Friday 15 March 2024

VOLUTION GROUP PLC

Interim results for the six months ended 31 January 2024

Strong earnings growth, provides confidence of further progress in the second half of the year

Volution Group plc ("Volution" or "the Group" or "the Company", LSE: FAN), a leading international designer and manufacturer of energy efficient indoor air quality solutions, today announces its unaudited interim financial results for the six months ended 31 January 2024.

RESULTS SUMMARY

	6 months to 31 January 2024	6 months to 31 January 2023	Change
Revenue (£m)	172.5	162.3	6.3%
Adjusted operating profit (£m)[1]	38.6	34.2	12.9%
Adjusted operating profit margin (%)[1]	22.4%	21.1%	1.3pp
Adjusted profit before tax (£m)[1]	35.0	31.8	9.9%
Adjusted basic EPS (pence)[1]	13.7	12.4	10.5%
Adjusted operating cash flow (£m)[1]	38.8	30.6	26.9%
Statutory operating profit (£m)	33.7	27.8	21.1%
Statutory profit before tax (£m)	29.0	22.6	28.4%
Statutory basic EPS (pence)	11.1	8.6	29.1%
Interim dividend per share (p)	2.8	2.5	12.0%
Return on Invested Capital (ROIC)[1]	27.7%	27.6%	0.1pp
Adjusted operating cash flow conversion[1]	98%	88%	10pp

FINANCIAL HIGHLIGHTS

- Group revenue up 6.3%; +0.9% organic, +7.8% inorganic and -2.4% impact from foreign exchange
- Strong performance from UK residential (+19.4%) and acquisitions offset weaker results in UK OEM and Continental Europe
- Adjusted operating profit of £38.6m, up 12.9% on the prior year, statutory profit before tax up 28.4% to £29.0 million (H1 2023: £22.6 million)
- Further expansion of adjusted operating margin to 22.4% (H1 2023: 21.1%), driven by strong pricing discipline and operational excellence initiatives
- Adjusted operating cash flow up 26.9% on prior year to £38.8 million (H1 2023: £30.6 million), cash conversion of 98% (H1 2023: 88%)
- Balance sheet remains strong (leverage ex-leases at 0.7x), providing significant headroom for earnings accretive acquisitions
- Interim dividend up 12.0% to 2.8 pence per share (H1 2023: 2.5 pence) demonstrating the Board's confidence in the Group's prospects

OPERATIONAL HIGHLIGHTS

- Regulatory and consumer tailwinds offsetting weakness in new build activity
- Continued excellent levels of customer service whilst optimising component inventory levels
- Enhanced product mix, product cost reduction initiatives and strong factory efficiencies enhancing operating profit margin
- Significant new product launches in the first six months of the year, primarily focused on heat recovery solutions

HEALTHY AIR, SUSTAINABLY

- Continued progress against our key sustainability targets:
    - 77.0% of plastic used in own manufacturing facilities from recycled sources vs. target of 90% by end FY25 (H1 2023: 76.4%)
    - 70.5% of revenue from low-carbon, energy saving products vs. target of 75% by end FY26 (H1 2023: 69.4%)
- Good progress on health and safety improvements and awareness, with reportable accident frequency rate down to 0.21 (FY 2023: 0.30)
- Completion of the first Group wide employee engagement survey, with positive results and valuable insights for further improvements

1 The Group uses some alternative performance measures to track and assess the underlying performance of the business. These measures include adjusted operating profit, adjusted operating profit margin, adjusted profit before tax, adjusted basic EPS, adjusted operating cash flow, return on invested capital and adjusted operating cash flow conversion. The reconciliation of the Group's statutory profit before tax to adjusted measures of performance is summarised in note 2 to the interim condensed consolidated financial statements. For a definition of all the adjusted and non-GAAP measures, please see the glossary of terms in note 16 to the interim condensed consolidated financial statements.

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

"We made strong progress in the first half of the year, against a backdrop of higher interest rates and weaker new build demand. UK residential was once again the standout performer, with tighter regulation and strong social housing demand continuing to drive activity levels. Our greater exposure to refurbishment supported organic revenue growth in the period, and inorganic growth was strong due to a good performance from our recent acquisitions. Continued strong execution of our operational excellence model enabled us to expand Group adjusted operating margins and grow earnings in all three geographic regions. The excellent operating cash generation further strengthened our balance sheet and positions us favourably to continue to invest in future growth, both organic and through acquisitions.

"Our strong performance in the first half, together with the tailwind from our three recent acquisitions, gives the Board confidence in delivering adjusted earnings per share for the current financial year slightly ahead of consensus[1].

"With our diversified geographic and end-market positioning, and agile business model, along with favourable regulatory trends and the increasing importance of indoor air quality, Volution remains well positioned to continue growing shareholder value into the future."

Note:

1. Bloomberg consensus adjusted earnings per share forecast for the year ending 31 July 2024 is 26.1p.

-Ends-

For further information:

Enquiries:

Volution Group plc
Ronnie George, Chief Executive Officer +44 (0) 1293 441501
Andy O'Brien, Chief Financial Officer +44 (0) 1293 441536

FTI Consulting +44 (0) 203 727 1340
Richard Mountain
Susanne Yule

A meeting for analysts will be held at 09:30am GMT today, Friday 15 March 2024, at the offices of Berenberg, 60 Threadneedle Street, London EC2R 8HP. Please contact FTI_Volution@fticonsulting.com to register to attend or for instructions on how to connect to the meeting via conference facility.

A copy of this announcement and the presentation given to analysts will be available on our website www.volutiongroupplc.com on Friday 15 March 2024.

Volution Group plc Legal Entity Identifier: 213800EPT84EQCDHO768.

Note to Editors:

Volution Group plc (LSE: FAN) is a leading international designer and manufacturer of energy efficient indoor air quality solutions. Volution Group comprises 22 key brands across three regions:

UK: Vent-Axia, Manrose, Diffusion, National Ventilation, Airtech, Breathing Buildings, Torin-Sifan.

Continental Europe: Fresh, PAX, VoltAir, Kair, Air Connection, inVENTer, Ventilair, ClimaRad, rtek, ERI, VMI, I-Vent.

Australasia: Simx, Ventair, Manrose, DVS.

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.

Overview

We are delighted with the strong performance we have delivered in the first half of the year. Despite a backdrop of high inflation, higher interest rates and low levels of construction activity, we have delivered strong earnings growth, with organic and inorganic progress. These results are, a testament to our effective business model and loyal and committed colleagues who are passionate about our purpose of delivering "Healthy Air, Sustainably".

The global macroeconomic environment remains uncertain, and whilst inflation levels are starting to fall, we are trading in markets where general confidence levels have remained quite low. Offsetting this we continue to see further strengthening of regulatory and consumer tailwinds driving demand for our ventilation products. Our greater exposure to refurbishment, which accounted for around two-thirds of sales, has provided a more supportive market backdrop in the period, with the opportunity for enhanced growth when new build demand returns.

I am immensely proud to lead our organisation that has made great strides with employee engagement and sustainability awareness in recent years. Our increasingly embedded focus and behaviour around sustainability is borne out by the progress we have made with our recycled plastics initiative and the drive to increase the proportion of our revenue derived from low carbon product solutions. Our first Group-wide employee engagement survey was carried out in October 2023, and we will report the findings in detail in our annual report for 2024. Our 1,886 colleagues are key to our success delivering great customer service and support on a daily basis. I am deeply impressed by what I've seen and heard during visits to our various brands.

In October 2023 we kicked off our fourth Group-wide management development programme. A cohort of seventeen high potential leaders from across the global business are participating in our internally managed programme. The focus of this programme is based on our sustainability goals and the team are making good progress with the schedule. With ambitious organic and inorganic growth goals it is essential we have the talent inside the Group to maximise our opportunities. I am delighted that we have successfully hired a new Managing Director for our ClimaRad business in Netherlands, replacing the previous owner and founder Peter Schabos. We are also close to completing our project to further strengthen Group Technical Leadership as we look to further enhance our capability and delivery around innovation and new product development.

With three important acquisitions completed in the calendar year 2023 we have further extended our market reach and enriched our product portfolio. With every acquisition, Volution benefits from greater scale in the ventilation industry that helps us win market share against mostly smaller, local competitors. Our industry is seeing marked changes, as both new and existing buildings are required to de-carbonise. This is coupled with an ever-increasing awareness of the importance of good indoor air quality for health, the fabric of the building and its contents. Mould and condensation in homes, exacerbated by people heating their properties to lower than usual temperatures to reduce energy cost, is driving activity levels, a trend which we expect to continue on a multiyear basis.

Our strong financial performance in the first half of the year was underpinned by our focus on operational excellence. Having previously invested in greater than usual levels of component inventory to support excellent customer service, we are now optimising those levels, in some cases making meaningful reductions whilst still maintaining service levels. The disruption to shipping in the Red Sea has led to some additional logistics costs and minor delays in receiving key components. However, we do not expect this to have a material impact on our business.

Our organisational structure of decentralised local managing directors driving local market revenues is supported by central technical and procurement functions where we have driven many new value engineering and product cost initiatives, further enhancing our gross margins. Our market leading local brands have again supported a strong pricing discipline, and this coupled with our operational excellence initiatives has enhanced Group adjusted operating profit margin.

Results

Revenue grew by 6.3%, organic growth of 0.9% on a constant currency (cc) basis, inorganic growth of 7.8% at cc with an impact of 2.4% from foreign currency.

Our adjusted operating profit increased 12.9% to £38.6 million in H1 2024 from £34.2 million in the prior period. Statutory operating profit was £33.7 million (H1 2023: £27.8 million). At 22.4% (H1 2023: 21.1%) our adjusted operating margin was in line with the highest levels since 2015.

Adjusted operating cash inflow increased to £38.8 million (H1 2023: £30.6 million) as inventory levels were optimised, giving a cash conversion rate of 98% (H1 2023: 88%).

In the first half of financial year 2024 we acquired DVS (Proven Systems Ltd), in New Zealand, for an initial consideration of £8.5 million (NZ$17.7 million), net of cash acquired, with further contingent consideration of up to NZ$9 million. Our pipeline of potential acquisition opportunities remains healthy, and with our balance sheet strength and headroom (leverage ex leases of 0.7x), we are optimistic of being able to add further earnings accretive acquisitions to the Group.

Our OEM activities in the UK experienced weak revenues as indicated at the end of FY23. Following consultation with the local team we have taken the decision to consolidate the two facilities in Swindon into one of the existing sites. This reorganisation regrettably resulted in forty-five redundancies and was completed in the first half of the year at a cost of c. £400k. The site consolidation exercise will be completed by the end of the financial year, placing the OEM activities on an improved footing.

Focus on sustainability

We have further embedded our sustainability initiatives across the Group in the first half of the year and can report our progress on the key metrics as follows:-

- The proportion of our revenue from low carbon, energy saving products increased to 70.5% versus our long-term target of 75% by end of FY26 (H1 2023: 69.4%). Within this our proportion of sales of heat recovery products remained broadly flat at 30.7% (H1 2023: 32.2%), with declines in activity in Germany and a reduced proportion of heat recovery sales in the UK (where our growth was driven by refurbishment) partly offset by the acquisition of I-Vent.
- The proportion of recycled plastics used in our manufacturing increased to 77.0% versus our long-term target of 90% by end of FY25 (H1 2023: 76.4%). Progress was slower in the first half of the year than we had hoped, and it will be difficult to reach our 90% target for the end of 2025. However further initiatives have been established, most notably in the Nordics, where good progress was made towards the end of the first half of the year. This is a hugely important area for us, and we will continue to dedicate the required resources and focus to ensure we make continued progress.
- Keeping our colleagues safe remains our highest priority, and we are pleased that our reportable accident frequency rate has decreased to 0.21 per 100,000 hours worked compared to 0.30 for the year ended 31 July 2023. Whilst not being complacent, it seems that actions taken last year to enhance our safety culture have had a positive impact and our aim remains that every one of our colleagues goes home safe every day.

Regulatory Drivers and indoor air quality

In the first half of the year, we have seen new regulatory frameworks launched in the UK in both new build and social housing. In new build, the Future Homes Standard consultation was issued in December 2023. These standards are designed to ensure that from 2025, new buildings will be net zero ready. This means that no further work will be needed for new buildings to produce zero carbon emissions as the electricity grid de-carbonises. This will drive increases in the specification of continuous running, energy efficient ventilation systems including heat recovery over lower cost intermittent solutions. In addition, the UK Government is now set to roll out Awaab's Law through a new amendment to the social housing bill. For the first time social landlords will have strict time limits to fix damp and mould in any reported properties which will continue to drive the uptake of our condensation control solutions within the sector.

In December 2023, EU legislators reached an agreement on the recast of the Energy Performance of Buildings Directive (EPBD). Although it still has to be formally adopted, the new legislation has the potential to boost energy efficient renovation in Europe for poorly performing buildings. As a key supplier of decentralised heat recovery solutions, Volution is well placed to support those renovations.

Interim dividend

The Board has declared an interim dividend of 2.8 pence per share, up 12.0% (H1 2023: 2.5 pence), reflecting the strong first half performance and demonstrating the Board's confidence in the Group's prospects. The interim dividend will be paid on 7 May 2024 to shareholders on the register at the close of business on 2 April 2024.

Outlook

Our strong performance in the first half, together with the tailwind from our three recent acquisitions, gives the Board confidence in delivering adjusted earnings per share for the current financial year slightly ahead of consensus.

With our diversified geographic and end-market positioning, and agile business model, along with favourable regulatory trends and the increasing importance of indoor air quality, Volution remains well positioned to continue growing shareholder value into the future.

Ronnie George
Chief Executive Officer

14 March 2024

United Kingdom

Market sector revenue	6 months to 31 Jan 2024 £m	6 months to 31 Jan 2023 £m	Growth %	Growth (cc) %
UK				
Residential	49.5	41.4	19.4	19.4
Commercial	15.2	14.3	6.5	6.5
Export	5.7	5.3	7.5	7.9
OEM	7.4	12.7	(41.2)	(41.1)
Total UK Revenue	77.8	73.7	5.6	5.7
Adjusted operating profit	18.9	15.6	20.7	
Adjusted operating profit margin (%)	24.3	21.2	3.1pp	
Statutory operating profit	17.8	13.4	33.1	

UK revenue grew by 5.6% (5.7% at constant currency (cc)) to £77.8 million with adjusted operating profit at £18.9 million, an increase of £3.3 million on the prior year. Adjusted operating profit margin increased to 24.3% (H1 2023: 21.2%), an increase of 3.1 percentage points, arising from good procurement cost management, material input cost softening (plastics and electronics) and strong levels of labour and factory efficiency.

Residential growth of 19.4% in the first half of the year was an outstanding performance and more than offset the more difficult OEM end market.

The leadership changes made in the UK a couple of years ago, the move to focusing on four discrete areas of the market and the increased focus that we now have in tracking each of these areas has been a significant success. We have also made further progress with simplifying the UK operational footprint with the planned closure of our Westmead (OEM), manufacturing site which will be consolidated into the existing Greenbridge (OEM) site, and the proposed relocation of Soham based production to Dudley, both planned for H2 2024. This simplification will result in overhead cost efficiency and reduced logistical movements in servicing demand.

As reported last year we have embedded the principles of strong pricing discipline, cost reduction and efficiency initiatives, and a growing mix shift towards higher value, higher gross margin, low carbon, and innovative solutions has been a continued key driver of performance. Whilst the competitive environment in the UK from a customer service perspective has normalised, we have gained market share in all areas of our residential ventilation activities.

Revenue in our Residential sector was up 19.4% to £49.5 million (H1 2023: £41.4 million). The detail of our key residential end markets is as follows.

Volution, through its Vent-Axia and Airtech brands is the leader in the provision of ventilation products and solutions in the UK social housing market. Social housing landlords are facing unparalleled disrepair claims in their housing stock as a result of increasing regulation over the last five years. Following the Homes (Fitness for Human Habitation) Act 2018, the Housing Ombudsman's report on damp and mould in October 2021, and the Social Housing (Regulation) Act 2023, demand for continuous run and decentralised heat recovery ventilation solutions has increased dramatically and is set to continue. We have positioned our products and solutions, whilst ensuring unrivalled stock availability from our distribution partners, at the forefront of this market need.

Private residential refurbishment is also growing with the same indoor air quality (IAQ), mould and condensation concerns evident, and consumers are more aware and mindful than ever of the negative impacts of poor IAQ. Through our UK trade association membership, we have seen the substantial growth of positive input ventilation (PIV) in the first half of the financial year with our brands now the leading share of this growing market segment. We continue to develop and launch additional ventilation product solutions to our refurbishment ranges, with acute focus on the benefits of silence, energy efficiency and heat recovery at the fore and commanding a premium over more traditional solutions. Add to this market leading range a strong focus on partnering with our distributors and we are confident that we are outperforming in the UK refurbishment ventilation market.

We are particularly pleased with the revenue we have achieved in the residential new build market, in a period where housing completions have fallen sharply, our revenue was still improving which positions us well for when new build market volumes recover. We have seen the much anticipated up-swing towards continuous system ventilation away from more traditional intermittent ventilation, with unit values per dwelling increasing. We anticipated this move to "systems only" ventilation at the half year 2023 and we expect to see further momentum in the period ahead. New account wins and an increasing product value for each dwelling as housebuilders look to further decarbonise new build construction, will further underpin our revenue stream despite lower house construction activity.

UK Commercial market revenue progressed well, growing by 6.5% to £15.2 million (H1 2023: £14.3 million), albeit our market share in UK commercial is considerably smaller than in residential. Revenue progress has been underpinned by the launch of our new range of commercial heat recovery (Apex) and an extension to the range of hybrid ventilation products under our Breathing Buildings brand. These recent product launches are expected to gain further traction in the second half of the year as we look to make market share gains underpinned by these new product launches. A further strengthening of the commercial sales leadership team is underway and we see a good long-term opportunity to make market share gains in this area.

UK Export market revenue was £5.7 million, up 7.5% (7.9% at cc). UK exports are principally to Eire where we are enjoying strong residential new build activity and regulations that are supportive of mainly system and heat recovery ventilation solutions.

OEM revenue was £7.4 million, a disappointing revenue decline of 41.2% (41.1% at cc) continuing from the weak performance in the second half of FY23. With supply chains normalised, lower demand for EC3 motorised impellors linked to reduced new build construction activity and significant de-stocking from our customers, this has been a very weak period for our OEM activities. We embarked on an improvement plan in the latter part of FY23, including closing one of our manufacturing facilities which will be consolidated into the other Swindon site by the close of our financial year FY24. Initiatives to improve the product gross margin, further capitalise on the growing internal demand and the lower overhead costs in the business will return an improved performance in the second half of the year. I am hugely grateful to the local team in Swindon for their relentless focus on turning around the business following a difficult calendar year 2023.

Continental Europe

Market sector revenue	6 months to 31 Jan 2024 £m	6 months to 31 Jan 2023 £m	Growth %	Growth (cc) %
Continental Europe				
Nordics	25.4	26.6	(4.8)	0.5
Central Europe	43.1	37.7	14.4	15.1
Total Continental Europe revenue	68.5	64.3	6.5	9.0
Adjusted operating profit	16.6	15.4	7.4	
Adjusted operating profit margin (%)	24.2	24.0	0.2pp	
Statutory operating profit	13.6	12.1	12.6	

Revenue in Continental Europe was £68.5 million, with growth of £4.2 million, an increase of 6.5% (9.0% at constant currency (cc)). Organic revenue declined by 7.2% (4.7% at cc) and adjusted operating profit was £16.6 million, up from £15.4 million, in the same period in the prior year.

Adjusted operating margins were marginally up at 24.2% (H1 2023: 24.0%). With two new acquisitions completed last financial year, the country mix has changed, and we saw a big variation in the performance of our different markets, with some areas growing organically in the period and Germany declining.

Revenue in the Nordics was £25.4 million (H1 2023: £26.6 million), a decrease of 4.8% (growth of 0.5% at cc). Our weighting towards refurbishment markets provided some resilience to our revenue. The notable declines in the first half of the year were in new build activity in Denmark and Finland, and we also saw some de-stocking in the Swedish trade market. Aside from these weaker areas we made good progress with our repair, maintenance, and improvement (RMI) activities in Norway and Finland underpinned by strong growth in our decentralised heat recovery ranges, starting from a small base but continuing to gain good growth traction in the marketplace.

The indiscriminate de-stocking by distributors we have been experiencing is now tailing off and order patterns are now more representative of end market demand. Volution has strong market shares in RMI with Sweden being our leading area for the Nordics closely followed by Norway.

We continued to make progress in Central Europe, delivering revenue of £43.1 million and growth of 14.4% (15.1% at cc), helped by the acquisition of VMI and I-Vent. Organic revenue declined by 8.9% (8.4% at cc) almost solely attributable to the difficult situation for residential new build activity in Germany.

Our inVENTer brand in Germany, where the majority of our revenue is exposed to new build, witnessed a sharp decline in revenue in the calendar year 2023. As trailed in our full year results for FY23 we had expected this weakness to continue in the first half of financial year 2024. Trade association market share statistics confirm that our share has remained constant and that there has been a notable contraction in the decentralised heat recovery market in the year. InVENTer has been working on new initiatives to target the refurbishment market and revenues in the last quarter are slowly pivoting towards this area of the market. In the second half of 2024 the comparators are much weaker and consistent with the revenue rates achieved in the most recent months. The refurbishment sales initiative coupled with new product innovation adding to our leading range of decentralised heat recovery provides confidence that the revenue performance has now stabilised.

The long-term opportunity for decentralised heat recovery ventilation in Germany, and all across our markets, is a positive one as demonstrated by our performance in the Netherlands and Slovenia in the first half of the year.

ClimaRad in the Netherlands, supplying primarily decentralised heat recovery for refurbishment projects, had a strong first half performance. The project order intake has been strong, and we have made additional investments in our factory in Sarajevo, Bosnia, to support this ongoing demand. We have started to successfully cross sell these products in Germany and we expect to make further progress in the second half of the year.

I-Vent in Slovenia, an acquisition that completed in June 2023, made excellent progress in the first half of the year. Milan Kuster, the former owner of I-Vent, and his innovative and experienced team delivered a strong revenue and earnings performance in the period. Several new product initiatives are under way and will be launched in Slovenia in the second half of the year.

In Belgium, we are starting to deliver revenue from the new enhanced Econiq ranges of mechanical ventilation with heat recovery (MVHR). This project, delivered later than originally anticipated, equips the local team with an efficient, quiet, and leading proposition with which to regain lost share. Our later than anticipated delivery of this solution had left us behind some of the local competition, but the situation is now remedied, and some interesting project successes have already been secured to date.

In France, our recent acquisition of Ventilairsec is making good progress. As part of the pre-planned process to succeed the former owner, a new managing director, Joseph Colantuano, has been appointed. He has been working on an expansive plan to introduce several of our Group products into the market. This extensive cross selling project has made considerable progress in recent months with a significant enhancement of our product portfolio for the French market commencing in the second half of the year. Our market share is currently low and with a narrow product range, so this important initiative will provide new opportunities for growth in the years ahead.

Our revenue from aluminium heat exchangers, sold under our Energy Recovery Industries (ERI) brand, relies heavily on new construction projects, which have been notably weaker in Europe during the period. Despite this, revenue in the period was broadly flat, and we are investing in expanding our product range, upgrading manufacturing equipment, and enhancing facilities to gain market share. Collaborating closely with the ERI team, we aim to explore other segments of the heat exchanger market. Our current management is dedicated to the project for the long term, with substantial additional capital investment anticipated over the next 1-2 years.

Australasia

Market sector revenue	6 months to 31 Jan 2024 £m	6 months to 31 Jan 2023 £m	Growth %	Growth (cc) %
Total Australasia revenue	26.2	24.3	7.8	16.9
Adjusted operating profit	6.3	5.5	14.1	
Adjusted operating profit margin (%)	23.9	22.6	1.3pp	
Statutory operating profit	5.5	4.9	11.6	

Revenue in Australasia was £26.2 million and grew by 7.8% (16.9% at constant currency (cc)), compared to the previous period, helped by the acquisition of DVS, with organic revenue growing by 1.1% at cc. Adjusted operating profit increased by 14.1% to £6.3 million in the face of significant foreign currency translation headwinds, with our adjusted operating margin increasing to 23.9% (H1 2023: 22.6%).

We are pleased with the progress we have made in the region in the first half of the year. The improvement in adjusted operating profit margin up to 23.9% (H1 2023: 22.6%), an increase of 1.3 percentage points, arising from good price management and input cost softening (especially freight) has been delivered despite adding the DVS Proven Systems acquisition, in itself currently at a lower operating margin.

Our Simx business has been operating in what is currently a weak New Zealand economy, characterised by a lack of consumer confidence. However, the local market is slowly moving towards continuous system ventilation and our new mechanical extract ventilation systems (MEV) are gaining revenue traction. DVS Proven Systems, a consumer facing ventilation solutions provider, acquired in August 2023, will further assist us in educating customers about the value of system ventilation with and without heat recovery. During a recent trip to New Zealand, we were able to experience first-hand from our comprehensive sales teams how this is an important next step for the development of the New Zealand market. Seasonality, with the region just coming out of the summer period, is such that results in New Zealand are weighted towards the end of the second half of the financial year.

In Australia, Ventair has made excellent progress with the launch of several new product ranges. The move to DC low energy product ranges has powered ahead in the first half of the year with over 60% of our revenue now derived from low carbon products. Ventair was acquired approximately five years ago and has made excellent progress in establishing a fully Australian-wide proposition with considerable investment in external sales personnel to support the market coverage. New product launches have enhanced product margins, and we have more new product introductions scheduled for the second half of the year.

FINANCIAL REVIEW

Strong delivery on key financial metrics

The Group delivered a strong performance against its key financial metrics in the period, continuing to demonstrate its resilience in the context of a generally challenging external market backdrop.

Revenue growth of 6.3%, coupled with adjusted operating margin expansion to 22.4%, resulted in an increase in adjusted basic earnings per share of 10.5% to 13.7p (H1 2023: 12.4p). Cash generation in the period was excellent, with adjusted operating cash conversion of 98% (H1 2023: 88%), whilst return on invested capital (ROIC) remained broadly unchanged at 27.7% (H1 2023: 27.6%).

The Board has declared an interim dividend of 2.8 pence per share, up 12.0% (H1 2023: 2.5 pence).

	Statutory			Adjusted[2]		
	6 months to 31 January 2024	6 months to 31 January 2023	Movement	**6 months to 31 January 2024**	6 months to 31 January 2023	Movement
Revenue (£m)	**172.5**	162.3	6.3%	**172.5**	162.3	6.3%
EBITDA (£m)	**43.8**	38.6	13.6%	**43.9**	38.7	13.4%
Operating profit (£m)	**33.7**	27.8	21.1%	**38.6**	34.2	12.9%
Net finance costs (£m)	**3.1**	3.5	(10.0)%	**3.3**	2.0	70.4%
Profit before tax (£m)	**29.0**	22.6	28.4%	**35.0**	31.8	9.9%
Basic EPS (p)	**11.1**	8.6	29.1%	**13.7**	12.4	10.5%
Interim dividend per share (p)	**2.8**	2.5	12.0%	**2.8**	2.5	12.0%
Operating cash flow (£m)	**38.7**	30.4	27.3%	**38.8**	30.6	26.9%
Net debt (£m)[1]	**84.2**	79.2	5.0	**84.2**	79.2	5.0
Return on Invested Capital (ROIC) (%)				**27.7%**	27.6%	0.1pp

[1] H1 2024 includes lease liabilities of £30.0 million (H1 2023: £23.3 million)

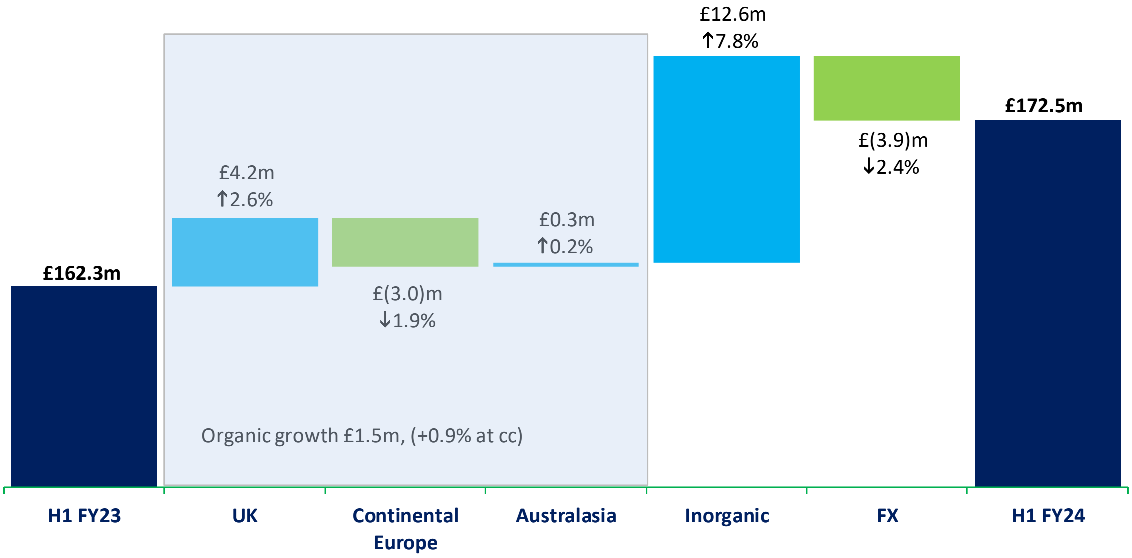
[2] The Group uses some alternative performance measures to track and assess the underlying performance of the business. These measures include adjusted EBITDA, adjusted operating profit, adjusted Net finance costs, adjusted profit before tax, adjusted basic EPS, adjusted operating cash flow, return on invested capital, net debt, and net debt (excluding lease liabilities). The reconciliation of the Group's statutory profit before tax to adjusted measures of performance is summarised in the table below and in detail in note 2 to the interim condensed consolidated financial statements. For a definition of all the adjusted and non-GAAP measures, please see the glossary of terms in note 16 to the interim condensed consolidated financial statements.

Good organic growth in UK offsets a more challenging picture in Continental Europe; acquisitions contributing well

Group revenue for the six months ended 31 January 2024 was £172.5 million (H1 2023: £162.3 million), an increase of 6.3%. On a constant currency (cc) basis revenue grew by 8.7%, of which 0.9% was organic and 7.8% inorganic, with an adverse 2.4% impact from foreign exchange.

Organic growth of 0.9% at cc was underpinned by continuing strength in our UK residential categories, most notably in RMI, with awareness of and demand for our mould and condensation solutions continuing to be very strong. OEM revenue was weak in the period, with customer de-stocking compounding a weak demand picture, as our solutions are predominantly used in new build applications. Outside of the UK we also enjoyed strong demand and good organic growth in ClimaRad and Australia, offset by weakness in Central Europe, notably Germany. On a Group organic basis, price contribution is estimated at c2.6% with a volume reduction of c1.7%.

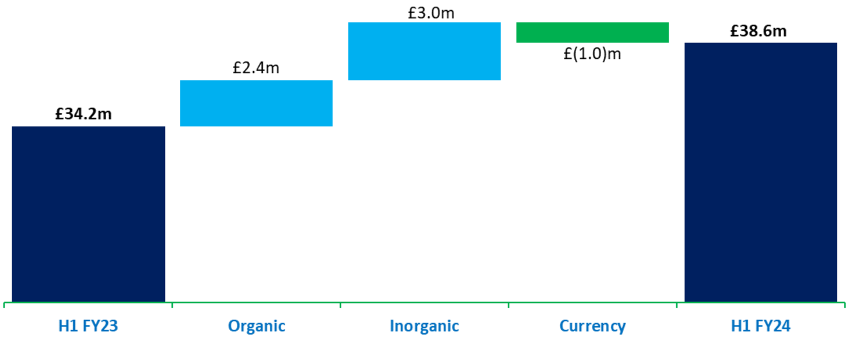
Inorganic revenue of £12.6 million included a strong performance from I-Vent in Slovenia, whilst in France the roll out of Group products through VMI is underway. In New Zealand, our peak activity period typically comes in the Southern hemisphere winter, so we anticipate an improving level of activity in DVS as we move through the second half of the financial year.



Adjusted operating profit up 12.9%, with adjusted operating margin increased to 22.4%

Adjusted operating profit increased by 12.9% (16.0% at cc) to £38.6 million (H1 2023: £34.2 million). Group adjusted operating profit margin of 22.4% was 1.3pp up on prior year, with gross margins up 3.4pp to 50.8% (H1 2023: 47.4%) reflecting a combination of good price management, material, and input cost softening (freight, plastics, electronics) and strong levels of labour and factory efficiency, especially in the UK.

Administration and distribution costs increased by £6.3 million to £49.0 million (H1 2023: £42.7 million). £4.2 million of the increase was attributable to the new acquisitions, with £1.8 million attributable to salary increases and wage inflation, which remained high in the period. We undertook a rationalisation and restructuring in our OEM business in the UK which resulted in additional administration costs of c. £0.4 million due to staff redundancies. A further cost (of similar or smaller value) is expected to be incurred in the second half of the year when we consolidate our operations from two sites into one.



	6 months ended 31 January 2024			6 months ended 31 January 2023		
	Statutory £m	**Adjustments £m**	**Adjusted results £m**	Statutory £m	Adjustments £m	Adjusted results £m
Revenue	**172.5**	—	**172.5**	162.3	—	162.3
Gross profit	**87.6**	—	**87.6**	76.9	—	76.9
Administration and distribution costs excluding the costs listed below	**(49.0)**	—	**(49.0)**	(42.7)	—	(42.7)
Amortisation of intangible assets acquired through business combinations	**(4.8)**	**4.8**	—	(6.2)	6.2	—
Costs of business combinations	**(0.1)**	**0.1**	—	(0.2)	0.2	—
Operating profit	**33.7**	**4.9**	**38.6**	27.8	6.4	34.2
Re-measurement of financial liability	**(0.3)**	—	**(0.3)**	(0.4)	—	(0.4)
Re-measurement of future consideration	**(1.3)**	**1.3**	—	(1.3)	1.3	—
Net gain/(loss) on financial instruments at fair value	**0.2**	**(0.2)**	—	(1.5)	1.5	—
Other net finance costs	**(3.3)**	—	**(3.3)**	(2.0)	—	(2.0)
Profit before tax	**29.0**	**6.0**	**35.0**	22.6	9.2	31.8
Income tax	**(7.0)**	**(1.0)**	**(8.0)**	(5.7)	(1.7)	(7.4)
Profit after tax	**22.0**	**5.0**	**27.0**	16.9	7.5	24.4

Adjusted profit before tax of £35.0 million was 9.9% higher than H1 2023 (£31.8 million). Statutory profit before tax £29.0 million was 28.4% higher than H1 2023 (£22.6 million), and is after charging:

- £4.8 million in respect of amortisation of intangible assets (H1 2023: £6.2 million), down £1.4 million in the period as a number of our older intangible assets reached the end of their amortisation life
- £0.1 million (H1 2023: £0.2 million) of other costs of business combinations, being professional fees and due diligence related costs
- £1.3 million re-measurement of future consideration (H1 2023: £1.3 million); and
- £0.2 million gain due to the fair value measurement of financial instruments (H1 2023: loss of £1.5 million).

Finance costs

Adjusted finance costs increased to £3.3 million (H1 2023: £2.0 million), reflecting the significant increase in bank base rates across our jurisdictions. The weighted average interest rate on our borrowings (all of which are part of the Group's sustainability linked Revolving Credit Facility) for the period was 5.13% compared to 2.62% in the first half of 2023.

Statutory net finance costs were £3.1 million (H1 2023: £3.5 million) including £0.2 million of net gain on the revaluation of financial instruments (H1 2023: loss £1.5 million).

Taxation

Our underlying effective tax rate, on adjusted profit before tax, was 23.0% (H1 2023: 23.2%). The decrease of 0.2 percentage points in our adjusted effective tax rate compared to the prior period is primarily due to business mix and increased levels of patent box relief in the UK, offsetting the impact of the increase in UK Corporation tax rate to 25% which took effect in April 2023.

We expect our medium term underlying effective tax rate to be in the range of 23% to 25% of the Group's adjusted profit before tax.

Currency impact

Aside from Sterling, the Group's key trading currencies for our non-UK businesses are the Euro, representing approximately 27% of Group revenues, Swedish Krona (approximately 9%), New Zealand Dollar (approximately 8%) and Australian Dollar (approximately 8%). We do not hedge the translational exchange risk arising from the conversion of the results of overseas subsidiaries, although we do denominate borrowings in our non-sterling trading currencies, which offsets some of the translation risk relating to net assets.

The average rates of sterling versus our principal non-sterling trading currencies are shown in the table below.

	Average rate H1 FY24	Average rate H1 FY23	Movement
Euro	**1.158**	**1.152**	**0.5%**
Swedish Krona	**13.382**	**12.533**	**6.8%**
New Zealand Dollar	**2.073**	**1.927**	**7.6%**
Australian Dollar	**1.920**	**1.755**	**9.4%**

The Group had Euro denominated borrowings as at 31 January 2024 of £71.3 million (31 July 2023: £79.4 million). The Sterling value of these foreign currency denominated loans, net of cash, increased by £0.8 million as a result of exchange rate movements (H1 2023: increased by £4.4 million).

Transactional foreign exchange exposures arise principally in the form of US$ denominated purchases from our suppliers in China. We aim to purchase a substantial proportion of our expected requirements approximately twelve months forward, and as such, we have forward currency contracts in place for approximately 85% of our forecast average forward requirements for the next twelve months (approximately $20 million).

High returns on invested capital (ROIC)

The Group's ROIC (pre-tax) for the period was 27.7%, measured as adjusted operating profit for the last 12 months (LTM) divided by average net assets, after adding back net debt, acquisition related liabilities, and historic goodwill and acquisition related amortisation charges (net of the associated deferred tax). The measure also excludes the goodwill and intangible assets arising from the original transaction that created the Group when it was bought out via a leveraged buy-out transaction by private equity house Towerbrook Capital Partners in 2012.

The slight increase in ROIC versus prior year (H1 2023: 27.6%) was due to the continued expansion in operating margin in the period. Adjusted operating profit (LTM) increased by 10.6%, ahead of the increase in average invested capital which was up 6.1% to £431.3 million (H1 2023: £406.6 million) due to the acquisitions of VMI, I-Vent and DVS.

Although, at the time of entry to the Group acquisitions will be dilutive to ROIC, our track record of improving the returns post acquisition, coupled with continued organic growth and strong margins, provides us with confidence of maintaining Group ROIC above 20% over the medium term while continuing to invest to grow the business.

Cash flow and net debt

Group cash conversion, defined as adjusted operating cash flow as a percentage of adjusted earnings before interest, tax and amortisation (see note 16) was 98% (H1 2023: 88%). With the Group's typical cash seasonality profile weighted slightly more towards the second half of the year, this is well on track to exceed our stated financial target of 90% for the full year 2024.

Working capital increased by £2.5 million in the period (H1 2023: increase of £5.0 million). Inventories reduced by £2.9 million, offset by reduction in payables and an increase in receivables.

Capital expenditure in the period was £3.5 million (H1 2023: £4.1 million), with new product development programs (£0.8 million), vehicles (£1.0 million) and tooling and machinery in the UK (£0.9 million) the primary areas of spend.

Dividend payments in the period were £10.9 million (H1 2023: £9.9 million), whilst tax payments were also higher at £7.2 million (H1 2023: £6.5 million).

Acquisition spend of £8.5 million (H1 2023: £0.4 million) related to the acquisition of DVS (Proven Systems Ltd), in New Zealand, for an initial consideration of £8.5 million (NZ$17.7 million), net of cash acquired, with further contingent consideration of up to NZ$9 million. (see note 9).

Net debt at 31 January 2024 was £84.2 million (H1 2023: £79.2 million) and comprised of bank borrowings of £71.3 million (H1 2023: £72.5 million), net of cash and cash equivalents of £17.1 million (H1 2023: £16.6 million) and including lease liabilities of £30.0 million (H1 2023: £23.3 million). Net debt (excluding lease liabilities) of £54.2 million (H1 2023: £55.9 million) represents leverage of 0.7x adjusted EBITDA (H1 2023: 0.8x).

	6 months to 31 January 2024 £m	6 months to 31 January 2023 £m
Opening net debt at 1 August	**(89.3)**	(85.8)
Movements from normal business operations:		
Adjusted EBITDA[1]	**43.9**	38.7
Movement in working capital	**(2.5)**	(5.0)
Share-based payments	**0.9**	1.0
Capital expenditure	**(3.5)**	(4.1)
Adjusted operating cash flow:	**38.8**	30.6
– Interest paid net of interest received	**(2.8)**	(1.5)
– Income tax paid	**(7.2)**	(6.5)
– Business combination related operating costs	**(0.1)**	(0.2)
– Dividend paid	**(10.9)**	(9.9)
– Purchase of own shares by the Employee Benefit Trust	**(2.7)**	(0.9)
– FX on foreign currency loans/cash	**(0.8)**	(4.4)
– Issue costs of new borrowings	**—**	(0.3)
– Lease liabilities	**1.2**	1.7
– Payments of lease liabilities	**(1.8)**	(1.6)
Movements from acquisitions:		
– Business combination of non-controlling interest	**—**	(0.4)
– Business combination of subsidiaries, net of cash acquired	**(8.5)**	—
– Business combination of subsidiaries, debt repaid	**(0.1)**	—
Closing net debt at 31 January	**(84.2)**	(79.2)

	6 months to 31 January 2024 £m	6 months to 31 January 2023 £m
Bank debt	**(71.3)**	(72.5)
Cash	**17.1**	16.6
Net debt (excluding leased liabilities)	**(54.2)**	(55.9)
Lease liabilities	**(30.0)**	(23.3)
Closing net debt at 31 January	**(84.2)**	(79.2)

[1] A reconciliation of the Group's statutory profit before tax to adjusted measures of performance are shown in detail in note 2 to the interim condensed consolidated financial statements.

Reconciliation of adjusted operating cash flow

	6 months to 31 January 2024 £m	6 months to 31 January 2023 £m
Net cash flow generated from operating activities	**35.0**	28.0
Capital expenditure	**(3.5)**	(4.1)
UK and overseas tax paid	**7.2**	6.5
Cash flow relating to business combination costs	**0.1**	0.2
Adjusted operating cash flow	**38.8**	30.6

Acquisitions

Acquisition spend in the year net of cash acquired was £8.5 million (H1 2023: £0.4 million). We completed the acquisition of DVS Proven Systems (New Zealand), on 4 August 2023 for an initial consideration of £8.5 million (NZ$17.7 million), net of cash acquired, with further contingent consideration of up to NZ$9 million. DVS is a market leading supplier and installer of home ventilation solutions in New Zealand.

Bank facilities, refinancing and liquidity

At 31 January 2024, the Group had £78.7 million of undrawn, committed bank facilities (31 July 2023: £70.6 million) and £17.1 million of cash and cash equivalents on the interim condensed consolidated statement of financial position (31 July 2023: £21.3 million).

Returns to shareholders

Our adjusted basic earnings per share for the period was 13.7 pence (H1 2023: 12.4 pence) and our statutory basic earnings per share for the period was 11.1 pence (H1 2023: 8.6 pence). The Board has declared an interim dividend of 2.8 pence (H1 2023: 2.5 pence), up 12.0% in total.

Going concern

After reviewing the Group's current liquidity, net debt, covenants, financial forecasts and stress testing of potential risks, the Board confirms there are no material uncertainties which impact the Group's ability to continue as a going concern for the period to 31 July 2025 and these interim condensed consolidated financial statements have therefore been prepared on a going concern basis.

Andy O'Brien
Chief Financial Officer

14 March 2024

Principal Risks and Uncertainties

The Directors have reviewed the principal risks and uncertainties which could have a material impact on the Group's performance and have concluded that they has been no material change from those described in Volution's Annual Report 2023, which can be found at www.volutiongroupplc.com.

Statement of Directors' Responsibilities

The Directors confirm that to the best of their knowledge:

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

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

(b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the Group during that period; and any changes in the related party transactions described in the Annual Report 2023 that could do so.

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

By order of the Board

Ronnie George
Chief Executive Officer

14 March 2024

Andy O'Brien
Chief Financial Officer

14 March 2024

Independent Review Report to Volution Group plc
Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Volution Group Plc's condensed consolidated interim financial statements (the "interim financial statements") in the Interim results of Volution Group Plc for the 6 month period ended 31 January 2024 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the Interim Condensed Consolidated Statement of Financial Position as at 31 January 2024;
- the Interim Condensed Consolidated Statement of Comprehensive Income for the period then ended;
- the Interim Condensed Consolidated Statement of Cash Flows for the period then ended;
- the Interim Condensed Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim results of Volution Group Plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim results, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Interim results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Interim results, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Interim results based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

Chartered Accountants
London
14 March 2024

Interim Condensed Consolidated Statement of Comprehensive Income
For the period ended 31 January 2024

	Notes	**Unaudited 6 months to 31 January 2024 £000**	Unaudited 6 months to 31 January 2023 £000
Revenue from contracts with customers	3	**172,479**	**162,287**
Cost of sales		**(84,859)**	**(85,378)**
Gross profit		**87,620**	**76,909**
Administrative and distribution expenses		**(53,824)**	**(48,904)**
Operating profit before separately disclosed items		**33,796**	**28,005**
Costs of business combinations		**(116)**	**(187)**
Operating profit		**33,680**	**27,818**
Finance income		**49**	**33**
Finance costs		**(3,198)**	**(3,531)**
Re-measurement of financial liabilities	11	**(304)**	**(428)**
Re-measurement of future consideration	11	**(1,270)**	**(1,336)**
Profit before tax		**28,957**	**22,556**
Income tax	5	**(7,004)**	**(5,639)**
Profit after tax		**21,953**	**16,917**
Attributable to the shareholders		**21,953**	**16,908**
Attributable to non-controlling interests		—	**9**
Other comprehensive expense			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of foreign operations		**(422)**	**2,934**
Gain/(loss) on currency loans relating to the net investment in foreign operations		**338**	**(3,805)**
Other comprehensive loss for the period		**(84)**	**(871)**
Total comprehensive income for the period, net of tax		**21,869**	**16,046**
Attributable to the shareholders		**21,869**	**16,037**
Attributable to non-controlling interests		—	**9**
Earnings per share			
Basic earnings per share	6	**11.1p**	**8.6p**
Diluted earnings per share	6	**11.0p**	**8.5p**

Interim Condensed Consolidated Statement of Financial Position
At 31 January 2024

	Notes	31 January 2024 Unaudited £000	31 July 2023 Audited £000
Non-current assets			
Property, plant and equipment	10	**30,174**	29,448
Right-of-use assets		**28,759**	29,902
Intangible assets – goodwill[1]	7	**173,925**	168,988
Intangible assets – others	8	**82,677**	83,863
		315,535	312,201
Current assets			
Inventories		**57,319**	58,980
Trade and other receivables		**54,935**	52,336
Cash and short-term deposits		**17,083**	21,244
		129,337	132,560
Total assets		**444,872**	444,761
Current liabilities			
Trade and other payables		**(42,857)**	(47,108)
Refund liabilities		**(12,154)**	(9,817)
Income tax		**(5,080)**	(4,662)
Other financial liabilities[1]	11	**(2,694)**	(2,901)
Interest-bearing loans and borrowings	12	**(3,070)**	(3,754)
Provisions		**(1,764)**	(1,791)
		(67,619)	(70,033)
Non-current liabilities			
Interest-bearing loans and borrowings	12	**(108,267)**	(116,704)
Other financial liabilities[1]	11	**(19,707)**	(18,141)
Provisions		**(467)**	(301)
Deferred tax liabilities		**(13,457)**	(13,337)
		(141,898)	(148,483)
Total liabilities		**(209,517)**	(218,516)
Net assets		**235,355**	226,245
Capital and reserves			
Share capital		**2,000**	2,000
Share premium		**11,527**	11,527
Treasury shares		**(2,250)**	(2,390)
Capital reserve		**93,855**	93,855
Share-based payment reserve		**5,222**	5,584
Foreign currency translation reserve		**(1,309)**	(1,225)
Retained earnings		**126,310**	116,894
Total equity		**235,355**	226,245

[1] An adjustment has been made during the measurement period relating to the acquisition of I-Vent to increase the fair value of contingent consideration by €4,800,000 (£4,115,000) with an equivalent increase in goodwill. See note 9 for further details.

The interim condensed consolidated financial statements of Volution Group plc (registered number: 09041571) were approved by the Board of Directors and authorised for issue on 14 March 2024.

On behalf of the Board

Ronnie George
Chief Executive Officer

Andy O'Brien
Chief Financial Officer

Interim Condensed Consolidated Statement of Changes in Equity
For the period ended 31 January 2024

	Share capital £000	Share premium £000	Treasury shares £000	Capital reserve £000	Share-based payment reserve £000	Foreign currency translation reserve £000	Retained earnings £000	**Shareholder's equity £000**	Non-Controlling Interest £000	**Total Equity £000**
At 31 July 2022 (Audited)	2,000	11,527	(3,574)	93,855	5,058	3,099	96,247	**208,212**	96	**208,308**
Profit for the period	—	—	—	—	—	—	16,908	**16,908**	9	**16,917**
Other comprehensive loss	—	—	—	—	—	(871)	—	**(871)**	—	**(871)**
Total comprehensive income	—	—	—	—	—	(871)	16,908	**16,037**	9	**16,046**
Purchase of own shares	—	—	(911)	—	—	—	—	**(911)**	—	**(911)**
Exercise of shares options	—	—	3,018	—	(1,379)	—	(1,639)	—	—	—
Share-based payment including tax	—	—	—	—	968	—	—	**968**	—	**968**
Dividend paid	—	—	—	—	—	—	(9,881)	**(9,881)**	—	**(9,881)**
Acquisition of non-controlling interest (note 9)	—	—	—	—	—	—	(264)	**(264)**	(105)	**(369)**
At 31 January 2023 (Unaudited)	2,000	11,527	(1,467)	93,855	4,647	2,228	101,371	**214,161**	—	**214,161**
Profit for the period	—	—	—	—	—	—	20,465	**20,465**	—	**20,465**
Other comprehensive income	—	—	—	—	—	(3,453)	—	**(3,453)**	—	**(3,453)**
Total comprehensive income	—	—	—	—	—	(3,453)	20,465	**17,012**	—	**17,012**
Purchase of own shares	—	—	(923)	—	—	—	—	**(923)**	—	**(923)**
Share-based payment including tax	—	—	—	—	937	—	—	**937**	—	**937**
Dividends paid	—	—	—	—	—	—	(4,942)	**(4,942)**	—	**(4,942)**
At 31 July 2023 (Audited)	2,000	11,527	(2,390)	93,855	5,584	(1,225)	116,894	**226,245**	—	**226,245**
Profit for the period	—	—	—	—	—	—	21,953	**21,953**	—	**21,953**
Other comprehensive loss	—	—	—	—	—	(84)	—	**(84)**	—	**(84)**
Total comprehensive income	—	—	—	—	—	(84)	21,953	**21,869**	—	**21,869**
Purchase of own shares	—	—	(2,732)	—	—	—	—	**(2,732)**	—	**(2,732)**
Exercise of share options	—	—	2,872	—	(1,214)	—	(1,658)	—	—	—
Share-based payment including tax	—	—	—	—	852	—	—	**852**	—	**852**
Dividend paid	—	—	—	—	—	—	(10,879)	**(10,879)**	—	**(10,879)**
At 31 January 2024 (Unaudited)	**2,000**	**11,527**	**(2,250)**	**93,855**	**5,222**	**(1,309)**	**126,310**	**235,355**	—	**235,355**

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

Capital reserve
The capital reserve is the difference in share capital and reserves arising from the use of the pooling of interest method for preparation of the financial statements in 2014. This is a non-distributable reserve.

Share-based payment reserve
The share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to key management personnel, as part of their remuneration.

Foreign currency translation reserve
For the purpose of presenting consolidated financial information, the assets and liabilities of the Group's foreign operations are expressed in GBP using exchange rates prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rate for the period. Exchange differences arising are classified as other comprehensive income and are transferred to the foreign currency translation reserve. All other translation differences are taken to profit and loss with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against Group equity investments in foreign operations, in which case they are taken to other comprehensive income together with the exchange difference on the net investment in these operations.

Interim Condensed Consolidated Statement of Cash Flows

For the period ended 31 January 2024

	Notes	Unaudited 6 months to 31 January 2024 £000	Unaudited 6 months to 31 January 2023 £000
Operating activities			
Profit for the period after tax		**21,953**	16,917
Adjustments to reconcile profit for the period to net cash flow from operating activities:			
Income tax		**7,004**	5,639
Gain on disposal of property, plant and equipment and intangible assets – other		**(78)**	(2)
Costs of business combinations		**116**	187
Cash flows relating to business combination costs		**(116)**	(187)
Re-measurement of financial liability relating to business combinations		**304**	428
Re-measurement of future consideration relating to business combinations		**1,270**	1,336
Finance income		**(49)**	(33)
Finance costs		**3,198**	3,531
Share-based payment expense		**852**	968
Depreciation of property, plant and equipment	10	**2,212**	1,974
Depreciation of right of use assets		**2,254**	1,870
Amortisation of intangible assets	8	**5,666**	6,892
Working capital adjustments:			
(Increase)/decrease in trade receivables and other assets		**(2,468)**	3,963
Decrease/(increase) in inventories		**2,879**	(2,537)
Decrease in trade and other payables		**(2,541)**	(6,467)
Movement in provisions		**(328)**	18
Cash generated by operations		**42,128**	34,497
UK income tax paid		**(2,500)**	(2,320)
Overseas income tax paid		**(4,732)**	(4,170)
Net cash flow generated from operating activities		**34,896**	28,007
Investing activities			
Payments to acquire intangible assets	8	**(911)**	(1,622)
Purchase of property, plant and equipment	10	**(2,774)**	(2,513)
Proceeds from disposal of property, plant and equipment and intangible assets – other		**240**	19
Business combination of subsidiaries, net of cash acquired	9	**(8,498)**	—
Interest received		**49**	33
Net cash flow used in investing activities		**(11,894)**	(4,083)
Financing activities			
Repayment of interest-bearing loans and borrowings		**(27,223)**	(18,700)
Proceeds from new borrowings		**19,505**	13,000
Repayment of VMI debt acquired		**(100)**	—
Acquisition of non-controlling interest	9	**—**	(369)
Issue costs of new borrowings		**—**	(300)
Interest paid		**(2,811)**	(1,554)
Payment of principal portion of lease liabilities		**(1,830)**	(1,584)
Dividends paid		**(10,879)**	(9,881)
Purchase of own shares		**(2,732)**	(911)
Net cash flow used in financing activities		**(26,070)**	(20,299)
Net (decrease)/increase in cash and cash equivalents		**(3,068)**	3,625
Cash and cash equivalents at the start of the year		**21,244**	13,543
Effect of exchange rates on cash and cash equivalents		**(1,093)**	(564)
Cash and cash equivalents at the end of the period		**17,083**	16,604

Notes to the Interim Condensed Consolidated Financial Statements

For the period ended 31 January 2024

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

The interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 14 March 2024.

1. Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards (IAS) 34 'Interim financial reporting'. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Annual Report 2023. The financial information for the half years ended 31 January 2024 and 31 January 2023 do not constitute statutory accounts within the meaning of Section 434(3) of the Companies Act 2006 and are unaudited.

The annual financial statements of Volution Group plc are prepared in accordance with UK-adopted international accounting standards. The comparative financial information for the year ended 31 July 2023 included within this report does not constitute the full statutory accounts for that period. The Annual Report 2023 has been filed with the Registrar of Companies. The Independent Auditor's Report on the Annual Report 2023 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under section 498(2) and 498(3) of the Companies Act 2006.

The accounting policies adopted are consistent with those of the previous financial year except for the estimation of income tax. They are consistent with those of the corresponding interim reporting period.

The Group has adjusted prior period balances for contingent consideration liability and goodwill due to the fair value of the contingent consideration liability and goodwill recognised on acquisition of I-Vent in 2023 being determined only provisionally. During the 12-month remeasurement period since acquisition a remeasurement period adjustment was identified and adjustments to the contingent consideration liability and goodwill have been recognised by revising comparative information for the prior period presented in the statement of financial position as if the accounting for the business combination had been finalised at the acquisition date. Contingent consideration liabilities in the prior period have been increased by €4,800,000 (£4,115,000) and goodwill on acquisition of I-Vent has been increased by €4,800,000 (£4,115,000). The adjustments are shown in the condensed consolidated statement of financial position, note 7, note 9 and note 11.

Going Concern

The financial statements have been prepared on a going concern basis. 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 in the foreseeable future, assessed for the 18-month period ending 31 July 2025.

The financial position remains robust with committed facilities totalling £150 million, and an accordion of a further £30 million, maturing in December 2025. The financial covenants on these facilities are for leverage (net debt/adjusted EBITDA) of not more than three times and for adjusted interest cover of not less than four times.

The base case scenario has been prepared using robust forecasts from each of our operating companies, with each considering the risks and opportunities the businesses face, including the high inflation environment and economic uncertainty across many of the countries in which we operate, and the other principal risks set out in the Annual report 2023.

We have then applied a severe but plausible downside scenario to model the potential concurrent impact of:

- a significant economic slowdown reducing revenue by 20% compared to plan in H2 FY24, with no recovery in FY25.
- supply chain difficulties or inflationary cost increases reducing gross profit margin by 10%; and
- a significant acquisition increasing debt but with no positive cash flow contribution, and significant contingent consideration payments relating to prior acquisitions

A reverse stress test scenario has also been modelled which shows a revenue contraction of >30% in H2 FY24 with no recovery in FY25 without the implementation of any mitigations would be required to breach covenants or compromise liquidity, which is considered by the Directors an extremely remote scenario.

Mitigations available within the control of management include reducing discretionary capex, discretionary indirect costs, and dividends. Over the short period of our climate change assessment published in the Annual report 2023 (aligned to our going concern assessment) we have concluded that there is no material adverse impact of climate change and hence have not included any impacts in either our base case or downside scenarios of our going concern assessment.

The Directors have concluded that the results of the scenario testing combined with the significant liquidity profile available under the revolving credit facility confirm that there is no material uncertainty in the use of the going concern assumption.

Critical accounting judgements and key sources of estimation uncertainty

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

In preparing the interim condensed consolidated financial statements, the areas where judgement has been exercised and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 July 2023.

New standards and interpretations

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

The following new standards and amendments became effective as at 1 January 2024 and will be adopted for the financial year commencing 1 August 2024. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

- Amendments to IAS 1 "Classification of liabilities as current or non-current"
- Amendments to IFRS 16 "Lease liability in a sale and leaseback"
- Amendments to IAS 1 "Non-current liabilities with covenants"
- Amendments to IAS 7 "Supplier Finance Arrangements"

These have not had an impact on these condensed consolidated financial statements.

2. Adjusted earnings

The Board and key management personnel use some alternative performance measures to track and assess the underlying performance of the business. These measures include adjusted operating profit and adjusted profit before tax. These measures are deemed more appropriate as they remove income and expenditure which is not directly related to the ongoing trading of the business. Such alternative performance measures are not defined terms under IFRS and may not be comparable with similar measures disclosed by other companies. Likewise, these measures are not a substitute for IFRS measures of profit. A reconciliation of these measures of performance to the corresponding statutory figure is shown below.

	6 months to 31 January 2024 £000	6 months to 31 January 2023 £000
Profit after tax	**21,953**	16,917
Add back:		
Costs of business combinations	**116**	187
Re-measurement of future consideration relating to the business combinations	**1,270**	1,336
Net (gain)/loss on financial instruments at fair value	**(196)**	1,535
Amortisation and impairment of intangible assets acquired through business combinations	**4,796**	6,174
Tax effect of the above	**(1,016)**	(1,729)
Adjusted profit after tax	**26,923**	24,420
Add back:		
Adjusted tax charge	**8,020**	7,368
Adjusted profit before tax	**34,943**	31,788
Add back:		
Interest payable on bank loans, lease liabilities and amortisation of financing costs	**3,394**	1,996
Re-measurement of financial liability relating to the business combination of ClimaRad	**304**	428
Finance income	**(49)**	(33)
Adjusted operating profit	**38,592**	34,179
Add back:		
Depreciation of property, plant and equipment	**2,212**	1,974
Depreciation of right-of-use asset	**2,254**	1,870
Amortisation of development costs, software and patents	**870**	718
Adjusted EBITDA	**43,928**	38,741

For definitions of terms referred to above see note 16, Glossary of terms.

3. Revenue from contracts with customers

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

	6 months to 31 January 2024 £000	6 months to 31 January 2023 £000
Sale of goods	**168,467**	**158,751**
Installation services	**4,012**	**3,536**
Total revenue from contracts with customers	**172,479**	**162,287**

Market sectors	**6 months to 31 January 2024 £000**	6 months to 31 January 2023 £000
UK		
Residential	**49,471**	**41,423**
Commercial	**15,209**	**14,284**
Export	**5,673**	**5,277**
OEM (Torin-Sifan)	**7,441**	**12,658**
Total UK	**77,794**	**73,642**
Nordics	**25,367**	**26,649**
Central Europe	**43,106**	**37,673**
Total Continental Europe	**68,473**	**64,322**
Total Australasia	**26,212**	**24,323**
Total revenue from contracts with customers	**172,479**	**162,287**

4. Segmental analysis

6 months ended 31 January 2024	UK £000	Continental Europe £000	Australasia £000	Central / Eliminations £000	Consolidated £000
Revenue from contracts with customers					
Total segment revenue	**90,350**	**87,079**	**26,241**	**(31,191)**	**172,479**
Inter-segment revenue	**(12,556)**	**(18,606)**	**(29)**	**31,191**	**–**
Revenue from external contracts with customers	**77,794**	**68,473**	**26,212**	**–**	**172,479**
Gross profit	**38,981**	**34,917**	**13,722**	**–**	**87,620**
Results					
Adjusted segment EBITDA	**21,291**	**18,472**	**6,928**	**(2,763)**	**43,928**
Depreciation and amortisation of development costs, software and patents	**(2,425)**	**(1,902)**	**(668)**	**(341)**	**(5,336)**
Adjusted operating profit/(loss)	**18,866**	**16,570**	**6,260**	**(3,104)**	**38,592**
Amortisation of intangible assets acquired through business combinations	**(1,050)**	**(2,953)**	**(793)**	**–**	**(4,796)**
Business combination-related operating costs	**–**	**–**	**–**	**(116)**	**(116)**
Operating profit/(loss)	**17,816**	**13,617**	**5,467**	**(3,220)**	**33,680**
Unallocated expenses					
Net finance cost	**–**	**–**	**(55)**	**(3,094)**	**(3,149)**
Re-measurement of future consideration	**–**	**(1,270)**	**–**	**–**	**(1,270)**
Re-measurement of financial liability	**–**	**(304)**	**–**	**–**	**(304)**
Profit/(loss) before tax	**17,816**	**12,043**	**5,412**	**(6,314)**	**28,957**

6 months ended 31 January 2023	UK £000	Continental Europe £000	Australasia £000	Central / Eliminations £000	Consolidated £000
Revenue from contracts with customers					
Total segment revenue	85,310	83,490	24,439	(30,952)	162,287
Inter-segment revenue	(11,668)	(19,168)	(116)	30,952	–
Revenue from external contracts with customers	73,642	64,322	24,323	–	162,287
Gross profit	34,119	30,776	12,014	–	76,909
Results					
Adjusted segment EBITDA	17,649	16,982	6,141	(2,031)	38,741
Depreciation and amortisation of development costs, software and patents	(2,013)	(1,554)	(655)	(340)	(4,562)
Adjusted operating profit/(loss)	15,636	15,428	5,486	(2,371)	34,179
Amortisation of intangible assets acquired through business combinations	(2,249)	(3,338)	(587)	–	(6,174)
Business combination-related operating costs	–	–	–	(187)	(187)
Operating profit/(loss)	13,387	12,090	4,899	(2,558)	27,818
Unallocated expenses					
Net finance cost	–	–	(214)	(3,284)	(3,498)
Re-measurement of future consideration	–	(1,336)	–	–	(1,336)
Re-measurement of financial liability	–	(428)	–	–	(428)
Profit/(loss) before tax	13,387	10,326	4,685	(5,842)	22,556

5. Income tax

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year.

Our underlying effective tax rate, on adjusted profit before tax, was 23.0% (H1 2023: 23.2%).

Our statutory effective tax rate for the period was 24.2% (H1 2023: 25.0%).

In June 2023, the UK Government substantively enacted legislation introducing a global minimum corporate income tax rate, to have effect from 2024 in line with the OECD's Pillar Two model framework on large multinational Enterprises with a consolidated group revenue of €750m plus. The Group has performed an assessment of its potential exposure to Pillar Two income taxes and based on an assessment of the most recent information available regarding the financial performance of the constituent entities in the Group, we do not expect to be within the scope of Pillar Two and therefore do not expect it to have a material impact on the Group's tax rate or tax payments.

6. Earnings per share (EPS)

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of any dilutive potential ordinary shares into ordinary shares. There are 3,128,124 dilutive potential ordinary shares at 31 January 2024 (H1 2023: 3,465,898).

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

	6 months ended 31 January 2024 £000	6 months ended 31 January 2023 £000
Profit attributable to ordinary equity holders	**21,953**	16,917
	Number	Number
Weighted average number of ordinary shares for basic earnings per share	**197,102,359**	197,146,809
Effect of dilution from:		
Share options	**1,939,674**	2,664,529
Weighted average number of ordinary shares for diluted earnings per share	**199,042,033**	199,811,338
Earnings per share		
Basic	**11.1p**	8.6p
Diluted	**11.0p**	8.5p

	6 months ended 31 January 2024 £000	6 months ended 31 January 2023 £000
Adjusted profit attributable to ordinary equity holders	**26,923**	24,420
	Number	Number
Weighted average number of ordinary shares for adjusted basic earnings per share	**197,102,359**	197,146,809
Effect of dilution from:		
Share options	**1,939,674**	2,664,529
Weighted average number of ordinary shares for adjusted diluted earnings per share	**199,042,033**	199,811,338
Adjusted earnings per share		
Basic	**13.7p**	12.4p
Diluted	**13.5p**	12.2p

The weighted average number of ordinary shares has declined as a result of treasury shares held by the Volution Employee Benefit Trust (EBT) during the period. At 31 January 2024, a total of 2,206,186 (31 January 2023: 2,571,123) ordinary shares in the Company were held by the Volution EBT, all of which were unallocated and available for transfer to participants of the Long-Term Incentive Plan, Deferred Share Bonus Plan and Sharesave Plan on exercise. During the period, 700,000 ordinary shares in the Company were purchased by the trustees (6 months to 31 January 2023: 550,000) and 964,914 (6 months to 31 January 2023: 162,542) were released by the trustees.

The shares are excluded when calculating the statutory and adjusted EPS.

Adjusted profit attributable to ordinary equity holders has been reconciled in note 2, adjusted earnings.

See note 16, Glossary of terms, for an explanation of the adjusted basic and diluted earnings per share calculation.

7. Intangible assets – goodwill

Goodwill	Total £000
Cost and net book value	
At 31 July 2022	142,661
On the business combination of VMI	4,072
On the business combination of I-Vent	23,944
On the business combination of ClimaRad	126
Net foreign currency exchange differences	(1,815)
At 31 July 2023[1]	168,988
On the business combination of DVS	5,037
Net foreign currency exchange differences	(100)
At 31 January 2024	**173,925**

[1] An adjustment has been made during the measurement period relating to the acquisition of I-Vent. See note 9 for further details.

As a result of the downturn in performance in H1 2024 and the subsequent restructuring of the OEM Torin Sifan business, an impairment review has been performed on the OEM Torin Sifan CGU using a value in use calculation. A discounted cash flow (DCF) model was used, using pre-tax discount rates of 15.4% (FY 2023: 15.4%). It was concluded that the carrying amount was in excess of the value in use, with significant positive headroom. The calculation of value in use is most sensitive to i) the future growth rate that has been used, based on historical growth rates and market expectations, of 3% and ii) discount rates reflecting our current market assessment.

We have tested the sensitivity of our headroom calculations in relation to the above assumptions and the Group does not consider that changes in these assumptions that could cause the carrying value of the CGUs to materially exceed their recoverable value are reasonably possible.

8. Intangible assets – other

2024	**Total £000**
Cost	
At 1 August 2023	**243,690**
Additions	**911**
On business combination	**4,011**
Disposals	**(151)**
Net foreign currency exchange differences	**(73)**
At 31 January 2024	**248,388**
Amortisation	
At 1 August 2023	**159,827**
Charge for the period	**5,666**
Disposals	**(65)**
Net foreign currency exchange differences	**283**
At 31 January 2024	**165,711**
Net book value	
At 31 January 2024	**82,677**

9. Business combinations

Business combination in the half year ended 31 January 2024

DVS

On 4 August 2023, Volution Group acquired the trade and assets of Proven Systems Limited ("DVS"), a market leading supplier and installer of home ventilation solutions in New Zealand. The acquisition of DVS is in line with the Group's strategy to grow by selectively acquired value-adding businesses in new and existing markets and geographies.

Total consideration for the purchase of the trade and assets of DVS was £8.5 million (NZ$17.7 million), net of cash acquired, with further contingent cash consideration of up to NZ$9 million based on stretching targets for the financial results for the 12 months ended 3 August 2024 and the 12 months ended 31 March 2026. Contingent consideration was assessed based on the current estimate of the future performance of the business for the 12 months ended 3 August 2024 as £nil, with NZ$3 million payable if EBITDA exceeds NZ$3 million, and for the 12 months ended 31 March 2026 as NZ$Nil with a range of NZ$Nil to NZ$6 million based on EBITDA performance from NZ$3.5 million to NZ$4 million..

If EBITDA for each period for which contingent consideration is measured is 10% higher than expected, contingent consideration would be £1.5 million higher, discounted to present value. The fair value of contingent consideration is calculated by estimating the future cash flows for the company based on management's knowledge of the business and how the current economic environment is likely to impact performance.

Transaction costs relating to professional fees associated with the business combination in the period ending 31 January 2024 were £31,000 and have been expensed as cost of business combinations separately disclosed on the face of the consolidated statement of comprehensive income above operating profit.

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	35	3,976	4,011
Property, plant and equipment	185	—	185
Inventory	875	—	875
Trade and other receivables	130	—	130
Trade and other payables	(627)	—	(627)
Deferred tax liabilities	—	(1,113)	(1,113)
Total identifiable net assets	598	2,863	3,461
Goodwill on the business combination			5,037
Discharged by:			
Cash consideration			8,498

Goodwill of £5,037,000 reflects certain intangibles that cannot be individually separated and reliably measured due to their nature. These items include the value of expected synergies arising from the business combination and the experience and skill of the acquired workforce. The fair value of the acquired tradename and customer base was identified and included in intangible assets.

The gross amount of trade and other receivables is £130,000. All of the trade receivables are expected to be collected in full.

DVS generated revenue of £3,560,000 and generated a profit after tax of £60,000 in the period from acquisition to 31 January 2024 that is included in the consolidated statement of comprehensive income for this reporting period.

If the combination had taken place at 1 August 2023, the Group's revenue and profit before tax would have been the same as reported, as the acquisition took place on the 4 August 2023.

I-Vent

The Group has adjusted prior period balances for contingent consideration liability and goodwill due to the fair value of the contingent consideration liability and goodwill recognised on acquisition of I-Vent in 2023 being determined only provisionally. During the 12-month remeasurement period since acquisition a remeasurement period adjustment was identified and adjustments to the contingent consideration liability and goodwill have been recognised by revising comparative information for the prior period presented in the statement of financial position as if the accounting for the business combination had been finalised at the acquisition date. The measurement period adjustment relates to new information that existed at the acquisition date about the degree of seasonality of the business, which was not evident when calculating the fair values last year. Contingent consideration liabilities in the prior period have been increased by €4,800,000 (£4,115,000) and goodwill on acquisition of I-Vent has been increased by €4,800,000 (£4,115,000).

10. Property, plant and equipment excluding right-of-use assets

2024	Total £000
Cost	
At 1 August 2023	**51,529**
On business combination	**185**
Additions	**2,774**
Disposals	**(798)**
Net foreign currency exchange differences	**156**
At 31 January 2024	**53,846**
Depreciation	
At 1 August 2023	**22,081**
Charge for the period	**2,212**
Disposals	**(722)**
Net foreign currency exchange differences	**101**
At 31 January 2024	**23,672**
Net book value	
At 31 January 2024	**30,174**

Commitments for the acquisition of property, plant and equipment as of 31 January 2024 are £729,000 (31 July 2023: £582,000).

11. Other financial liabilities

Other financial liabilities:

2024	Foreign exchange forward contracts £000	Contingent consideration I-Vent[1] £000	Contingent consideration ClimaRad BV £000	Contingent consideration ERI £000	Total £000
At 1 August 2023	**330**	**4,115**	**8,877**	**7,720**	**21,042**
Re-measurement of financial liability	**—**	**—**	**304**	**—**	**304**
Re-measurement of contingent consideration	**—**	**—**	**1,000**	**270**	**1,270**
Foreign exchange	**(195)**	**(20)**	**—**	**—**	**(215)**
At 31 January 2024	**135**	**4,095**	**10,181**	**7,990**	**22,401**
Analysis					
Current	**135**	**2,559**	**—**	**—**	**2,694**
Non-current	**—**	**1,536**	**10,181**	**7,990**	**19,707**
Total	**135**	**4,095**	**10,181**	**7,990**	**22,401**

The fair value of contingent consideration is calculated by estimating the future cash flows for the acquired company. These estimates are based on management's knowledge of the business and how the current economic environment is likely to impact performance. The relevant future cash flows are dependent on the specific terms of the sale and purchase agreement. For non-current liabilities due more than one year from the balance sheet date, the assessed contingent liability is discounted using the discount rates for the relevant CGU. The contingent consideration was assessed based on the current estimate of future performance of the business, discounted to present value.

The financial liabilities to pay contingent consideration relating to the acquisitions of I-Vent, ClimaRad, ERI, and DVS are sensitive to the estimation of the expected future performance of each acquisition, which is used to calculate the future amount payable. If EBITDA for each period for which contingent consideration is measured is 10% higher than expected, contingent consideration would be £1.4 million, £1.9 million, £1.7 million, and £1.5 million higher for I-Vent, ClimaRad, ERI and DVS respectively, discounted to present value.

2023	Foreign exchange forward contracts £000	Contingent consideration I-Vent[1] £000	Contingent consideration ClimaRad BV £000	Contingent consideration ERI £000	Total £000
At 1 August 2022	—	—	7,052	7,080	14,132
Further consideration recognised	—	4,131	—	—	4,131
Re-measurement of financial liability	—	—	(54)	—	(54)
Re-measurement of contingent consideration	—	—	1,879	640	2,519
Foreign exchange	330	(16)	—	—	314
At 31 July 2023	330	4,115	8,877	7,720	21,042
Analysis					
Current	330	2,571	—	—	2,901
Non-current	—	1,544	8,877	7,720	18,141
Total	330	4,115	8,877	7,720	21,042

[1] An adjustment has been made during the measurement period relating to the acquisition of I-Vent. See note 9 for further details.

12. Interest-bearing loans and borrowings

	31 January 2024		31 July 2023	
	Current £000	**Non-current £000**	Current £000	Non-current £000
Unsecured – at amortised cost				
Borrowings under the revolving credit facility (maturing December 2025)	—	**71,313**	—	79,369
Cost of arranging bank loan	—	**(447)**	—	(692)
	—	**70,866**	—	78,677
ClimaRad vendor loan (maturing March 2025)	—	**9,724**	—	9,771
Other loans (maturing September 2026)	—	**702**	—	802
Lease liabilities	**3,070**	**26,975**	3,754	27,454
Total	**3,070**	**108,267**	3,754	116,704

Revolving credit facility – at 31 January 2024

Currency	Amount outstanding £000	Termination date	Repayment frequency	Rate %
GBP	—	2 December 2025	One payment	Sonia + margin%
Euro	71,313	2 December 2025	One payment	Euribor + margin%
Swedish Krona	—	2 December 2025	One payment	Stibor + margin%
Total	71,313			

Revolving credit facility – at 31 July 2023

Currency	Amount outstanding £000	Termination date	Repayment frequency	Rate %
GBP	—	2 December 2025	One payment	Sonia + margin%
Euro	79,369	2 December 2025	One payment	Euribor + margin%
Swedish Krona	—	2 December 2025	One payment	Stibor + margin%
Total	79,369			

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 2024, Group leverage was below 1.0:1 and therefore the margin remains at 1.25% in H2 2024.

The Group remained comfortably within its banking covenants, which are tested semi-annually. As at 31 January 2024, the multiple of EBITDA to net finance charges was 14.5 (31 July 2023: 17.9; 31 January 2023: 22.8), against a covenant target ratio of 4.0, and the multiple of net borrowings to EBITDA (leverage) was 0.7 (31 July 2023: 0.8; 31 January 2023: 0.8), against a covenant target ratio of 3.0.

At 31 January 2024, the Group had £78,687,000 (31 July 2023: £70,631,000) of its multicurrency revolving credit facility unutilised.

13. Fair values of financial assets and financial liabilities

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2 – other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3 – techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial instruments carried at fair value comprise the derivative financial instruments and the contingent consideration in note 11. 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; see note 11 for details on the valuation techniques used to measure the fair value.

14. Dividends paid and proposed

	6 months ended 31 January 2024 £000	6 months ended 31 January 2023 £000
Cash dividends on ordinary shares declared and paid		
Final dividend for 2023: 5.50 pence per share (2022: 5.00 pence)	**10,879**	9,881
Proposed dividends on ordinary shares		
Proposed interim dividend for 2024: 2.80 pence per share (2023: 2.50 pence)	**5,519**	4,942

A final dividend payment of £10,879,000 is included in the consolidated statement of cash flows relating to 2024 (2023: £9,881,000).

The Board has declared an interim dividend of 2.80 pence per ordinary share in respect of the half year ended 31 January 2024 (6 months to 31 January 2023: 2.50 pence per ordinary share) which will be paid on 7 May 2024 to shareholders on the register at the close of business on 2 April 2024. 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.

15. Related party transactions

Transactions between Volution Group plc and its subsidiaries, and transactions between subsidiaries, are eliminated on consolidation and are not disclosed in this note.

No material related party balances, other than those transactions that have been eliminated on consolidation, exist at 31 January 2024 or 31 January 2023.

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 (H1 2023: Nil).

16. Glossary of terms

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

Diluted earnings per share amounts are calculated by dividing the adjusted net profit/(loss) attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of any dilutive potential ordinary shares into ordinary shares. There are 3,128,124 dilutive potential ordinary shares at 31 January 2024 (H1 2023: 3,465,898).

Adjusted EBITDA: adjusted operating profit before depreciation and amortisation.

Adjusted finance costs: finance costs before net gains or losses on financial instruments at fair value and the exceptional write-off of unamortised loan issue costs upon refinancing.

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

Adjusted operating profit: operating profit before adjustments to re-measurement of contingent consideration, costs of business combinations, amortisation of acquired inventory fair value adjustments and amortisation of assets acquired through business combinations.

Adjusted profit after tax: profit after tax before adjustments to re-measurement of contingent consideration, net gains, or losses on financial instruments at fair value, costs of business combinations, amortisation of acquired inventory fair value adjustments, amortisation of assets acquired through business combinations and the tax effect on these items.

Adjusted profit before tax: profit before tax before adjustments to re-measurement of contingent consideration, net gains, or losses on financial instruments at fair value, costs of business combinations, amortisation of acquired inventory fair value adjustments and amortisation of assets acquired through business combinations.

Adjusted tax charge: the statutory tax charge less the tax effect on the adjusted items.

CAGR: compound annual growth rate.

Cash conversion: is calculated by dividing adjusted operating cash flow by adjusted EBITA.

Constant currency: to determine values expressed as being at constant currency we have converted the income statement of our foreign operating companies for the 6 months ended 31 January 2024 at the average exchange rate for the period ended 31 January 2023. In addition, we have converted the UK operating companies' sale and purchase transactions in the period ended 31 January 2024, which were denominated in foreign currencies, at the average exchange rates for the period ended 31 January 2023.

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

Net debt: bank borrowings and lease liabilities less cash and cash equivalents.

Operating cash flow: EBITDA plus or minus movements in operating working capital, less share-based payment expense, less net investments in property, plant and equipment and intangible assets.

ROIC: measured as adjusted operating profit for the year divided by average net assets adding back net debt, acquisition related liabilities, and historic goodwill and acquisition related amortisation charges (net of the associated deferred tax).