Friday 16 October 2015

VOLUTION GROUP PLC

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 JULY 2015

EARNINGS AHEAD OF EXPECTATIONS, STRONG ORDER PIPELINE IN NEW BUILD

Volution Group plc ("Volution" or "the Group" or "the Company", LSE: FAN), a leading supplier of ventilation products to the residential and commercial construction market, today announces its audited financial results for the 12 months to 31 July 2015.

Highlights	**2015**		**2014**		**Change**	**Change Constant Currency**
Revenue (£m)	130.2		120.7		7.9%	12.4%
Adjusted EBITDA (£m)	32.1	[1]	28.5	[1]	12.6%	17.8%
Adjusted operating profit (£m)	29.4	[1]	26.5	[1]	10.9%	18.8%
Adjusted profit before tax (£m)	27.5	[1]	14.0	[1]	96.4%	111.4%
Reported profit/(loss) before tax (£m)	15.5		(15.5)			
Basic and diluted EPS (p)	5.9		(14.0)			
Adjusted basic and diluted EPS (p)	11.0	[1]	8.8	[1,2,3]	25.0%	
Adjusted operating cash flow (£m)	27.6	[1]	22.8	[1]	21.1%	
Dividend per share (p)	3.30	[4]	n/a			
Net debt (£m)	21.2	[5]	42.9	[5]		

The Group uses alternative performance measures to track and assess the underlying performance of the business. These measures include adjusted EBITDA, adjusted operating profit, adjusted profit before tax and adjusted operating cash flow.

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

"In our first full financial year as a listed company we made good progress. Revenue was £130.2 million up 12.4% at a constant currency, reflecting both organic growth of 4.9%, and inorganic growth from the acquisition of Brüggemann and inVENTer. Our adjusted EPS of 11.0p is a 25% increase versus the prior year pro-forma EPS of 8.8p.

I am particularly pleased with our cash flow performance, which reduced net debt from £42.9 million to £21.2 million. Our strong cash flow coupled with the refinanced banking facilities completed in February 2015, provides significant flexibility for further accretive acquisitions. The integration of our most recent acquisition, Ventilair Group, acquired in August 2015, is progressing well."

Outlook

The year has started positively with a very strong performance in the Nordics helped by new product launches, but with mixed results in the UK as softness in the residential RMI market was partly offset by growth in residential new build.

We remain focussed on delivering profitable growth and making further value enhancing acquisitions during this financial year.

Highlights

Financial:

- Results ahead of our expectations despite significant currency headwinds.
- Revenue growth of 7.9% (12.4% at constant currency) comprised of:
  - Organic revenue growth of 1.0% (4.9% at constant currency).
  - Inorganic revenue growth of 6.9% (7.5% at constant currency) mainly as a result of the full year effect of the acquisition of inVENTer in April 2014.
- Ventilation Group revenue growth was 10.0% (14.9% at constant currency) including UK Residential New Build growth of 17.7%.
- OEM (Torin-Sifan) revenue fell slightly due to a difficult end market for boiler spares during the mild winter.
- Adjusted operating profit increased by 10.9% to £29.4 million from £26.5 million in 2014 (18.8% at constant currency) a margin of 22.6% of revenues (2014: 22.0%).
- The Group's reported profit before tax of £15.5 million (2014: loss of £15.5 million) improved significantly, helped by lower finance costs of £2.0 million (2014: £21.2 million) and lower exceptional items of £0.7 million (2014: £7.8 million).
- Continued strong cash generation reduced year end net debt to £21.2 million (2014: £42.9 million).
- Final dividend proposed of 2.25 pence per share.

Strategic:

- Acquisition of Brüggemann Energiekonzepte GmbH based in Germany, for £1.6 million, completed in April 2015.
- Integration of inVENTer completed and a number of new sales agent appointments in Germany are gaining traction with sales. Integration of Brüggemann is progressing.
- OEM (Torin-Sifan) electrically commutated direct current (EC/DC) motorised impeller manufacturing site commissioned and operational in October 2014.
- New Group bank facility of £90 million, reducing gross debt and financing costs as well as providing more flexibility for potential acquisitions.

Strategic development after financial year end:

- Acquisition of Ventilair Group International BVBA based in Belgium and the Netherlands, for £11.6 million, completed on 5 August 2015 (not consolidated into the Volution Group plc financial statements for this financial year).

Notes:

1. Details of adjusted EBITDA, adjusted operating profit and adjusted profit before tax can be found in note 9. For a definition of all adjusted measures see the glossary of terms at note 20.
2. To provide a more meaningful comparison of our performance in the current period with that of the prior period we have presented the prior period after making pro-forma adjustments to reflect the higher cost of public ownership and to reflect the lower cost of our current debt structure. These are set out and explained in note 9.
3. On 23 June 2014, a share for share exchange converted the entire share capital (after reorganisation) of Windmill Topco Limited to new ordinary shares of Volution Group plc. The weighted number of shares has been calculated assuming the share for share exchange took place as from 1 August 2013. The pro-forma EPS assumes the same weighted average number of shares in the year ended 31 July 2014 as in the year ended 31 July 2015 to ensure we are showing a consistent comparison.
4. Interim dividend of 1.05 pence per share paid on 14 May 2015 and proposed final dividend for 2014/15 of 2.25 pence per share.
5. Net debt is defined as interest-bearing loans and borrowings less cash and cash equivalents.
6. For a definition of all adjusted measures see the glossary of terms in note 20 to the consolidated financial statements.

-Ends-

Enquiries:

Volution Group plc
Ronnie George, Chief Executive Officer +44 (0) 1293 441501
Ian Dew, Chief Financial Officer +44 (0) 1293 441536

Brunswick
Craig Breheny, Simone Selzer, Chris Buscombe volution@brunswickgroup.com
+44 (0) 20 7404 5959

Note to Editors

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

The Group sold approximately 21 million ventilation products and accessories in the twelve months ended 31 July 2015. The Volution Group operates through two divisions: the Ventilation Group and the OEM (Torin–Sifan) division. The Ventilation Group consists of 7 key brands - Vent-Axia, Manrose, Fresh, PAX, inVENTer, Brüggemann and Ventilair focused primarily on the UK, Nordic, German and Benelux ventilation markets. The Ventilation Group principally supplies ventilation products for residential and commercial ventilation applications. The OEM division (Torin-Sifan), supplies motors, fans and blowers to OEMs of heating and ventilation products for both residential and commercial construction applications in Europe.

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

Chief Executive Officer's Review

Overview

Our first full financial year as a listed company has been a successful one and I am pleased to report on a year of strong results. Volution has also made good progress in its strategy of making selective value-adding acquisitions. Two acquisitions were made, Brüggemann Energiekonzepte GmbH based in Germany, completed in April 2015, and Ventilair Group International BVBA, based in Belgium and the Netherlands, completed in August 2015, both funded from the Group's existing cash and banking facilities.

The integration of inVENTer in Germany was completed during the year with cross selling of some heat recovery products from the Nordic ventilation business already underway. In the UK, at Torin-Sifan, significant investment was made in new product development and a new production facility was acquired. We also saw good organic growth (on a constant currency basis), especially in the important area of higher-value ventilation systems used in new residential dwellings and quieter, more efficient ventilation used for residential repair, maintenance and improvement (RMI) applications.

We have made good progress in product development, with a new range of application software (app) controlled, intermittent extractor fans and more energy efficient heat recovery products which will be launched later in the calendar year 2015.

Ventilation Group segment

Our Ventilation Group's performance was very strong with a 10.0% increase in revenue on prior year (14.9% at constant currency). Organic growth was 1.9% (6.0% at constant currency). Inorganic growth of 8.1% (8.9% at constant currency) came substantially from Germany with the full year effect of inVENTer, acquired in April 2014 and the acquisition of Brüggemann in April 2015.

Sales in our UK Residential New Build sector were £17.2 million (2014: £14.6 million), growth of 17.7% (2014: 11.2%) with some niche areas such as retirement dwelling completions growing at above market rates. As well as this growth in completions we are seeing a greater penetration of central heat recovery ventilation systems as the method of ventilation in many new homes. An ongoing product development pipeline in this market sector means that we will bring several new products to market later this calendar year. The new Kinetic Advance, launched to the UK sales team in June 2015, is expected to deliver the highest level of efficiency available in the UK Building Energy Performance Assessment.

The UK Residential RMI market was soft with private refurbishment experiencing good growth offset by a continuing decline in public refurbishment, a more difficult market due to local authority austerity measures and cut backs. This resulted in revenue in this sector of £36.6 million (2014: £37.0 million) a decline of 1.1% (2014: growth of 2.8%). New product launches in the public refurbishment market are taking hold and with further new products being launched later on in calendar year 2015, we expect to see a turnaround in sales in this market as we aim to capture greater market share. Our focus on the quiet, energy efficient solutions for the private market continues to be well received with particular success of our national radio advertising campaign in July 2015.

UK Commercial sales were down 1.3% in the year at £16.2 million (2014: £16.4 million) having delivered good growth in the prior year. Our exposure is primarily to the RMI market which has performed less well than for new applications. The energy efficient kitchen axial fan sales grew very well and a range of quieter, more energy efficient commercial box fans will be launched early in 2016.

UK Export sales were £8.4 million (2014: £7.1 million), strong growth of 17.5% (2014: 2.0%), despite the strength of Sterling against the Euro (25.2% growth at constant currency) with the growth coming substantially from increased sales of heat recovery systems.

Sales in the Nordics sector were £22.2 million (2014: £22.7 million), a decline of 2.0%; however, at constant currency growth was 12.5%. Sales of the market leading, low energy and near silent ventilation products continued to grow during the year and in May 2015, at Elfack, the largest trade show of the year for the Swedish electrical products industry, we launched the new Calima fan, the first app controlled extractor fan on the market. Organic growth in the Nordic region was very pleasing, especially in Norway where the combined Fresh and PAX sales team is working very efficiently with a much more comprehensive offer and improved service for the market.

Sales in the Germany sector were £10.9 million (3 months of 2014: £3.5 million). Whilst the German market has had its challenges, we have improved our position, including acquiring Brüggemann, a distribution channel in northern Germany, and by investing in new agents to provide a more comprehensive coverage in that market.

Chief Executive Officer's Review (continued)

OEM (Torin-Sifan) segment

Our OEM (Torin-Sifan) segment's revenue in the year was £18.7 million (2014: £19.4 million), a decline of 3.6% (down 0.6% at constant currency), mainly as a consequence of lower sales of spare parts for non-condensing boilers due to a mild winter. There is a correlation between mild winters and lower sales of these replacement parts. The sales of gas boiler combustion motors therefore declined compared to the prior year although an improved performance was noted in the second half of the year.

Sales of electrically commutated direct current (EC/DC) motorised impellers continue to grow as this area is supported by the market growth, both in the UK and in continental Europe, for central system ventilation where these motors provide the air movement capabilities.

Three Strategic Pillars

Our strategy continues to focus on three key pillars:

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

Our core markets now extend to Belgium and the Netherlands with the acquisition of the Ventilair Group. These markets, as well as the original core markets for Volution, continue to benefit from the favourable regulatory backdrop that focuses on carbon reduction from buildings (in particular new buildings) as well as the need to improve energy efficiency.

The European market remains highly fragmented and we continue to pursue acquisition opportunities. Our track record over the last three years, since the acquisition of Fresh AB in October 2012, has been to add several new markets to the Group's reach and to improve substantially, the financial returns of these companies. Our centrally inspired and led, but locally managed, Research and Development function is now achieving new economies of scale when developing new capabilities, the most recent example being the software app controls, which, once fully completed, will provide controls to new products sold in the UK, Nordics and Germany.

Over the last two years we have made a significant investment at Torin-Sifan in new product development and a new production facility to capitalise on the growth in demand for electronically commutated (EC) motors used in various residential and commercial ventilation products. The new EC production facility is now fully commissioned and operational and the product development of the new range of high performance air movement products is nearing completion. These new products will be launched in the first half of the 2016 financial year.

People

In anticipation of our future growth plans and to provide the best possible foundation for our talented management team, it is our intention to launch the second Management Development Programme at the beginning of 2016.

I would like to acknowledge, thank and recognise all our committed employees for underpinning the success of the Group. Our employees, along with the management team, have made our first full year as a listed company a great success. I am extremely grateful to our employees for the considerable hard work and dedication to providing great customer service and satisfaction and also the way in which newly acquired Volution companies are integrated and made to feel welcome as part of the larger Group.

Ronnie George
Chief Executive Officer
16 October 2015

Financial Review

Trading Performance Summary

	Reported			Adjusted[1]		Adjusted and pro-forma[2]		
	Year to 31 July 2015	Year to 31 July 2014	Movement	Year to 31 July 2015		Year to 31 July 2014		Movement
Revenue (£m)	130.2	120.7	7.9%	130.2		120.7		7.9%
EBITDA (£m)	31.4	20.7	51.7%	32.1	1	27.3	1,2	17.6%
Operating profit (£m)	17.2	5.7	201.8%	29.4	1	25.3	1,2	16.2%
Finance costs (£m)	(2.2)	(21.2)	(89.6)%	(2.0)		(2.5)	1,2	(20.0)%
Profit/(loss) before tax (£m)	15.5	(15.5)	200.0%	27.5	1	22.8	1,2	20.6%
Basic and diluted EPS (p)	5.9	(14.0)	142.1%	11.0	1	8.8	1,2,3	25.0%
Total dividend per share (p)	3.30	-	3.30	3.30		-		3.30
Operating cash flow (£m)	27.6	22.8	21.1%	27.6	1	22.8	1	21.1%
Net Debt (£m)	21.2	42.9	(21.7)	21.2		42.9		(21.7)

The reconciliation of the Group's reported profit before tax to adjusted measures of performance is summarised in the table above and in detail in note 9.

1. Details of adjusted EBITDA, adjusted operating profit and adjusted profit before tax can be found in note 9. For a definition of all adjusted measures see the glossary of terms at note 20.
2. To provide a more meaningful comparison of our performance in the current period with that of the prior period we have also presented the prior period after making pro-forma adjustments to reflect the higher cost of public ownership and to reflect the lower cost of our current debt structure.
3. On 23 June 2014, a share for share exchange converted the entire share capital (after reorganisation) of Windmill Topco Limited to new ordinary shares of Volution Group plc. The weighted number of shares has been calculated assuming the share for share exchange took place as from 1 August 2013. The pro-forma EPS assumes the same weighted average number of shares in the year to 31 July 2014 as in the year to July 2015 to ensure we are showing a consistent comparison.

Revenue

The Group has made good progress during 2015 and continues to enjoy strong demand for its ventilation products. Group Revenue for the year ended 31 July 2015 was £130.2 million (2014: £120.7 million) a 7.9% increase (12.4% at constant currency). This comprised 1.0% organic growth (4.9% on a constant currency basis), with 6.9% the result of acquisitions (7.5% at constant currency).

Organic growth came substantially from the 17.7% growth in UK Residential New Build sales and the 17.5% (25.2% at constant currency) growth in the UK Exports sector. The UK Residential RMI sector revenue declined by 1.1%, comprised of growth in our private RMI revenue offset by a decline in the more difficult public RMI market and initiatives have been put in place to address the decline in this market. The UK Commercial sector revenue also declined slightly by 1.3%, while sales in our OEM (Torin-Sifan) segment declined by 3.6% (a slight decline of 0.6% at constant currency) as income from boiler spares fell during the mild winter.

During the year, movements in foreign currency exchange rates have had an adverse effect on the reported revenue of our business. If we had translated the full year performance of our business at our 2014 exchange rates, our reported Group revenues would have been £135.7 million or 4.2% higher.

Financial Review (continued)

Profitability (prior year adjusted results are also pro-forma)

Our underlying result, as measured by adjusted EBITDA, was £32.1 million (2014: £27.3 million), 24.7% of revenues, delivering a £4.8 million improvement compared to the prior year pro-forma adjusted EBITDA (£6.3 million improvement at constant currency). The Group benefited significantly from the full year effect of the acquisition of inVENTer in April 2014 and to a lesser extent the acquisition of Brüggemann in April 2015. Gross margin performance was encouraging with a 130bps increase to 48.5% (2014: 47.2%).

On sales growth of 7.9%, our adjusted profit before tax improved by £4.7 million to £27.5 million compared to the prior year pro-forma adjusted profit before tax of £22.8 million, growth of 20.6%. The growth in our adjusted profit before tax margins was affected by improving sales mix and margins in Sweden and UK ventilation. This growth was slightly offset by lower sales of higher margin boiler spares in our OEM (Torin-Sifan) segment and the recent acquisition of inVENTer which, despite its positive contribution to Group profitability, is yet to benefit from improved operational leverage post acquisition.

The Group's reported profit before tax in the year was £15.5 million compared to a loss of £15.5 million in 2014. The reported profit before tax for the period has benefited from:

- A significant reduction in finance costs to £2.2 million (2014: £12.6 million) as a result of the post listing capital structure, lower borrowings and, after refinancing in February 2015, lower interest rate margins;
- Lower amortisation of financing costs written off upon refinancing of £nil (2014: £8.6 million); and
- Lower net exceptional costs of £0.7 million (2014: £7.8 million). Included in 2014 were the costs incurred as a consequence of the IPO of £5.5 million, costs associated with the acquisition of Fresh, PAX and inVENTer of £0.9 million, costs associated with the fair value adjustments at the time of acquisitions of £0.2 million and costs associated with the re-organisation of businesses following acquisitions of £1.2 million.

Acquisitions

The Group's trading benefited in the year from the full year effect of the acquisition of inVENTer in Germany, acquired April 2014 and from the acquisition of Brüggemann in Germany, acquired April 2015.

One acquisition was completed during the year, Brüggemann based in Germany, in April 2015 which was acquired for a total cash consideration of €2.3 million (£1.6 million). Brüggemann has contributed to revenue and profitability in the year.

Immediately after our financial year end, on 5 August 2015, we acquired Ventilair Group International BVBA, based in Belgium with operations in Belgium and the Netherlands, for €16.3 million (approximately £11.6 million), on a debt free, cash free basis. Ventilair will be consolidated in the Group's results for the first time during our financial year ending 31 July 2016.

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

Exceptional items and adjusted performance measures

Exceptional items, by virtue of their size, incidence or nature, are disclosed separately in order to allow a better understanding of the underlying trading performance of the Group. During the year, exceptional items were £0.7 million (2014: £7.8 million). Details of these exceptional items can be found in note 7 to the consolidated financial statements.

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

- On acquisition of a business, where appropriate, we obtain an independent valuation of identifiable acquired intangible fixed assets such as trademarks and customer base and recognise these assets in our consolidated statement of financial position; we then amortise these acquired assets over their useful lives. In the year the amortisation charge of these intangible assets was £11.5 million (2014: £13.1 million);
- Write-off of bank refinancing costs and other finance costs during the year was £nil (2014: £8.6 million); and
- At each reporting period end date, we measure the fair value of financial derivatives and recognise any gains or losses immediately in finance cost. During the year, we recognised a gain of £0.4 million (2014: loss of £0.2 million).

Furthermore, to provide a more meaningful comparison of our performance in the current period with that of the prior period, we have also presented the prior period after making pro-forma adjustments to reflect the higher cost of public ownership and to reflect the lower cost of our current debt structure. More information on the adjustments can be found in note 9.

Financial Review (continued)

Finance revenue and costs

Finance costs of £2.2 million during the year (2014: £21.2 million) have reduced significantly, largely as a consequence of the change in capital structure on our listing and refinancing in June 2014 and, in the prior period, the write-off of accumulated third party bank financing costs, mentioned above, of £8.6 million. In addition, on 13 February 2015, we refinanced our bank debt with resulting lower interest rates. Prior to listing in June 2014, the business was under private equity ownership and was predominantly financed by bank borrowings and senior unsecured debt.

Operating cash flow

The Group continued to be cash generative in the year with adjusted operating cash inflow of £27.6 million (2014: £22.8 million). This represents a cash conversion, after capital expenditure of 93% (2014: 86%). The Group continues to manage its working capital efficiently with operating working capital representing 12.3% of revenue (2014: 15.3%). In addition, the Group continues to invest for the future with net capital expenditure increasing to £4.6 million (2014: £4.5 million) including investment in new product development, improved IT systems and factory relocation. During the year, we rationalised our operations in Dudley and disposed of one of our factory units at that location for a gross consideration of £0.8 million. The profit on disposal of £0.3 million has been reported as an exceptional item. See glossary of terms in note 20 for a definition of adjusted operating cash flow and cash conversion.

Net debt

Year-end net debt was £21.2 million (2014: £42.9 million), made up of bank borrowings of £32.8 million (2014: bank borrowings £53.9 million), offset by cash and cash equivalents of £11.6 million (2014: £11.0 million).

Movements in net debt position for the year ended 31 July 2015

	£m
Opening net debt 1 August 2014	**(42.9)**
Movements from normal business operations	
Adjusted operating cash flow	27.6
Interest paid net of interest received	(1.9)
Income tax paid	(3.0)
Exceptional items	(0.1)
Dividend paid	(2.1)
FX on foreign currency loans/cash	3.7
Cost of refinancing	(1.0)
Movements from acquisitions	
Acquisition consideration net of cash acquired	(1.5)
Closing net debt 31 July 2015	**(21.2)**

Bank facilities, refinancing and liquidity

On 13 February 2015, the Group refinanced its bank debt. The Group now has in place a £90 million revolving credit facility, maturing in April 2019, which includes a permitted acquisition facility. This new facility is provided under standard Loan Market Association terms and replaces the Group's previous facilities. The new facility is provided at a lower interest rate than the facility refinanced and the covenant headroom has been improved.

Before February 2015, the Group's bank facilities consisted of fully drawn term loans of £52.3 million, an unutilised revolving credit facility of £13.0 million and an unutilised approved acquisition facility of £20.0 million. The term loans were repayable in full in February 2019.

As at 31 July 2015, we had £57.2 million of undrawn, committed bank facilities and £11.6 million cash and cash equivalents on the statement of financial position.

Financial Review (continued)

Foreign exchange

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

We are also exposed to translational currency risk as the Group consolidates foreign currency denominated assets, liabilities, income and expenditure into Group reporting denominated in Sterling. We hedge the translation risk of the net assets in Fresh and PAX with £13.4 million borrowings denominated in SEK (2014: £17.8 million). We have partially hedged our risk of translation of the net assets of inVENTer and Brüggemann by having Euro denominated bank borrowings in the amount of £8.3 million as at 31 July 2015 (2014: £10.0 million). The Sterling value of our foreign currency denominated loans decreased by £3.9 million in the year as a consequence of exchange rate movements. We do not hedge the results of overseas subsidiaries.

During the year, movements in foreign currency exchange rates have had an adverse effect on the reported revenue and profitability of our business. If we had translated the full year performance of our business at our 2014 exchange rates, our reported Group revenues would have been £135.7 million or 4.2% higher and adjusted operating profit would have been £31.5 million or 6.9% higher.

Corporate restructuring

During the year the Group's corporate and capital structure underneath Volution Group plc was reorganised in line with the expectations laid out in the Initial Public Offering Prospectus dated 18 June 2014. The purpose of the internal reorganisation was to relieve historic blocks in the dividend chain. There was no change to the Group's overall capital structure or net debt as a result of the changes.

Earnings per share

The basic and diluted earnings per share for the year was 5.9 pence (2014: (14.0) pence). Our adjusted basic and diluted earnings per share was 11.0 pence (2014 pro-forma adjusted basic and diluted earnings per share: 8.8 pence), a significant 25.0% increase.

Dividends

In May 2015 the Group paid an interim dividend of 1.05 pence per share.

The Board has proposed a final dividend of 2.25 pence per share. Subject to approval at our Annual General Meeting of shareholders on 15 December 2015, this final dividend will be paid on 18 December 2015 to shareholders on the register on 27 November 2015.

Ian Dew

Chief Financial Officer

16 October 2015

Consolidated Statement of Comprehensive Income

For the year ended 31 July 2015

	Notes	**2015 £000**	2014 £000
Revenue	5	**130,178**	120,709
Cost of sales		**(67,019)**	(63,748)
Gross profit	6	**63,159**	56,961
Distribution costs		**(18,052)**	(16,657)
Administrative expenses		**(27,174)**	(26,857)
Operating profit before exceptional items		**17,933**	13,447
Exceptional items	7	**(731)**	(7,783)
Operating profit		**17,202**	5,664
Finance revenue	8	**533**	7
Finance costs	8	**(2,209)**	(21,183)
Profit/(Loss) before tax		**15,526**	(15,512)
Income tax	10	**(3,691)**	1,254
Profit/(Loss) for the year		**11,835**	(14,258)
Other comprehensive income/(expense):			
Items that may subsequently be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(533)**	(497)
(Loss)/Gain on hedge of net investment in foreign operation		**(187)**	172
Other comprehensive expense for the year		**(720)**	(325)
Total comprehensive income/(expense) for the year		**11,115**	(14,583)
Profit/(Loss) per share			
Basic and diluted earnings per share (pence per share)	11	**5.9p**	(14.0)p

Consolidated Statement of Financial Position

At 31 July 2015

	Notes	2015 £000	2014 £000
Non-current assets			
Property, plant and equipment		**16,047**	15,915
Intangible assets – goodwill	12	**51,725**	50,127
Intangible assets – others	13	**100,951**	113,651
Deferred tax assets	10	**394**	732
		169,117	180,425
Current assets			
Inventories		**15,019**	15,922
Trade and other receivables		**26,271**	25,422
Income tax		—	1,093
Other current financial assets		—	422
Cash and short-term deposits		**11,565**	10,987
		52,855	53,846
Total assets		**221,972**	234,271
Current liabilities			
Trade and other payables		**(25,295)**	(22,821)
Other current financial liabilities		**(225)**	(467)
Income tax		**(1,411)**	—
Provisions		**(855)**	(1,018)
		(27,786)	(24,306)
Non-current liabilities			
Interest-bearing loans and borrowings	16	**(31,867)**	(53,903)
Other non-current financial liabilities		—	(122)
Provisions		**(600)**	(600)
Deferred tax liabilities	10	**(19,273)**	(22,090)
		(51,740)	(76,715)
Total liabilities		**(79,526)**	(101,021)
Net assets		**142,446**	133,250
Capital and reserves			
Share capital		**2,000**	2,000
Share premium		**11,527**	11,527
Capital reserve		**92,325**	92,325
Share based payment reserve		**181**	—
Foreign currency translation reserve		**(463)**	257
Retained earnings		**36,876**	27,141
Total equity		**142,446**	133,250

The consolidated financial statements of Volution Group plc (registered number: 09041571) were approved by the Board of Directors and authorised for issue on 16 October 2015.

On behalf of the Board

Ronnie George
Chief Executive Officer

Ian Dew
Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended 31 July 2015

	Share capital £000	Share premium £000	Capital reserve £000	Share-based payment reserve £000	Foreign currency translation reserve £000	Retained earnings £000	Total £000
At 1 August 2013	3	2,098	—	—	582	(16,231)	(13,548)
Loss for the year	—	—	—	—	—	(14,258)	(14,258)
Other comprehensive expense	—	—	—	—	(325)	—	(325)
Total comprehensive expense	—	—	—	—	(325)	(14,258)	(14,583)
Net adjustment to reserves arising from Group re-organisation	(3)	(2,098)	—	—	—	—	(2,101)
Share for share exchange as part of Group re-organisation	1,520	—	92,325	—	—	—	93,845
Issue of new ordinary shares on stock market listing	480	71,520	—	—	—	—	72,000
Share issue costs	—	(2,363)	—	—	—	—	(2,363)
Capital reduction	—	(57,630)	—	—	—	57,630	—
At 31 July 2014	2,000	11,527	92,325	—	257	27,141	133,250
Profit for the year	—	—	—	—	—	11,835	11,835
Other comprehensive expense	—	—	—	—	(720)	—	(720)
Total comprehensive income/(expense)	—	—	—	—	(720)	11,835	11,115
Share-based payment	—	—	—	181	—	—	181
Dividends paid	—	—	—	—	—	(2,100)	(2,100)
At 31 July 2015	**2,000**	**11,527**	**92,325**	**181**	**(463)**	**36,876**	**142,446**

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

Exchange differences arising on translation of the Group's foreign subsidiaries into GBP are included in the foreign currency translation reserve. The Group hedges some of its exposure to its net investment in foreign operations; foreign exchange gains and losses relating to the effective portion of the net investment hedge are accounted for by entries made directly to the foreign currency translation reserve. No ineffectiveness has been recognised in the statement of comprehensive income for any of the periods presented.

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

Consolidated Statement of Cash Flows

For the year ended 31 July 2015

	Notes	**2015 £000**	2014 £000
Operating activities			
Profit/(Loss) for the year after tax		**11,835**	(14,258)
Adjustments to reconcile profit/(loss) for the year to net cash flow from operating activities:			
Income tax		**3,691**	(1,254)
Gain on disposal of property, plant and equipment		**(19)**	(15)
Exceptional costs	7	**731**	7,783
Cash flows relating to exceptional costs		**(89)**	(6,847)
Finance revenue	8	**(533)**	(7)
Finance costs	8	**2,209**	21,183
Share based payment expense		**181**	—
Depreciation of property, plant and equipment		**2,536**	1,932
Amortisation of intangible assets	13	**11,646**	11,201
Impairment of intangible assets		—	1,949
Working capital adjustments:			
Increase in trade receivables and other assets		**(895)**	(1,803)
Movement in inventories		**453**	(1,370)
Exceptional costs: fair value of inventories		—	(201)
Increase in trade and other payables		**750**	1,450
Movement in provisions		**(164)**	299
Withholding tax paid on loan note interest		—	(34)
UK income tax paid		**(2,313)**	(2,650)
Overseas income tax paid		**(770)**	(475)
Net cash flow from operating activities		**29,249**	16,883
Investing activities			
Payments to acquire intangible assets	13	**(1,723)**	(1,664)
Purchase of property, plant and equipment		**(3,880)**	(2,930)
Proceeds from disposal of property, plant and equipment		**979**	62
Acquisition of subsidiaries, net of cash acquired		**(1,521)**	(29,795)
Interest received		**66**	7
Net cash flow used in investing activities		**(6,079)**	(34,320)
Financing activities			
Repayment of interest-bearing loans and borrowings		**(57,060)**	(106,106)
Proceeds from new borrowings		**39,760**	59,479
Issue costs of new borrowings		**(968)**	(4,652)
Interest paid		**(2,004)**	(5,900)
Transaction costs on issue of new shares		—	(2,363)
Proceeds from issue of new shares		—	72,000
Dividends paid	17	**(2,100)**	—
Net cash flow (used in)/generated from financing activities		**(22,372)**	12,458
Net increase/(decrease) in cash and cash equivalents		**798**	(4,979)
Cash and cash equivalents at the start of the year		**10,987**	15,943
Effect of exchange rates on cash and cash equivalents		**(220)**	23
Cash and cash equivalents at the end of the year		**11,565**	10,987

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

1. Publication of non-statutory consolidated financial statements

The preliminary results were authorised for issue by the Board of Directors on 15 October 2015. The financial information set out herein does not constitute the Group's statutory consolidated financial statements for the years ended 31 July 2015 or 2014, but is derived from those accounts. Statutory consolidated financial statements for 2015 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditors have reported on those accounts; their report was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 2006.

2. Going concern

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

Group cash flow forecasts have been produced for the period to 31 July 2017 and demonstrate that the Group will be able to meet its liabilities as and when they fall due for the foreseeable future. The Group is also forecast to remain in compliance with its banking agreement covenants at each quarter end during the forecast period.

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

3. Accounting policies

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

Basis of preparation

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

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

The consolidated financial statements are presented in GBP and all values are rounded to the nearest thousand (£000), except as otherwise indicated. Critical accounting judgements and key sources of estimation uncertainty

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

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

4. Critical accounting judgements and key sources of estimation uncertainty

Judgements

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

Exceptional items

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

Development costs

Development costs that are directly attributable to the development of a product are capitalised using management's assessment of the likelihood of a successful outcome for each product being released to the market, this is based on management's judgement that the product is technologically, commercially and economically feasible in accordance with IAS 38 Intangible Assets. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. See note 13 for amounts capitalised as development costs.

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

Estimates and assumptions

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

Fair value of assets acquired during business combinations

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

Impairment of goodwill and other intangible assets

The Group's impairment test for goodwill is based on a value in use calculation using a discounted cash flow model. The cash flows are derived from the business plan for the following 3 years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units are explained further in note 14.

The Group's accounting policy for impairment of other intangible assets is set out in note 3. The Group records all assets and liabilities acquired in business acquisitions at fair value. Intangible assets are reviewed for impairment annually if events or changes in circumstances indicate that the carrying amount may not be recoverable. Further details are included in note 13.

Taxation

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible authority.

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

Rebates payable and receivable

The Group has a number of customer and supplier rebate agreements that are recognised as a reduction from sales or a reduction of cost of sales as appropriate (collectively referred to as rebates). Rebates are based on an agreed percentage of revenue or purchases, which will increase with the level of revenue achieved or purchases made. These agreements typically run to a different reporting period to that of the Group with some of the amounts payable and receivable being subject to confirmation after the reporting date. At the reporting date, the Directors make estimates of the amount of rebate that will become both payable and due to the Group under these agreements based upon their best estimates of volumes and product mix that will be bought or sold over each individual rebate agreement period. Where the respective customer or supplier has been engaged with the Group for a number of years, historical settlement trends are also used to assist in ensuring an appropriate estimate is recorded at the reporting date and that appropriate internal approvals and reviews take place before rebates are recorded. The total rebate provision at 31 July 2015 is £5,017,000 (2014: £4,485,000).

Provisions for warranties, bad debts and inventory obsolescence

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

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

5. Revenue

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

	2015 £000	2014 £000
Sale of goods	**127,652**	117,924
Rendering of services	**2,526**	2,785
Total revenue	**130,178**	120,709

Market sectors	2015 £000	2014 £000
Ventilation Group		
UK Residential RMI	**36,574**	36,979
UK Residential New Build	**17,180**	14,592
UK Commercial	**16,188**	16,409
UK Export	**8,374**	7,129
Nordics[1]	**22,241**	22,702
Germany[2]	**10,904**	3,493
Total Ventilation Group	**111,461**	101,304
Original Equipment Manufacturer (OEM (Torin-Sifan))		
OEM (Torin-Sifan)	**18,717**	19,405
Total revenue	**130,178**	120,709

Notes

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

6. Segmental analysis

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 July 2015

6. Segmental analysis (continued)

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

Year ended 31 July 2014	Ventilation Group £000	OEM £000	Unallocated £000	Total £000	Eliminations £000	Consolidated £000
Revenue						
External customers	101,304	19,405	—	120,709	—	120,709
Inter-segment	6,775	1,185	—	7,960	(7,960)	—
Total revenue	108,079	20,590	—	128,669	(7,960)	120,709
Gross profit	51,818	6,210	—	58,028	(1,067)	56,961
Results						
Adjusted segment EBITDA	26,082	3,062	(615)	28,529	—	28,529
Depreciation and amortisation of developments costs, software and patents	(1,655)	(371)	—	(2,026)	—	(2,026)
Adjusted operating profit/(loss)	24,427	2,691	(615)	26,503	—	26,503
Amortisation and impairment of intangible assets acquired through business combinations	(11,698)	(1,358)	—	(13,056)	—	(13,056)
Exceptional items	(686)	(133)	(6,964)	(7,783)	—	(7,783)
Operating profit/(loss)	12,043	1,200	(7,579)	5,664	—	5,664
Unallocated expenses						
Net finance cost	—	—	(21,176)	(21,176)	—	(21,176)
Profit/(loss) before tax	12,043	1,200	(28,755)	(15,512)	—	(15,512)

The Group overhead costs are not allocated to individual operating segments. Likewise, certain exceptional costs, which include the re-organisation costs and IPO costs, have not been allocated to individual operating segments.

The 2014 unallocated costs have been restated in-line with the 2015 allocation method to allow a more accurate comparison of the years presented. The 2014 segmental analysis does not include any adjustments for pro-forma numbers, therefore there is a significant increase in unallocated costs in the year ended 31 July 2015 due to the additional costs of being a fully listed group.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 July 2015

6. Segmental analysis (continued)

Reconciliation of management reporting to IFRS

During the year ended 31 July 2014 the Group converted to IFRS for financial reporting purposes; however throughout the year ended 31 July 2014, the Board continued to use alternative management reporting information for making operational and resource allocation decisions. During the year ended 31 July 2015, the information used by the Board has been prepared using IFRS accounting policies. The 2014 segmental information set out above has been restated accordingly.

Inter-segment revenues are eliminated on consolidation.

Geographic information	**2015 £000**	2014 £000
Revenue from external customers by destination		
United Kingdom	**79,936**	76,623
Sweden	**16,663**	16,239
Europe (excluding United Kingdom and Sweden)	**31,131**	25,451
Rest of the world	**2,448**	2,396
Total revenue	**130,178**	120,709

	2015 £000	2014 £000
Non-current assets excluding deferred tax		
United Kingdom	**142,957**	150,801
Europe (excluding United Kingdom & Nordics)	**13,787**	13,850
Nordics	**11,979**	15,042
Total	**168,723**	179,693

Information about major customers

Annual revenue from one customer in the Ventilation Group segment accounts for more than 10% of Group revenue. In the year ended 31 July 2015, revenue was £13,607,000 (2014: £14,340,000).

7. Exceptional items

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

	Notes	**2015 £000**	2014 £000
Inventory fair value adjustment arising on business combinations	(a)	—	201
Acquisition costs	(b)	**875**	850
Restructuring and acquisition integration	(c)	**128**	1,198
Profit on disposal of property plant and equipment	(d)	**(261)**	—
Costs associated with the stock market listing of the Group	(e)	**(11)**	5,534
		731	7,783
Total tax credit for the year	(f)	**(26)**	(224)
		705	7,559

(a) Inventory acquired on acquisitions during year ended 31 July 2014 was recognised at fair value, which is based on selling price less costs of disposal and a profit allowance for selling efforts. In line with the Group's definition of exceptional costs, inclusion of the inventory fair value adjustment within trading results would not be reflective of ongoing business performance. The inventory fair value adjustment has therefore been presented separately.

The fair value adjustment in the year ended 31 July 2014 relates to the acquisitions of PAX AB, PAX Norge AS and inVENTer GmbH.

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

7. Exceptional items (continued)

(b) Acquisition costs substantially relate to professional fees incurred in respect of the business combinations disclosed in note 15 and the acquisition of Ventilair completed post year end and are set out below:

	2015 £000	2014 £000
Brüggemann Energiekonzepte GmbH	**134**	—
Ventilair Group International BVBA, completed after year end	**559**	—
Volution Group Limited	—	72
Fresh AB and its subsidiaries[1]	**49**	—
PAX AB and PAX Norge AS	—	39
inVENTer GmbH	—	683
Aborted acquisitions	**133**	56
	875	850

[1] Acquisition costs of £49,000 for the acquisition of Fresh AB and its subsidiaries relates to the write-back of a potential VAT claim, which was disclosed as a contingent liability at 31 July 2014.

(c) During the year ended 31 July 2015, the Group incurred costs of £128,000 (2014: £28,000) in simplifying the corporate structure. This cost was incurred as a result of the commitment made in the Initial Public Offering Prospectus dated 18 June 2014. The project was started and completed during year. During the year ended 31 July 2014, £524,000 was incurred relating to restructuring of the Group's Nordic operations and £133,000 in relation to the restructuring of the OEM (Torin-Sifan) site, UK restructuring costs of £513,000 were also incurred.

(d) During the year ended 31 July 2015, the Group sold a property previously included within property, plant and equipment on the statement of financial position. The profit on sale was £261,000.

(e) Costs incurred in relation to the stock market listing in 2014 have been included here. An overprovision of the Real Estate Transfer Tax (RETT) in relation to the purchase of Volution Deutschland Real Estate GmbH in the prior year has been written back during the year ended 31 July 2015. Whilst the overall size of the write back is not significant, the original RETT expense was included within exceptional items therefore we have included the corresponding credit as exceptional for consistency and comparability. In addition it meets the criteria of being exceptional due to its nature.

(f) Out of the exceptional items incurred in the year it was deemed that the items allowable for or chargeable to tax was approximately £128,000 with a potential tax benefit of £26,000.

8. Finance revenue and costs

	2015 £000	2014 £000
Finance revenue:		
Net gain on financial instruments at fair value	**467**	—
Interest receivable	**66**	7
Total finance revenue	**533**	7
Finance costs:		
Interest payable on bank loans	**(2,004)**	(5,947)
Interest on loan notes	—	(6,720)
Amortisation of finance costs	**(102)**	(8,338)
Other interest	—	(17)
Total interest expense	**(2,106)**	(21,022)
Net loss on financial instruments at fair value	**(103)**	(161)
Total finance costs	**(2,209)**	(21,183)
Net finance costs	**(1,676)**	(21,176)

The charge for amortisation of finance costs in 2014 includes £7,005,000 of unamortised finance costs written off upon re-financing of debt in December 2013. In addition, £821,000 of financing fees relating to the new bank facility were written off during June 2014. Included in the interest payable on bank loans is £106,000 (2014: £144,000) relating to breakage costs of the interest rate swaps.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 July 2015

9. Adjusted and pro-forma earnings

	2015 £000	2014 £000
Profit/(Loss) before tax	**15,526**	(15,512)
Add back:		
Exceptional items	**731**	7,783
Amortisation of financing costs written off upon refinancing	—	8,338
Breakage costs of interest rate swaps	**106**	144
Net (gain)/loss on financial instruments at fair value	**(364)**	161
Amortisation and impairment of intangible assets acquired through business combinations	**11,498**	13,056
Adjusted profit before tax	**27,497**	13,970
Add back:		
Interest payable on bank loans and amortisation of financing costs	**2,000**	5,803
Interest on loan notes	—	6,720
Finance (revenue)/costs	**(66)**	10
Adjusted operating profit	**29,431**	26,503
Add back:		
Depreciation of property, plant and equipment	**2,536**	1,932
Amortisation of development costs, software and patents	**148**	94
Adjusted EBITDA	**32,115**	28,529

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

9. Adjusted and pro-forma earnings (continued)

	Year ended 31 July 2015					Year ended 31 July 2014				
	Reported	**Adjustments**	**Adjusted results**	**Pro-forma adjustments**	**Adjusted results**	Reported	Adjustments	Adjusted results	Pro-forma adjustments	Pro-forma results
	£000	**£000**	**£000**	**£000**	**£000**	£000	£000	£000	£000	£000
Revenue	**130,178**	—	**130,178**	**—**	**130,178**	120,709	—	120,709	—	120,709
Cost of sales	**(67,019)**	—	**(67,019)**	**—**	**(67,019)**	(63,748)	—	(63,748)	—	(63,748)
Gross profit	**63,159**	—	**63,159**	**—**	**63,159**	56,961	—	56,961	—	56,961
Admin & Distribution costs	**(45,226)**	**11,498**	**(33,728)**	**—**	**(33,728)**	(43,514)	13,056	(30,458)	(1,200) [1]	(31,658)
Operating profit before exceptional items	**17,933**	**11,498**	**29,431**	**—**	**29,431**	13,447	13,056	26,503	(1,200)	25,303
Exceptional items	**(731)**	**731**	—	**—**	—	(7,783)	7,783	—	—	—
Operating profit	**17,202**	**12,229**	**29,431**	**—**	**29,431**	5,664	20,839	26,503	(1,200)	25,303
Finance revenue	**533**	**(467)**	**66**	**—**	**66**	7	—	7	—	7
Finance costs	**(2,209)**	**209**	**(2,000)**	**—**	**(2,000)**	(21,183)	8,643	(12,540)	10,003 [2]	(2,537)
Profit /(loss) before tax	**15,526**	**11,971**	**27,497**	**—**	**27,497**	(15,512)	29,482	13,970	8,803	22,773
Income tax	**(3,691)**	**(1,838)**	**(5,529)**	**—**	**(5,529)**	1,254	(4,314)	(3,060)	(2,025)	(5,085)
Profit/(loss) after tax	**11,835**	**10,133**	**21,968**	**—**	**21,968**	(14,258)	25,168	10,910	6,778	17,688
EBITDA	**31,384**	**731**	**32,115**	**—**	**32,115**	20,746	7,783	28,529	(1,200)	27,329
Basic and diluted EPS (pence per share) [3]	**5.9**		**11.0**		**11.0**	(14.0)		5.5		8.8

Notes

In order to better compare and explain our financial performance in the current year with the comparative year we have restated the comparative year to show what it would have looked like under public ownership with the current debt structure.

1 Admin and distribution costs - A pro-forma adjustment has been made to the prior year admin and distribution costs for our estimated incremental cost increase as a result of our listing on the London Stock Exchange (LSE). Such adjustments include increased audit fees, salary increases, corporate governance costs and other costs directly incurred as a result of the Group being listed on the LSE.

2 Finance costs - An adjustment has been made to finance costs in the prior year to reflect the current debt structure.

3 On the 23 June 2014, a share for share exchange converted the entire share capital (after reorganisation) of Windmill Topco Limited to new ordinary shares of Volution Group plc. The weighted number of shares has been calculated assuming the share for share exchange took place as from 1 August 2013. The pro-forma EPS assumes the same weighted average number of shares in the year ended 31 July 2014 as in the year ended 31 July 2015 to ensure we are showing a consistent comparison.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 July 2015

10. Income taxes

(a) Income tax recognised in profit/(loss) for the year

	2015 £000	2014 £000
Current income tax		
Current income tax expense	**4,451**	957
Foreign income taxes	**1,178**	471
Tax credit relating to the prior year	**(100)**	(330)
Total current tax	**5,529**	1,098
Deferred tax		
Origination and reversal of temporary differences	**(2,002)**	(2,524)
Effect of changes in the tax rate	**26**	211
Tax charge/(credit) relating to prior years	**138**	(39)
Total deferred tax	**(1,838)**	(2,352)
Net tax charge/(credit)	**3,691**	(1,254)

(b) Reconciliation of total tax

	2015 £000	2014 £000
Profit/(Loss) before tax	**15,526**	(15,512)
Profit/(Loss) before tax multiplied by the standard rate of corporation tax in the UK of 20.67% (2014: 22.33%)	**3,209**	(3,463)
Adjustment in respect of previous years	**38**	(369)
Expenses not deductible for tax purposes	**401**	2,725
Effect of difference in tax rates	**26**	211
Utilisation of previously unrecognised tax losses	**(38)**	(77)
Unrelieved tax losses	**—**	1
Additional relief for research and development	**—**	(150)
Higher/(lower) overseas tax rate	**55**	(132)
Net tax charge/(credit) reported in the consolidated statement of comprehensive income	**3,691**	(1,254)

(c) Unrecognised deferred tax assets

At 31 July 2015, the Group had an unrecognised deferred asset of £nil (2014:£41,000) arising in overseas entities.

10. Income taxes (continued)

(d) Deferred tax balances

Deferred tax assets and liabilities arise from the following:

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

2014	1 August 2013 £000	Credited/ (charged) to income £000	Translation difference £000	On acquisition £000	31 July 2014 £000
Temporary differences					
Depreciation in advance of capital allowances	(76)	18	—	—	(58)
Fair value movements of derivative financial instruments	73	49	—	—	122
Customer base, trademark and patent	(21,449)	2,168	—	(1,769)	(21,050)
Temporary differences	(250)	117	101	(340)	(372)
	(21,702)	2,352	101	(2,109)	(21,358)
Deferred tax asset	99	633	—	—	732
Deferred tax liability	(21,801)	1,719	101	(2,109)	(22,090)
	(21,702)	2,352	101	(2,109)	(21,358)

The Finance Act 2013 was enacted in July 2013 and introduced a reduction in the headline rate of corporation tax to 21% by 1 April 2014 and to 20% by 1 April 2015. The implications of the rate change are incorporated within the financial statements. Further changes have been announced, with reductions to 19% and 18% to apply from 1 April 2017 and 1 April 2020, respectively.

As the further changes were not substantively enacted at the balance sheet date, they are not reflected within the financial statements. The estimated impact of the announced changes is not expected to have a significant impact on the deferred tax balance.

11. Earnings per share (EPS)

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of any dilutive potential ordinary shares into ordinary shares. There are no dilutive potential ordinary shares for the years ended 31 July 2015 and 2014.

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

	Year ended 31 July	
	2015 £000	2014 £000
Profit/(Loss) attributable to ordinary equity holders	**11,835**	(14,258)
	Number	**Number**
Weighted average number of ordinary shares for basic earnings per share and diluted earnings per share	**200,000,000**	102,205,228
Earnings per share		
Basic and diluted	**5.9p**	(14.0)p

	Year ended 31 July	
	2015 £000	2014[1] £000
Adjusted profit attributable to ordinary equity holders	**21,968**	17,688
	Number	**Number**
Weighted average number of ordinary shares for adjusted basic earnings per share and adjusted diluted earnings per share	**200,000,000**	200,000,000
Adjusted Earnings per share		
Basic and diluted	**11.0p**	8.8p

1. 2014 adjusted profit attributable to ordinary equity holders is stated after pro-forma adjustments. See note 9 for details of the adjustments made. See note 20, glossary of terms for an explanation of the adjusted basic and diluted earnings per share calculation.

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

12. Intangible assets – goodwill

	£000
Cost and net book value:	
At 1 August 2013	46,488
Adjustment to goodwill relating to Fresh AB and its subsidiaries	15
On acquisition of PAX AB and PAX Norge AS	2,211
On acquisition of inVENTer GmbH	2,138
Net foreign currency exchange differences	(725)
At 31 July 2014	50,127
At 1 August 2014	50,127
Adjustment to goodwill relating to inVENTer and its subsidiaries[1]	473
On acquisition of Brüggemann Energiekonzepte GmbH	1,395
Net foreign currency exchange differences	(270)
At 31 July 2015	**51,725**

1. During the year ended 31 July 2015 Volution Management Holdings GmbH purchased the entire issued share capital of Brüggemann Energiekonzepte GmbH. When inVENTer GmbH was acquired by Volution Management Holdings GmbH, during the prior year, Brüggemann Energiekonzepte GmbH was a customer of inVENTer and therefore an amount was included in the customer base intangible asset in relation to Brüggemann Energiekonzepte GmbH. On acquisition of Brüggemann Energiekonzepte GmbH during the year, the net book value of the intangible customer base which related to Brüggemann Energiekonzepte GmbH of £360,000 was transferred to goodwill. In addition an adjustment of £113,000 was made to the provisional value of the goodwill initially recognised for inVENTer GmbH in the prior year.

13. Intangible assets – other

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

1. During the year it was identified that costs related to patents and software had been incorrectly classified as fixtures, fittings, tools and equipment and have therefore been transferred accordingly. In addition £360,000 has been transferred from the customer base to goodwill in connection with the purchase of Brüggemann Energiekonzepte GmbH (see note 12 for more details).

Included in software costs are assets under construction of £2,441,000 (2014: £1,466,000), which are not amortised. Included in development costs are assets under construction of £1,395,000 (2014: £758,000), which are not amortised.

2014	Development costs £000	Software costs £000	Customer base £000	Trademark £000	Patents £000	Total £000
Cost						
At 1 August 2013	446	2,133	88,314	33,961	—	124,854
Additions	583	840	—	—	241	1,664
On acquisition	—	—	13,120	4,798	730	18,648
Net foreign currency exchange differences	—	—	(1,368)	(577)	(44)	(1,989)
At 31 July 2014	1,029	2,973	100,066	38,182	927	143,177
Amortisation						
At 1 August 2013	9	1,520	12,912	2,021	—	16,462
Charge for the year	31	56	9,424	1,683	7	11,201
Impairment	—	—	1,949	—	—	1,949
Net foreign currency exchange differences	—	—	(73)	(13)	—	(86)
At 31 July 2014	40	1,576	24,212	3,691	7	29,526
Net book value						
At 31 July 2014	989	1,397	75,854	34,491	920	113,651

The impairment loss of £1,949,000 represents the write down of the customer base relating to the Residential German CGU, within the Ventilation segment, as the value in use was deemed to be below the book value at which it was valued on acquisition. This arose as a result of reduced levels of revenues of existing customers since the acquisition. The impairment charge is recorded within administrative expenses in the statement of comprehensive income.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 July 2015

13. Intangible assets – other (continued)

The remaining amortisation periods for acquired intangible assets at 31 July 2015 are as follows:

	Customer base	Trademark	Patent
Volution Group Limited and its subsidiaries	7 years	22 years	—
Fresh AB and its subsidiaries	4 years	17 years	—
PAX AB and PAX Norge AS	6 years	18 years	—
InVENTer GmbH	8 years	19 years	19 years
Brüggemann Energiekonzepte GmbH	5 years	—	—

14. Impairment assessment of goodwill

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

31 July 2015	**UK Residential RMI £000**	**UK Residential New Build £000**	**UK Commercial £000**	**UK Export £000**	**OEM (Torin-Sifan) £000**	**Nordics £000**	**Germany £000**
Carrying value of goodwill	**21,195**	**7,143**	**8,744**	**3,590**	**4,996**	**2,303**	**3,754**
CGU value in use headroom*	**72,267**	**33,946**	**31,985**	**16,546**	**18,823**	**36,843**	**18,393**
Discount rate (%) (post tax)	**10.0**	**10.0**	**10.0**	**10.0**	**10.0**	**11.8**	**11.8**

31 July 2014	UK Residential RMI £000	UK Residential New Build £000	UK Commercial £000	UK Export £000	OEM (Torin-Sifan) £000	Nordics £000	Germany £000
Carrying value of goodwill	21,195	7,143	8,744	3,590	4,996	2,729	1,730
CGU value in use headroom*	51,031	17,198	21,054	8,643	11,971	33,564	6,406
Discount rate (%) (post tax)	11.0	11.0	11.0	11.0	11.0	11.0	13.0

* Includes the net book value of fixed assets (tangible and intangible), goodwill and operating working capital (current assets and liabilities).

Impairment review

Under IAS 36 Impairment of Assets, the Group is required to complete a full impairment review of goodwill, which has been achieved using a value in use calculation. A discounted cash flow (DCF) model was used, taking a period of five years, which has been established using pre-tax discount rates of 12% to 15% (post tax: 10% to 12%) over that period. In all periods it was concluded that the carrying amount was in excess of the value in use and all CGUs had positive headroom.

Key assumptions in the value in use calculation

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

- Price inflation – small annual percentage increases are assumed in all markets based on historic data.
- Growth in the ventilation market – assumed to be static in all markets and is based on recent historic trends with a 2% inflationary increase.
- Discount rates – rates reflect the current market assessment of the risks specific to each operation. The pre-tax discount rate ranged from 12% to 15% (post tax: 10% to 12%).
- Raw material cost – assumed to be at the industry average of sales price.
- Excise duty – no future duty changes have been used in projections.
- No growth rate has been used to extrapolate cash flows beyond the forecast period other than the 2% rate of inflation.

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

15. Business combinations

Acquisition in the year ended 31 July 2015

Brüggemann Energiekonzepte GmbH

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

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

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

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

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

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

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

Cash outflows arising from business combinations are as follows:

	2015 £000	2014 £000
Brüggemann Energiekonzepte GmbH		
Cash consideration	**1,649**	—
Less: cash acquired with the business	**(128)**	—
inVENTer GmbH		
Cash consideration	—	19,146
PAX AB and PAX Norge AS		
Cash consideration	—	11,462
Less: cash acquired with the business	—	(1,037)
	1,521	29,571

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 July 2015

16. Interest-bearing loans and borrowings

	2015		2014	
	Current	**Non-current**	Current	Non-current
	£000	**£000**	£000	£000
Unsecured – at amortised cost				
Revolving Credit Facility[1]	—	**32,733**	—	—
Cost of arranging bank loan	—	**(866)**	—	—
Secured – at amortised cost				
GE Corporate Finance Bank loan[1]	—	—	—	53,903
	—	**31,867**	—	53,903

Notes

1. During the year ended 31 July 2015 the GE corporate finance bank loan was repaid in full and a new multicurrency revolving credit facility entered into. Interest bearing borrowings at 31 July 2015 comprise a revolving credit facility from Danske Bank A/S, HSBC and The Royal Bank of Scotland with HSBC acting as agent and are governed by a facilities agreement. The outstanding loans are set out in the table below. No security is provided under the new facility. Bank loans at 31 July 2014 comprised a facility from GE Corporate Finance Bank SAS, London Branch and were governed by a facilities agreement. The outstanding loans as at 31 July 2014 are also set out in the table below. The facilities agreement gave GE Corporate Finance Bank SAS, London Branch, as security agent, for itself and any other bank which participates in the facilities, a fixed and floating charge over the assets of the Group.
2. During the year ended 31 July 2014 all the costs of arranging the bank loans were written off to the consolidated statement of comprehensive income as part of the re-financing following admission to the London Stock Exchange in June 2014.

Revolving credit facility – at year ended 31 July 2015

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

The interest rate on borrowings includes a margin which is dependent on the consolidated leverage level of the Group in respect of the most recently completed reporting period. For the year ended 31 July 2015, Group leverage was between 1.0:1 and 1.5:1 and therefore the margin was 1.25%. The consolidated leverage level has fallen below 1.0:1 for the year ended 31 July 2015 and therefore the margin for the first period of the year ended 31 July 2016 will fall to 1.0%.

At 31 July 2015 the Group had £57,267,000 of its multicurrency revolving credit facility unutilised.

GE Corporate Finance bank loan – at year ended 31 July 2014

Element	Principal £000	Amount outstanding £000	Repayment dates	Repayment frequency	Rate %
Term B	26,100	26,100	February 2019	One payment	Libor + 3%
Term B1	20,500	17,818	February 2019	One payment	SEK Libor + 3.75%
Term B2	10,600	9,985	February 2019	One payment	Euro Libor + 3%

At 31 July 2014 the Group had two credit facilities: the acquisition facility (£20,000,000), which matured in February 2018; and a revolving facility (£13,000,000), which matured in February 2018. Part of the revolving facility related to ancillaries (£1,500,000), which was used at 31 July 2014 for an amount of £502,000.

17. Dividends paid and proposed

	2015	2014
	£000	£000
Cash dividends on ordinary shares declared and paid:		
Interim dividend for 2015: 1.05 pence per share (2014: nil)	**2,100**	—
Proposed dividends on ordinary shares:		
Final dividend for 2015: 2.25 pence per share (2014: nil)	**4,500**	—

The Interim dividend payment of £2,100,000 is included in the consolidated cash flow statement.

The proposed dividend on ordinary shares is subject to approval at the Annual General Meeting and is not recognised as a liability at 31 July 2015.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 July 2015

18. Related party transactions

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

No related party loan note balances exist at 31 July 2015 or 31 July 2014.

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

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

Other transactions with related parties include the following:

- the Group incurred costs of £nil (2014: £168,000) from Windmill Holdings BV (the previous direct controlling party) and Windmill Cooperatief U A (a previous intermediate parent undertaking) for management services; and
- the Group incurred costs of £295,000 from Peter Hill, Tony Reading, Paul Hollingworth and Adrian Barden for their services as Non-Executive Directors. For the period from 1 August 2013 to 22 June 2014 the group incurred costs of £246,000 from Marcel Klepfisch, Adrian Barden and Chris Lebeer for their services as Non-Executive Directors. Following the re-organisation and the listing on the London Stock Exchange, the Group Board of Directors changed and the Group incurred a further cost from 23 June 2014 to 31 July 2014 of £36,000.

Non-Executive Director Paul Hollingworth is also a non-executive director of Electrocomponents plc. During the year, the Group sold goods to Electrocomponents plc amounting to £253,000 (2014: £212,000). At the year end, amounts owing by Electrocomponents plc were £44,000 (2014: £35,000). During the year the Group purchased goods from Electrocomponents plc amounting to £79,000 (2014: £70,000). At the year end, amounts owed to Electrocomponents plc were £15,000 (2014: £9,000).

Compensation of key management personnel

	2015 **£000**	2014 £000
Short-term employee benefits	**2,134**	2,697
Termination benefits	—	203
	2,134	2,900

Key management personnel is defined as the CEO, CFO and the 8 individuals who report directly to the CEO.

19. Events after the reporting period

On 5 August 2015 Volution Ventilation Group Limited, a wholly owned subsidiary of Volution Group plc purchased the entire issued share capital of Ventilair Group International BVBA and its subsidiary operations in Belgium, the Netherlands and France. The consideration for the acquisition was €16.3 million (approximately £11.6 million), on a debt free, cash free basis, funded from the Group's existing cash and banking facilities. The Group is in the process of finalising the acquisition accounting and can therefore not provide any further disclosure in line with IFRS 3 at this stage.

There have been no other material events between 31 July 2015 and the date of authorisation of the Consolidated Financial Statements that would require adjustments of the Consolidated Financial Statements or disclosure.

20. Glossary of terms

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

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

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

Adjusted operating profit – earnings before tax, exceptional items, amortisation and impairment of intangible assets associated with the customer base, trademarks and patents and net finance costs.

Adjusted EBITDA – earnings before tax, exceptional items, net finance costs, depreciation, amortisation and impairment.

Change constant currency – to calculate the change at constant currency we have converted the income statement of our foreign operating companies for the year ended 31 July 2015 at the average exchange rate for the year ended 31 July 2014. In addition we have converted the UK operating companies' sales and purchase transactions in the year ended 31 July 2015, which were denominated in foreign currencies, at the average exchange rates for the year ended 31 July 2014.

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

Diluted earnings per share amounts are calculated by dividing the adjusted net profit/(loss) attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of any dilutive potential ordinary shares into ordinary shares. There are no dilutive potential ordinary shares for the years ended 31 July 2015 and 2014.

On the 23 June 2014, a share for share exchange converted the entire share capital (after reorganisation) of Windmill Topco Limited to new ordinary shares of Volution Group plc. The weighted number of shares has been calculated assuming the share for share exchange took place as from 1 August 2013. The pro-forma EPS assumes the same weighted average number of shares in the year to 31 July 2014 as in the year to 31 July 2015 to ensure we are showing a consistent comparison.

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