquisition. Note 15 provides details on business combinations.

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 business plan for the following three years. The recoverable amount is very 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 key assumptions used to determine the recoverable amount for the different cash generating units are explained further in note 14.

The identification of the Group's cash generating units (CGU's) used for impairment testing involves a degree of judgement. Management have reviewed the Group's assets and cash inflows and identified the lowest aggregation of assets that generate largely independent cash inflows.

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. Further details are included in note 13.

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. A breakdown of the deferred tax asset is included in note 10. Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

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

Rebates payable and receivable

The Group has a number of customer and supplier rebate agreements that are recognised as a reduction from sales or a reduction of cost of sales as appropriate (collectively referred to as rebates). Rebates are based on an agreed percentage of revenue or purchases, which will increase with the level of revenue achieved or purchases made. These agreements typically run to a different reporting period to that of the Group with some of the amounts payable and receivable being subject to confirmation after the reporting date. At the reporting date, the Directors make estimates of the amount of rebate that will become both payable and due to the Group under these agreements based upon their best estimates of volumes and product mix that will be bought or sold over each individual rebate agreement period. Where the respective customer or supplier has been engaged with the Group for a number of years, historical settlement trends are also used to assist in ensuring an appropriate estimate is recorded at the reporting date and that appropriate internal approvals and reviews take place before rebates are recorded. The total rebate payable provision at 31 July 2016 included within trade and other payables is £5,414,000 (2015: £5,017,000).

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.

5. Revenue

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

	2016 £000	2015 £000
Sale of goods	**150,986**	127,652
Rendering of services	**3,478**	2,526
Total revenue	**154,464**	130,178

Market sectors	**2016 £000**	2015 £000
Ventilation Group		
UK Residential RMI	**35,427**	36,574
UK Residential New Build	**19,818**	17,180
UK Commercial	**21,677**	16,188
UK Export	**7,803**	8,374
Nordics[1]	**25,521**	22,241
Central Europe[2]	**23,820**	10,904
Total Ventilation Group	**134,066**	111,461
Original Equipment Manufacturer (OEM (Torin-Sifan))		
OEM (Torin-Sifan)	**20,398**	18,717
Total revenue	**154,464**	130,178

Notes

1. Represents revenue of Fresh AB and its subsidiaries, PAX AB, Volution Norge AS and Welair AB.

2. Represents revenue of inVENTer GmbH, Brüggemann Energiekonzepte GmbH, Ventilair Group Belgium BVBA, Ventilair Group Netherlands B.V and Ventilair SARL.

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 Original Equipment Manufacturer (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) from external customers 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.

Year ended 31 July 2016	Ventilation Group £000	OEM £000	Unallocated £000	Total £000	Eliminations £000	Consolidated £000
Revenue						
External customers	**134,066**	**20,398**	—	**154,464**	—	**154,464**
Inter-segment	**15,999**	**982**	—	**16,981**	**(16,981)**	—
Total revenue	**150,065**	**21,380**	—	**171,445**	**(16,981)**	**154,464**
Gross profit	**69,170**	**6,196**	—	**75,366**	—	**75,366**
Results						
Adjusted segment EBITDA	**33,859**	**3,780**	**(2,246)**	**35,393**	—	**35,393**
Depreciation and amortisation of developments costs, software and patents	**(2,217)**	**(524)**	**(147)**	**(2,888)**	—	**(2,888)**
Adjusted operating profit/(loss)	**31,642**	**3,256**	**(2,393)**	**32,505**	—	**32,505**
Amortisation of intangible assets acquired through business combinations	**(11,300)**	**(1,358)**	—	**(12,658)**	—	**(12,658)**
Other non-recurring items not meeting the definition of exceptional	**(236)**	—	—	**(236)**	—	**(236)**
Exceptional items	**(373)**	—	**(836)**	**(1,209)**	—	**(1,209)**
Operating profit/(loss)	**19,733**	**1,898**	**(3,229)**	**18,402**	—	**18,402**
Unallocated expenses						
Net finance cost	—	—	**(38)**	**(38)**	—	**(38)**
Profit/(loss) before tax	**19,733**	**1,898**	**(3,267)**	**18,364**	—	**18,364**

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 July 2016

6. Segmental analysis (continued)

Year ended 31 July 2015	Ventilation Group £000	OEM £000	Unallocated £000	Total £000	Eliminations £000	Consolidated £000
Revenue						
External customers	111,461	18,717	—	130,178	—	130,178
Inter-segment	11,834	1,249	—	13,083	(13,083)	—
Total revenue	123,295	19,966	—	143,261	(13,083)	130,178
Gross profit	57,702	5,457	—	63,159	—	63,159
Results						
Adjusted segment EBITDA	31,117	2,977	(1,979)	32,115	—	32,115
Depreciation and amortisation of developments costs, software and patents	(2,176)	(477)	(31)	(2,684)	—	(2,684)
Adjusted operating profit/(loss)	28,941	2,500	(2,010)	29,431	—	29,431
Amortisation of intangible assets acquired through business combinations	(10,140)	(1,358)	—	(11,498)	—	(11,498)
Exceptional items	6	(24)	(713)	(731)	—	(731)
Operating profit/(loss)	18,807	1,118	(2,723)	17,202	—	17,202
Unallocated expenses						
Net finance cost	—	—	(1,676)	(1,676)	—	(1,676)
Profit/(loss) before tax	18,807	1,118	(4,399)	15,526	—	15,526

The Group overhead costs are not allocated to individual operating segments. Likewise, certain exceptional costs have not been allocated to individual operating segments.

Inter-segment revenues are eliminated on consolidation.

Geographic information	**2016 £000**	2015 £000
Revenue from external customers by destination		
United Kingdom	**87,536**	79,936
Europe (excluding United Kingdom and Sweden)	**44,716**	31,131
Sweden	**19,500**	16,663
Rest of the world	**2,712**	2,448
Total revenue	**154,464**	130,178

	2016 £000	2015 £000
Non-current assets excluding deferred tax		
United Kingdom	**150,239**	142,957
Europe (excluding United Kingdom and Nordics)	**27,970**	13,787
Nordics	**13,360**	11,979
Total	**191,569**	168,723

Information about major customers

Annual revenue from no individual customer accounts for more than 10% of Group revenue. In the year ended 31 July 2015 one customer accounted for annual revenue of £13,607,000 which represented 10.5% of Group revenue.

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 costs are summarised below:

	Notes	**2016 £000**	2015 £000
Inventory fair value adjustment arising on business combinations	(a)	**332**	—
Acquisition costs	(b)	**877**	875
Restructuring and acquisition integration		—	128
Profit on disposal of property plant and equipment		—	(261)
Costs associated with the stock market listing of the Group		—	(11)
		1,209	731
Total tax credit for the year	(c)	**(80)**	(26)
		1,129	705

(a) As set out in note 15, inventory acquired on acquisitions was recognised at fair value, which is based on selling price less costs of disposal and a profit allowance for selling efforts. In line with the Group's definition of exceptional costs, inclusion of the inventory fair value adjustment within trading results would not be reflective of ongoing business performance. The inventory fair value adjustment has therefore been presented separately.

The relevant inventory was disposed of in the same period it was acquired.

(b) Acquisition costs relate to professional fees incurred in respect of the business combinations disclosed in note 15:

	2016 £000	2015 £000
Brüggemann Energiekonzepte GmbH	**—**	134
Ventilair Group International BVBA	**85**	559
Fresh AB and its subsidiaries	**—**	49
Energy Technique plc	**603**	—
Weland Luftbehandling AB	**22**	—
NVA Services Limited	**167**	—
Aborted acquisitions	**—**	133
	877	875

(c) It was deemed that the items allowable for or chargeable to tax was approximately £332,000 (2015: £128,000) with a potential tax benefit of £80,000 (2015: £26,000).

8. Finance revenue and costs

	2016 £000	2015 £000
Finance revenue		
Net gain on financial instruments at fair value	**1,139**	467
Interest receivable	**25**	66
Total finance revenue	**1,164**	533
Finance costs		
Interest payable on bank loans	**(915)**	(2,004)
Amortisation of finance costs	**(232)**	(102)
Other interest	**(55)**	—
Total interest expense	**(1,202)**	(2,106)
Net loss on financial instruments at fair value	—	(103)
Total finance costs	**(1,202)**	(2,209)
Net finance costs	**(38)**	(1,676)

Included in the interest payable on bank loans is £nil (2015: £106,000) relating to breakage costs of the interest rate swaps.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 July 2016

9. Adjusted earnings

	2016 £000	2015 £000
Profit after tax	**15,607**	11,835
Add back:		
Exceptional items	**1,209**	731
Other non-recurring items not meeting the definition of exceptional	**236**	—
Breakage costs of interest rate swaps	—	106
Net gain on financial instruments at fair value	**(1,139)**	(364)
Amortisation and impairment of intangible assets acquired through business combinations	**12,658**	11,498
Tax effect of the above	**(3,496)**	(1,838)
Adjusted profit after tax	**25,075**	21,968
Add back:		
Adjusted tax charge	**6,253**	5,529
Adjusted profit before tax	**31,328**	27,497
Add back:		
Interest payable on bank loans and amortisation of financing costs	**1,202**	2,000
Finance revenue	**(25)**	(66)
Adjusted operating profit	**32,505**	29,431
Add back:		
Depreciation of property, plant and equipment	**2,559**	2,536
Amortisation of development costs, software and patents	**329**	148
Adjusted EBITDA	**35,393**	32,115

For definitions of terms referred to above see note 20, Glossary of terms.

10. Income tax

(a) Income tax recognised in profit for the year

	2016 £000	2015 £000
Current income tax		
Current UK income tax expense	**4,588**	4,451
Current foreign income tax expense	**1,592**	1,178
Tax charge/(credit) relating to the prior year	**73**	(100)
Total current tax	**6,253**	5,529
Deferred tax		
Origination and reversal of temporary differences	**(1,876)**	(2,002)
Effect of changes in the tax rate	**(1,105)**	26
Tax (credit)/charge relating to prior years	**(515)**	138
Total deferred tax	**(3,496)**	(1,838)
Net tax charge reported in the consolidated statement of comprehensive income	**2,757**	3,691

(b) Income tax recognised in equity for the year

	2016 £000	2015 £000
Increase in deferred tax asset on share based payments	**(37)**	-
Net tax credit reported in equity	**(37)**	**-**

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 July 2016

10. Income tax (continued)

(c) Reconciliation of total tax

	2016 £000	2015 £000
Profit before tax	**18,364**	15,526
Profit before tax multiplied by the standard rate of corporation tax in the UK of 20.0% (2015: 20.67%)	**3,673**	3,209
Adjustment in respect of previous years	**(442)**	38
Expenses not deductible for tax purposes	**556**	401
Effect of changes in the tax rate (see explanation below)	**(1,105)**	26
Non-taxable income	**(39)**	(38)
Higher overseas tax rate	**114**	55
Net tax charge reported in the consolidated statement of comprehensive income	**2,757**	3,691

The Finance Act (No.2) 2015 was enacted on 18 November 2015 and introduced a reduction in the headline rate of corporation tax to 19% and 18% to apply from 1 April 2017 and 1 April 2020.The implications of the rate change are incorporated within the financial statements, leading to a credit of £1,105,000 to the tax charge. A further reduction in the headline rate to 17% to apply from 1 April 2020 was included in the Finance Bill 2016. As the Finance Bill 2016 had not been enacted at 31 July 2016, the impact of this rate change has not been included in these financial statements.

(d) Unrecognised deferred tax assets

At 31 July 2016, the Group had not recognised a deferred tax asset in respect of gross tax losses of £5,195,000 relating to management expenses (2015: nil) and capital losses of £3,975,000 arising in UK subsidiaries and gross tax losses of £264,000 arising in overseas entities as there is insufficient evidence that the losses will be utilised. These losses are available to be carried forward indefinitely.

At 31 July 2016, the Group had no deferred tax liability (2015: nil) to recognise for taxes that would be payable on the remittance of certain of the Group's overseas subsidiaries' unremitted earnings. Deferred tax liabilities have not been recognised as the Group has determined that there are no undistributed profits in overseas subsidiaries where an additional tax charge would arise on distribution.

(e) Deferred tax balances

Deferred tax assets and liabilities arise from the following:

2016	1 August 2015 £000	Credited/ (charged) to income £000	Credited to equity £000	Translation difference £000	On Acquisition £000	31 July 2016 £000
Temporary differences:						
Depreciation in advance of capital allowances	**(676)**	**444**	—	**(39)**	**(94)**	**(365)**
Fair value movements of derivative financial instruments	**45**	**(153)**	—	—	—	**(108)**
Customer base, trademark and patent	**(18,276)**	**3,524**	—	**(601)**	**(2,805)**	**(18,158)**
Losses	**536**	**(133)**	—	**118**	**351**	**872**
Untaxed reserves	**(468)**	**25**	—	**45**	—	**(398)**
Historical fair value adjustments	—	—	**1,526**	—	**(1,526)**	—
Other temporary differences	**(40)**	**(211)**	**37**	**6**	**178**	**(30)**
	(18,879)	**3,496**	**1,563**	**(471)**	**(3,896)**	**(18,187)**
Deferred tax asset	**394**	**61**	—	**(11)**	**6**	**450**
Deferred tax liability	**(19,273)**	**3,435**	**1,563**	**(460)**	**(3,902)**	**(18,637)**
	(18,879)	**3,496**	**1,563**	**(471)**	**(3,896)**	**(18,187)**

10. Income taxes (continued)

2015	1 August 2014 £000	Credited/ (charged) to income £000	Translation difference £000	On acquisition £000	31 July 2015 £000
Temporary differences:					
Depreciation in advance of capital allowances	(58)	(618)	—	—	(676)
Fair value movements of derivative financial instruments	122	(77)	—	—	45
Customer base, trademark and patent	(21,050)	2,241	587	(54)	(18,276)
Losses	560	(57)	33	—	536
Untaxed reserves	(617)	82	67	—	(468)
Other temporary differences	(315)	267	8	—	(40)
	(21,358)	1,838	695	(54)	(18,879)
Deferred tax asset	732	(378)	40	—	394
Deferred tax liability	(22,090)	2,216	655	(54)	(19,273)
	(21,358)	1,838	695	(54)	(18,879)

Deferred tax asset	**2016 £000**	2015 £000
Non-current	450	394

Deferred tax liability	**2016 £000**	2015 £000
Current	2,395	—
Non-current	16,242	19,273
	18,637	19,273

11. Earnings per share (EPS)

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year 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 years ended 31 July 2016 and 2015.

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

Year ended 31 July	**2016 £000**	2015 £000
Profit attributable to ordinary equity holders	**15,607**	11,835
	Number	Number
Weighted average number of ordinary shares for basic earnings per share and diluted earnings per share	**199,627,253**	200,000,000
Earnings per share:		
Basic and diluted	**7.8p**	5.9p

Year ended 31 July	**2016 £000**	2015 £000
Adjusted profit attributable to ordinary equity holders	**25,075**	21,968
	Number	Number
Weighted average number of ordinary shares for adjusted basic earnings per share and adjusted diluted earnings per share	**199,627,253**	200,000,000
Adjusted earnings per share:		
Basic and diluted	**12.6p**	11.0p

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 July 2016

12. Intangible assets – goodwill

	£000
Cost and net book value	
At 1 August 2014	50,127
Adjustment to goodwill relating to inVENTer and its subsidiaries	473
On acquisition of Brüggemann Energiekonzepte GmbH	1,395
Net foreign currency exchange differences	(270)
At 31 July 2015	51,725
Fair value deferred tax adjustment relating to prior year acquisitions	1,526
On acquisition of Ventilair Group International BVBA and its subsidiaries	5,426
On acquisition of Energy Technique Plc and its subsidiaries	3,859
On acquisition of Weland Luftbehandling AB	12
On acquisition of NVA Services Limited and its subsidiaries	3,415
Net foreign currency exchange differences	2,265
At 31 July 2016	**68,228**

13. Intangible assets – other

2016	Development costs £000	Software costs £000	Customer base £000	Trademarks £000	Patents £000	Other £000	Total £000
Cost							
At 1 August 2015	**1,645**	**4,325**	**97,844**	**37,260**	**479**	**—**	**141,553**
Additions	**522**	**1,104**	**—**	**—**	**—**	**—**	**1,626**
On acquisitions	**—**	**114**	**9,561**	**2,145**	**—**	**300**	**12,120**
Net foreign currency exchange differences	**65**	**44**	**3,568**	**1,076**	**94**	**—**	**4,847**
At 31 July 2016	**2,232**	**5,587**	**110,973**	**40,481**	**573**	**300**	**160,146**
Amortisation							
At 1 August 2015	**65**	**1,669**	**33,734**	**5,118**	**16**	**—**	**40,602**
Charge for the year	**95**	**207**	**10,812**	**1,668**	**27**	**178**	**12,987**
Net foreign currency exchange differences	**5**	**4**	**1,034**	**144**	**9**	**—**	**1,196**
At 31 July 2016	**165**	**1,880**	**45,580**	**6,930**	**52**	**178**	**54,785**
Net book value							
At 31 July 2016	**2,067**	**3,707**	**65,393**	**33,551**	**521**	**122**	**105,361**

Included in software costs are assets under construction of £86,000 (2015: £2,441,000), which are not amortised. Included in development costs are assets under construction of £1,514,000 (2015: £1,395,000), which are not amortised.

13. Intangible assets – other (continued)

2015	Development costs £000	Software costs £000	Customer base £000	Trademark £000	Patents £000	Total £000
Cost						
At 1 August 2014	1,029	2,973	100,066	38,182	927	143,177
Additions	637	1,086	—	—	—	1,723
Disposals	—	(5)	—	—	—	(5)
On acquisition	—	—	208	—	—	208
Transfers	—	271	(360)	—	(176)	(265)
Net foreign currency exchange differences	(21)	—	(2,070)	(922)	(272)	(3,285)
At 31 July 2015	1,645	4,325	97,844	37,260	479	141,553
Amortisation						
At 1 August 2014	40	1,576	24,212	3,691	7	29,526
Charge for the year	25	97	9,904	1,594	26	11,646
Disposals	—	(4)	—	—	—	(4)
Transfers	—	—	—	—	(15)	(15)
Net foreign currency exchange differences	—	—	(382)	(167)	(2)	(551)
At 31 July 2015	65	1,669	33,734	5,118	16	40,602
Net book value						
At 31 July 2015	1,580	2,656	64,110	32,142	463	100,951

The remaining amortisation periods for acquired intangible assets at 31 July 2016 are as follows:

	Customer base	Trademark	Patent
Volution Holdings Limited and its subsidiaries	6 years	21 years	—
Fresh AB and its subsidiaries	3 years	16 years	—
PAX AB and PAX Norge AS	5 years	17 years	—
inVENTer GmbH	7 years	18 years	18 years
Brüggemann Energiekonzepte GmbH	4 years	—	—
Ventilair Group International BVBA and its subsidiaries	7 years	9 years	—
Energy Technique Plc and its subsidiaries	8 years	20 years	—
Weland Luftbehandling AB	4 years	—	—
NVA Services Limited and its subsidiaries	10 years	15 years	—

14. Impairment assessment of goodwill

Goodwill acquired through business combinations has been allocated for impairment testing purposes to cash generating units. These represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

During the year the Group has reviewed its cash generating units. The previously identified cash generating units, used for the impairment review of tangible and intangible assets during the year ended 31 July 2015 were updated as a result of the changes to the group (see note 15) during the year ended 31 July 2016.

31 July 2016	**UK Ventilation £000**	**OEM (Torin-Sifan) £000**	**Nordics £000**	**Germany £000**	**Benelux £000**	**Diffusion £000**
Carrying value of goodwill	**45,352**	**5,101**	**2,887**	**4,463**	**6,566**	**3,859**
CGU value in use headroom*	**140,141**	**31,995**	**52,182**	**12,144**	**2,556**	**7,046**

Applying the same CGU's to the 31 July 2015 goodwill gives the following headroom.

31 July 2015	UK Ventilation £000	OEM (Torin-Sifan) £000	Nordics £000	Germany £000	Benelux £000	Diffusion £000
Carrying value of goodwill	40,672	4,996	2,303	3,754	N/A	N/A
CGU value in use headroom*	154,744	18,823	36,843	18,393	N/A	N/A

The table below was disclosed in the 31 July 2015 consolidated financial statements using the previously identified CGU's.

31 July 2015	Residential RMI £000	Residential New Build £000	Commercial £000	UK Export £000	OEM (Torin-Sifan) £000	Nordics Residential £000	Germany Residential £000
Carrying value of goodwill	21,195	7,143	8,744	3,590	4,996	2,303	3,754
CGU value in use headroom*	72,267	33,946	31,985	16,546	18,823	36,843	18,393

*Headroom is calculated by comparing the VIU of a CGU to the carrying amount of CGU asset, which Includes the net book value of fixed assets (tangible and intangible), goodwill and operating working capital (current assets and liabilities).

Impairment review

Under IAS 36 Impairment of Assets, the Group is required to complete a full impairment review of goodwill, which has been performed using a value in use calculation. A discounted cash flow (DCF) model was used, taking a period of three years, which has been established using pre-tax discount rates of 11.7% to 14.8% over that period. In all CGU's it was concluded that the carrying amount was in excess of the value in use and all CGU's had positive headroom.

Key assumptions in the value in use calculation

The calculation of value in use for all CGUs is most sensitive to the following assumptions:

- Price inflation – small annual percentage increases specific to each CGU are assumed in all markets based on historic data.
- Growth in the forecast period – specific growth rates have been used for each of the CGU's for the 5 year forecast period based on historic growth rates and market expectations.
- Discount rates – rates reflect the current market assessment of the risks specific to each operation. The pre-tax discount rate ranged from 11.7% to 14.8%.
- No growth rate has been used to extrapolate cash flows beyond the forecast period other than the 2% rate of inflation.

The value in use headroom for each cash generating unit where these sensitivities would be applicable has been set out above. No reasonably possible change in the above key assumptions would cause the carrying value of the cash generating units to materially exceed their recoverable value.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 July 2016

15. Business combinations

Acquisition in the year ended 31 July 2016

Ventilair Group International BVBA

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

Total consideration for the transaction was cash consideration of €14,312,000 (£9,960,000) and contingent consideration with a fair value of €48,000 (£34,000).

Transaction costs associated with the acquisition in the period ended 31 July 2016 were £85,000 (2015: £559,000) and have been expensed.

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

	Book value	Fair value adjustments	Fair value
	£000	£000	£000
Intangible assets	114	4,874	4,988
Deferred tax	—	(1,141)	(1,141)
Property, plant and equipment	339	(9)	330
Inventory	1,407	178	1,585
Trade and other receivables	2,574	(369)	2,205
Trade and other payables	(3,583)	(86)	(3,669)
Cash and cash equivalents	270	—	270
Total identifiable net assets	1,121	3,447	4,568
Goodwill on acquisition			5,426
			9,994
Discharged by:			
Consideration satisfied in cash			9,960
Contingent consideration			34

Goodwill of £5,426,000 reflects certain intangible assets that cannot be individually separated and reliably measured due to their nature. These items include the value of expected synergies and the experience and skill of the workforce arising from the acquisition. The fair value of the acquired tradename and customer base was identified and included in intangible assets, the deferred tax on these assets has been recognised separately.

The gross amount of trade and other receivables is £2,574,000. The amounts for trade and other receivables not expected to be collected are £369,000.

Ventilair Group International and its subsidiaries generated revenue of £12,737,000 and generated a profit before tax of £962,000 in the period from acquisition to 31 July 2016 that is included in the consolidated statement of comprehensive income for this reporting period.

If the combination had taken place as at 1 August 2015, the Group's revenue would have been £154,464,000 and the profit before tax would have been £18,364,000.

15. Business combinations (continued)

Acquisition in the year ended 31 July 2016 (continued)

Weland Luftbehandling AB

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

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

Transaction costs associated with the acquisition in the period ended 31 July 2016 were £22,000 and have been expensed.

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

	Book value	Fair value adjustments	Provisional fair value
	£000	£000	£000
Intangible assets	—	156	156
Deferred tax	—	47	47
Property, plant and equipment	168	—	168
Inventory	412	(149)	263
Trade and other receivables	235	(1)	234
Trade and other payables	(227)	(65)	(292)
Cash and cash equivalents	9	—	9
Total identifiable net assets	597	(12)	585
Goodwill on acquisition			12
			597
Discharged by:			
Consideration satisfied in cash			597

The fair value of the acquired customer base was identified and included in intangible assets, the deferred tax on these assets has been recognised separately.

Goodwill of £12,000 reflects certain intangible assets that cannot be individually separated and reliably measured due to their nature. These items include the value of expected synergies and the experience and skill of the workforce arising from the acquisition.

Welair AB generated revenue of £944,000 and generated a loss before tax of £65,000 in the period from acquisition to 31 July 2016 that is included in the consolidated statement of comprehensive income for this reporting period.

If the combination had taken place as at 1 August 2015, the Group's revenue would have been £154,997,000 and the profit before tax would have been £18,368,000.

15. Business combinations (continued)

Acquisition in the year ended 31 July 2016 (continued)

Energy Technique plc

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

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

Transaction costs associated with the acquisition in the period ended 31 July 2016 were £603,000 and have been expensed.

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

	Book value £000	Fair value adjustments £000	Provisional fair value £000
Intangible assets	9	4,221	4,230
Deferred tax	(23)	(774)	(797)
Property, plant and equipment	409	112	521
Inventory	816	(49)	767
Trade and other receivables	1,880	—	1,880
Trade and other payables	(2,154)	(120)	(2,274)
Cash and cash equivalents	1,210	—	1,210
Total identifiable net assets	2,147	3,390	5,537
Goodwill on acquisition			3,859
			9,396
Discharged by:			
Consideration satisfied in cash			9,396

The fair value of the acquired customer base, trademark, favourable contract agreements and committed order book were identified and included in intangible assets, the deferred tax on these assets has been recognised separately.

Goodwill of £3,859,000 reflects certain intangible assets that cannot be individually separated and reliably measured due to their nature. These items include the value of expected synergies and the experience and skill of the workforce arising from the acquisition.

The gross amount of trade and other receivables is £1,880,000. It is expected that the full contractual amounts for trade and other receivables can be collected.

ET generated revenue of £7,064,000 and generated a profit before tax of £790,000 in the period from acquisition to 31 July 2016 that is included in the consolidated statement of comprehensive income for this reporting period.

If the combination had taken place as at 1 August 2015, the Group's revenue would have been £158,911,000 and the profit before tax would have been £17,868,000.

15. Business combinations (continued)

Acquisition in the year ended 31 July 2016 (continued)

NVA Services Limited

On 10 May 2016, Volution Ventilation Group Limited acquired the entire issued share capital of NVA services Limited ("NVA"). The transaction was funded from the Group's existing revolving credit facility. The Group acquired NVA because there is a strong commercial and cultural fit between NVA and the existing group in terms of their strategies, products and service offerings. The acquisition is in line with the strategy to continue to acquire and integrate businesses with well-established brands in the ventilation market.

Total consideration for the transaction was £6,697,000.

Transaction costs associated with the acquisition in the period ended 31 July 2016 were £167,000 and have been expensed.

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

	Book value	Fair value adjustments	Provisional fair value
	£000	£000	£000
Intangible assets	286	2,460	2,746
Deferred tax	—	(479)	(479)
Property, plant and equipment	913	—	913
Inventory	1,181	(189)	992
Trade and other receivables	2,066	(55)	2,011
Trade and other payables	(3,016)	(63)	(3,079)
Cash and cash equivalents	178	—	178
Total identifiable net assets	1,608	1,674	3,282
Goodwill on acquisition			3,415
			6,697
Discharged by:			
Consideration satisfied in cash			6,697

The fair value of the acquired customer base, trademark and committed order book were identified and included in intangible assets, the deferred tax on these assets has been recognised separately.

Goodwill of £3,415,000 reflects certain intangible assets that cannot be individually separated and reliably measured due to their nature. These items include the value of expected synergies and the experience and skill of the workforce arising from the acquisition.

The gross amount of trade and other receivables is £2,066,000. The amount for trade and other receivables not expected to be collected is £55,000.

NVA generated revenue of £2,352,000 and generated a profit before tax of £119,000 in the period from acquisition to 31 July 2016 that is included in the consolidated statement of comprehensive income for this reporting period.

If the combination had taken place as at 1 August 2015, the Group's revenue would have been £161,936,000 and the profit before tax would have been £18,583,000.

15. Business combinations (continued)

Acquisition in the year ended 31 July 2015

Brüggemann Energiekonzepte GmbH

On 14 April 2015, Volution Management Holdings GmbH acquired the entire issued share capital of Brüggemann Energiekonzepte GmbH. The transaction was funded from the Group's existing revolving credit facility. The Group acquired Brüggemann as it offers a channel to sell existing ventilation products in a new region.

Total consideration for the transaction was cash consideration of €2,280,000 (£1,649,000).

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

	Book value £000	Fair value adjustments £000	Fair value £000
Intangible assets	—	208	208
Deferred tax	—	(54)	(54)
Property, plant and equipment	63	(12)	51
Inventory	8	—	8
Trade and other receivables	23	—	23
Trade and other payables	(110)	—	(110)
Cash and cash equivalents	128	—	128
Total identifiable net assets	112	142	254
Goodwill on acquisition			1,395
			1,649
Discharged by:			
Consideration satisfied in cash			1,649

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

Goodwill of £1,395,000 reflects certain intangible assets that cannot be individually separated and reliably measured due to their nature. These items include the value of expected synergies and the experience and skill of the workforce arising from the acquisition.

Brüggemann Energiekonzepte GmbH generated revenue of £719,000 and a profit after tax of £55,000 in the period from acquisition to 31 July 2015, which are is included in the consolidated statement of comprehensive income for this reporting period.

If the combination had taken place at 1 August 2014, the Group's revenue would have been £132,539,000 and the profit before tax from continuing operations would have been £15,705,000.

Cash outflows arising from business combinations are as follows:

	2016 £000	2015 £000
Ventilair Group International BVBA		
Cash consideration	**9,960**	—
Less: cash acquired with the business	**(270)**	—
Weland Luftbehandling AB		
Cash consideration	**597**	—
Less: cash acquired with the business	**(9)**	
Energy Technique plc		
Cash consideration	**9,396**	—
Less: cash acquired with the business	**(1,210)**	—
NVA Services Limited		
Cash consideration	**6,697**	—
Less: cash acquired with the business	**(178)**	—
Brüggemann Energiekonzepte GmbH		
Cash consideration	**—**	1,649
Less: cash acquired with the business	**—**	(128)
	24,983	1,521

16. Interest-bearing loans and borrowings

	2016		2015	
	Current £000	**Non-current £000**	Current £000	Non-current £000
Unsecured – at amortised cost				
Revolving credit facility	**—**	**51,869**	—	32,733
Cost of arranging bank loan	**—**	**(634)**	—	(866)
	—	**51,235**	—	31,867

Interest-bearing borrowings at 31 July 2015 and 2016 comprise a revolving credit facility from Danske Bank A/S, HSBC and The Royal Bank of Scotland with HSBC acting as agent and are governed by a facilities agreement. The outstanding loans are set out in the table below. No security is provided under the facility.

Revolving credit facility – at 31 July 2016

Currency	Amount outstanding £000	Termination dates	Repayment frequency	Rate %
GBP	14,000	30 April 2019	One payment	Libor + 1.25%
Euro	21,973	30 April 2019	One payment	Euribor + 1.25%
Swedish Kroner	15,896	30 April 2019	One payment	Stibor + 1.25%
Total	**51,869**			

Revolving credit facility – at 31 July 2015

Currency	Amount outstanding £000	Termination dates	Repayment frequency	Rate %
GBP	11,000	30 April 2019	One payment	Libor + 1.25%
Euro	8,283	30 April 2019	One payment	Euribor + 1.25%
Swedish Kroner	13,450	30 April 2019	One payment	Stibor + 1.25%
Total	**32,733**			

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 year ended 31 July 2015, Group leverage was between 1.0:1 and 1.5:1 and therefore the margin was 1.25%. The consolidated leverage level had fallen below 1.0:1 for the year ended 31 July 2015 and therefore the margin for the first period of the year ended 31 July 2016 was 1.00%, at the half year the consolidated leverage level increased to between 1.0:1 and 1.5:1 and therefore the margin for the second period of the year ended 31 July 2016 was 1.25%, this rate will continue into the first period of the year ended 31 July 2017.

At 31 July 2016 the Group had £38,131,000 (2015: £57,267,000) of its multicurrency revolving credit facility unutilised.

17. Dividends paid and proposed

	2016 £000	2015 £000
Cash dividends on ordinary shares declared and paid		
Interim dividend for 2016: 1.20 pence per share (2015: 1.05 pence)	**2,394**	2,100
Proposed dividends on ordinary shares		
Final dividend for 2016: 2.60 pence per share (2015: 2.25 pence)	**5,176**	4,500

The interim dividend payment of £2,394,000 is included in the consolidated cash flow statement.

The proposed final dividend on ordinary shares is subject to approval at the Annual General Meeting and is not recognised as a liability at 31 July 2016.

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18. Related party transactions

Transactions between Volution Group plc and its subsidiaries, and transactions between subsidiaries, are eliminated on consolidation and are not disclosed in this note. A breakdown of transactions between the Group and its related parties is disclosed below.

No related party loan note balances exist at 31 July 2016 or 31 July 2015.

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

Other disclosures on Directors' remuneration required by the Companies Act 2006 and those specified for the audit by the Directors' Remuneration Report Regulation 2013 are included in the Directors' Remuneration Report.

Other transactions with related parties include the following:

- the Group incurred costs of £295,000 (2015: £295,000) from Peter Hill, Tony Reading, Paul Hollingworth and Adrian Barden for their services as Non-Executive Directors.
- Non-Executive Director Paul Hollingworth is also a non-executive director of Electrocomponents plc. During the year, the Group sold goods to Electrocomponents plc amounting to £223,000 (2015: £253,000). At the year end, amounts owing by Electrocomponents plc were £12,000 (2015: £44,000). During the year the Group purchased goods from Electrocomponents plc amounting to £85,000 (2015: £79,000). At the year end, amounts owed to Electrocomponents plc were £16,000 (2015: £15,000).

Compensation of key management personnel

	2016 £000	2015 £000
Short-term employee benefits	**2,292**	2,134

Key management personnel is defined as the CEO, CFO and the nine individuals who report directly to the CEO.

19. Events after the reporting period

There have been no material events between 31 July 2016 and the date of authorisation of the consolidated financial statements that would require adjustments of the consolidated financial statements or disclosure.

20. Glossary of terms

Net debt – interest-bearing loans and borrowings less cash and cash equivalents.

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

Adjusted profit before tax – earnings before tax, exceptional items, amortisation of financing costs, breakage costs on interest rate swaps, net gains or losses on financial instruments at fair value and amortisation and impairment of intangible assets associated with the customer base, trademarks and patents.

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

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

Change constant currency – to calculate the change at constant currency we have converted the income statement of our foreign operating companies for the year ended 31 July 2016 at the average exchange rate for the year ended 31 July 2015. In addition we have converted the UK operating companies' sales and purchase transactions in the year ended 31 July 2016, which were denominated in foreign currencies, at the average exchange rates for the year ended 31 July 2015.

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

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 year 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 years ended 31 July 2016 and 2015.

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

Other non-recurring items not meeting the definition of exceptional – These are items of expense incurred by the group which are non-recurring however do not meet the IFRS definition of exceptional items, they have been adjusted for to give a fairer representation of the underlying performance of the business.