

Volution Group plc is a leading supplier of ventilation products to the residential and commercial construction market in the UK and northern Europe

Volution Group plc Annual Report 2015





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

We aim for our products to enhance customers' experience of ventilation by reducing energy, improving design and making them easier to use.

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Find out more online

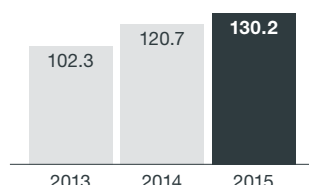
www.volutiongroupplc.com

Highlights

Revenue

£m

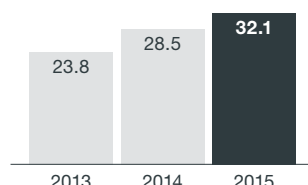
£130.2m



Adjusted EBITDA¹

£m

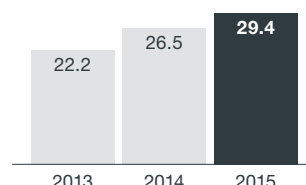
£32.1m



Adjusted operating profit¹

£m

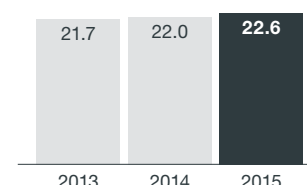
£29.4m



Adjusted operating margin

%

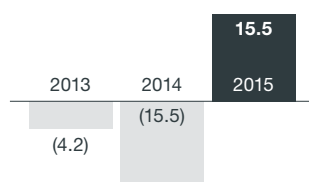
22.6%



Reported profit before tax

£m

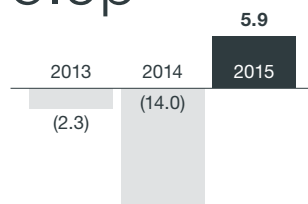
£15.5m



Basic and diluted EPS²

p

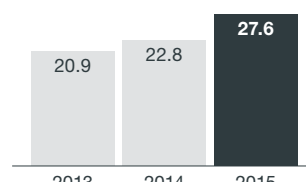
5.9p



Adjusted operating cash flow³

£m

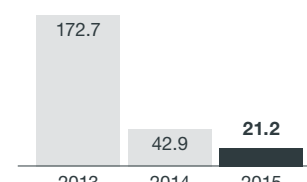
£27.6m



Net debt⁴

£m

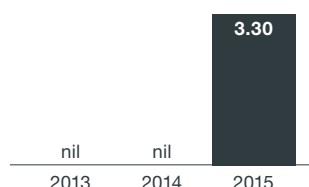
£21.2m



Dividend per share⁵

p

3.30p



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.

Notes

1. Details of adjusted EBITDA, adjusted operating profit and adjusted profit before tax can be found in note 10 to the consolidated financial statements.
2. Details of earnings per share can be found in note 15 to the consolidated financial statements.
3. Adjusted operating cash flow is defined as 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).
4. Net debt is defined as interest-bearing loans and borrowings less cash and cash equivalents.
5. 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.
6. For a definition of all adjusted measures see the glossary of terms in note 36 to the consolidated financial statements.

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); and
 - 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 (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 Volusion Group plc financial statements for this financial year).

At a Glance

Volusion Group plc is a leading supplier of ventilation products to the residential and commercial construction market in the UK and northern Europe. We operate through two divisions: the Ventilation Group and OEM (Torin-Sifan).



Ventilation Group segment

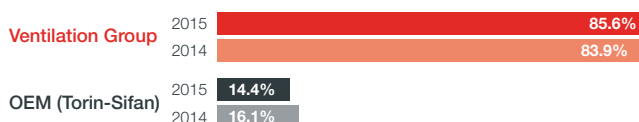
The Ventilation Group consists of seven key brands, Vent-Axia, Manrose, Fresh, PAX, inVENTer, Brüggemann and, from 5 August 2015, Ventilair, focused primarily on the UK, Swedish, Norwegian, German, Belgian and Dutch ventilation markets.

We are a market leader in the UK residential ventilation products market, the Swedish residential refurbishment ventilation products market and the German decentralised heat recovery residential ventilation systems market. With the addition of Ventilair Group, we also are now a leading operator in the Belgian residential centralised heat recovery market with a growing position in ventilation solutions for the commercial market.

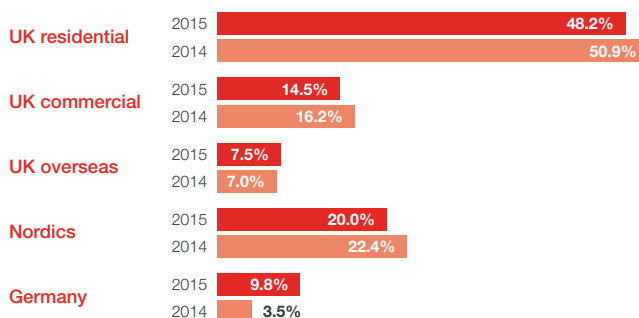
OEM (Torin-Sifan) segment

Torin-Sifan is a leading supplier of motors, motorised impellers, fans and blowers for the European heating, ventilation and air conditioning (HVAC) industry. The majority of Torin-Sifan's products are sold in the residential and commercial heating and ventilation products markets.

% of Volusion Group revenue (by location)

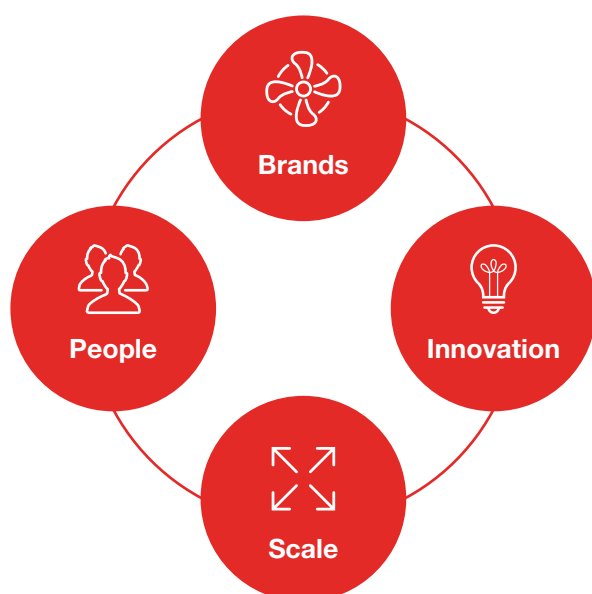


% of Ventilation Group revenue (by location)



Our business model

We have four key differentiators that are our pivotal focus: Brands, Innovation, Scale and People.



Our Business Model
> page 8

Our strategy

Our strategy continues to focus on three key pillars:



Organic growth in our core markets



Growth through a disciplined and value-adding acquisition strategy



Further develop Torin-Sifan's range and build customer preference and loyalty



Our Strategy
> page 20

Our recent history

The Volution Group was formed in December 2002 through the buy-out from Smiths Group plc of its air movement and cable management divisions.

- 2006 > AAC Capital and Management Team acquires Volution Holdings
- 2007 > Cable management division sold
> Manrose Manufacturing acquired
- 2008 > Ronnie George joins Volution Holdings as Managing Director
- 2012 > TowerBrook acquires Volution Holdings
> Fresh AB acquired
- 2013 > PAX AB acquired
- 2014 > Assets and business of Öko-Haustechnik inVENTer GmbH acquired
> **Volution Group plc is formed and listed on the London Stock Exchange**
> Torin-Sifan opens new EC Manufacturing and Technology Centre in Swindon
- 2015 > Brüggemann Energiekonzepte GmbH acquired
> Ventilair Group International BVBA acquired



Find out more online
> www.volutiongroupplc.com

Chairman's Statement

Peter Hill, CBE



Summary

- > Successful first full financial year as a premium listed company
- > Strong set of results
- > Performance in 2015 delivered strong momentum

Dear Shareholder,

Welcome to the Volution Group plc Annual Report 2015, where we look back on another year of growth for the Group, building momentum for the future.

Our strategy remains unchanged. Organic growth combined with selective, value-adding acquisitions has supported the achievement of another year of strong growth in revenues and profitability. You can find further details on the Group's three strategic pillars on pages 20 to 21.

Results

We are reporting a strong set of results for the financial year ended 31 July 2015 despite foreign exchange impact, reflecting growth, both organically* and through acquisitions, with Group revenue increasing by 7.9% to £130.2 million. Adjusted operating profit was £29.4 million, representing 22.6% of revenue and a £4.1 million improvement compared to the prior year pro-forma adjusted operating profit. The basic and diluted earnings per share for the year was 5.9 pence (2014: loss of 14.0 pence). Our adjusted earnings per share was 11.0 pence, a significant 25.0% increase over the pro-forma adjusted earnings per share for the prior year of 8.8 pence. Cash generation was strong with adjusted operating cash flow of £27.6 million (2014: £22.8 million). Our growth this year also benefited from the first full year of trading from our acquisition of inVENTer in Germany in April 2014. More difficult trading conditions were experienced in our OEM (Torin-Sifan)

* Organic growth is a like-for-like measure of business performance (also calculated at constant currency to eliminate translation effects on consolidation). It includes the growth of recent acquisitions over the like-for-like performance of the acquired business in the corresponding period, irrespective of ownership, expressed as a percentage of prior year reported revenue.



Our strong performance during the year has built momentum for the future.

Peter Hill, CBE
Chairman

division with a warm winter reducing demand for some of our boiler spares products which resulted in a flat year-on-year performance in that division.

In February 2015, the Group refinanced its bank debt and now has in place a £90 million revolving credit facility, maturing in April 2019. This new facility is provided under standard Loan Market Association terms and replaces the Group's old facilities. The new facility is provided at a lower margin than the old facilities and the covenant headroom has improved. At 31 July 2015 the consolidated leverage ratio was 0.66%; therefore, the margin should drop to 1.00% from 1.25%. The refinancing allows the Group to invest organically and in strategic acquisitions, strengthening our offering and geographical footprint.

Acquisitions

During the year, Volution made good progress in its strategy of making selective value-adding acquisitions. The acquisition of Brüggemann Energiekonzepte GmbH, based in Germany, was completed in April 2015. Immediately after our financial year end (5 August 2015) the acquisition of Ventilair Group International BVBA, based in Belgium and the Netherlands, was completed and is therefore not consolidated into the Group's financial statements for the year ended 31 July 2015. Both acquisitions were funded from the Group's existing cash and banking facilities.

As a Board, we evaluate each acquisition opportunity very carefully to ensure that it meets our strategic objectives as well as the financial hurdles set for investment. More details can be found in the Chief Executive Officer's Review and in the Financial Review. Both of these acquisitions are on track to deliver revenue and profit growth for the Group and have been earnings enhancing. We very much welcome the employees of both these companies into the Volution Group.

Dividends

In line with our proposed dividend policy we paid our maiden interim dividend of 1.05 pence per share in May 2015. On the basis of our strong results, the Board has recommended a final dividend of 2.25 pence per share, giving a total dividend for the financial year of 3.30 pence per share (2014: £nil per share). Subject to approval by shareholders at the Annual General Meeting on 15 December 2015, the final dividend will be paid on 18 December 2015 to shareholders on the register at 27 November 2015.

Health, safety and environment

The Group remains committed to continuous improvement in health, safety and environmental matters. We remain diligent in monitoring and improving our processes and activities which have an impact on our customers, people and the environment. I recommend that you read the Corporate Social Responsibility section on pages 28 to 29 for further details.

Governance

The Group is committed to high levels of corporate governance, in line with its status as a company with a premium listing on the main market of the London Stock Exchange. During this first full year as a listed company, the Board and its Committees have settled into a pattern of business in line with the financial cycle. I can also confirm that, as promised in last year's Annual Report and Accounts, the first Board and Committee performance evaluations have been undertaken. I recommend that you read the Corporate Governance Report on pages 38 to 44 for further details.

People

Volution's success is dependent on the positive interaction between the Group's employees, customers, suppliers and other stakeholders. We have an outstanding and committed group of employees and, on behalf of the Board, I would like to thank everyone for their hard work, commitment and contribution towards the Group's performance making this another successful year.

There have been no changes to the Group's remuneration policy which was approved at the Annual General Meeting in 2014, details of which are contained in the Directors' Remuneration Report on pages 53 to 68. In that report you will also see that our Executive Directors have received a salary increase of 1% with effect from 1 August 2015 which is in line with the average pay increase awarded to our employees in the UK. The interests of our Executive Directors and the Senior Management Team remain completely aligned to those of our shareholders, with a significant portion of their remuneration being tied to performance targets, together with their significant shareholdings.

Outlook

Our strong performance during the year has built momentum for the future. We have executed on our strategy with good organic growth and completed two earnings enhancing acquisitions (one just after the financial year end), increasing our footprint across continental Europe. With a clear strategy and our experienced management team, we remain confident that the business is well positioned for further growth, and we expect to make continued progress in the coming year.

Peter Hill, CBE
Chairman

16 October 2015

Chief Executive Officer's Review

Ronnie George



Summary

- > First full financial year as a listed company, delivering both organic and inorganic revenue growth in line with our strategy
- > Another year of strong financial results despite foreign exchange impact, underpinned by an expansion of our adjusted operating profit margin to 22.6% and excellent cash generation
- > Considerable benefit from the now fully integrated Nordic ventilation business which delivered constant currency sales growth of 12.5% and significant operational synergies since the acquisition of PAX AB in August 2013
- > Two acquisitions completed, one during the year and the second on 5 August 2015 just after the financial year end
- > Significant investment in new products and the commencement of production in the new Torin-Sifan facility at Westmead, Swindon

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 2015 calendar year.

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 cutbacks. 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 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 (three 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.

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

Our Business Model

How do we create value?

The Volution Group is committed to building on the strength of our successful business model. We continuously develop the four key differentiators that are central to our success: Innovation, Brands, Scale and People.

Our key differentiators



Innovation

400

new products launched in 2014/15

Innovation continues to be at the centre of our thinking and runs deep in the DNA of our organisation.

We aim to continuously improve the experience of our products and services throughout the supply chain and bring new and exciting products and ideas to market.



Innovation in Action

> page 10



Brands

14

brands across eight operating companies

We remain committed to a multichannel, multibrand strategy to create value propositions which are unique and difficult to replicate.

By using our Group product portfolio we open up new opportunities within our markets ensuring that we maximise sales potential in all geographies in which we operate.



Brands in Action

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Scale

566,000

square feet of manufacturing facilities

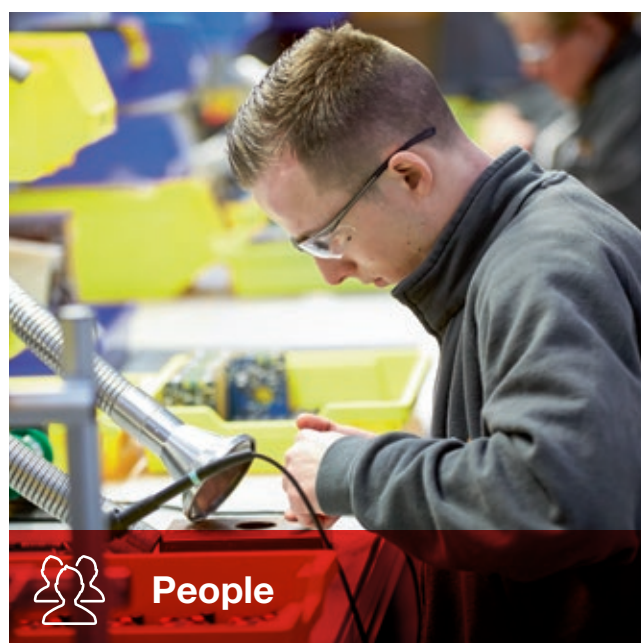
We operate in twelve manufacturing and office locations in Europe, located in the UK, the Nordics, Germany and the Benelux countries, with capacity to increase production for our growing demand.

With further investment in our Group R&D facility and upgrades to our testing laboratory in 2015, we continue to ensure we have the capacity to support our growing sales channels.



Scale in Action

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People

1,036

employees

We believe that our employees drive our organisation and both individually and together help build the long-term success of the business.

We will strive to create an environment where we recognise and develop talent within the organisation, helping our people realise their potential.



People in Action

> page 16

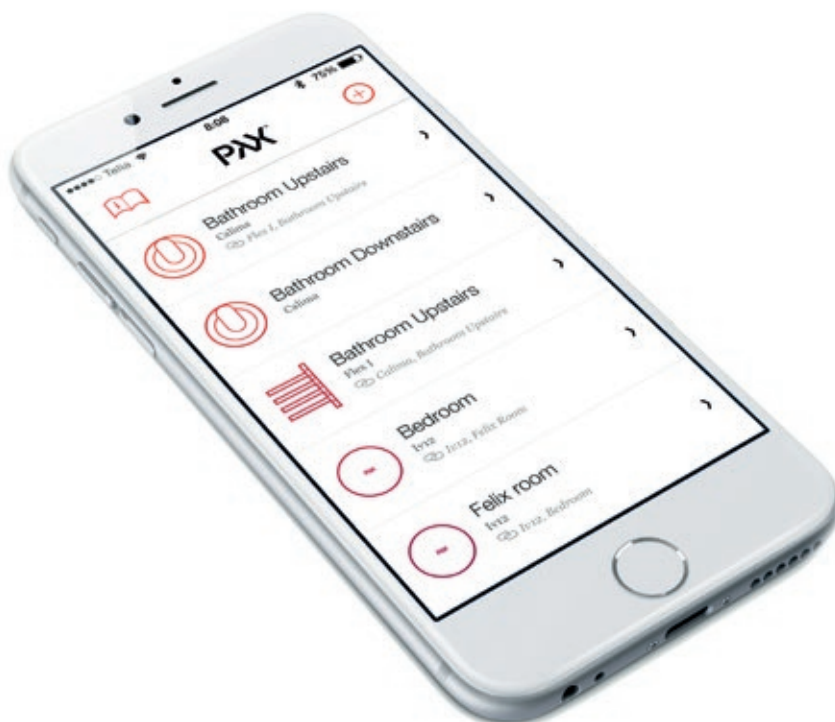
Innovation in Action



Our ability to develop enhanced products, providing more attractive solutions for customers, is at the core of our business model. We strive to deliver high levels of customer retention through a systematic approach to new product development.

Highlights

- > Launch of Calima in the Nordics, the world's first app-controlled bathroom fan
- > Further enhancement of the Silent Fan range for private RMI applications in the UK
- > Launch of Kinetic Advance, the most efficient fully integrated MVHR unit available on the national calculation method database in the UK
- > Development and testing of the Torin-Sifan electrically commutated three-phase motor



Developments

This year we have concentrated on how the end user can have an enhanced relationship with our products. As a result of our research we have decided to focus on three areas:

- > interaction;
- > integration; and
- > invisibility.

Interaction – how people use our products

In a fast moving world where we are surrounded by technology, our expectations change. We now have more control over our lives than ever before and expect customisation and personalisation in everything we experience. In 2015, we have been applying these principles across our business and have launched our most highly customisable products yet.

Calima, launched in the Nordics in May 2015, is the world's first app-controlled extractor fan, designed to enable the end user to completely manage the function and operation of the fan.

The Kinetic Advance is a next-generation heat recovery device and on this unit our app can help installers adjust speed remotely from the unit with one hand therefore dramatically improving the ease of commissioning. Additionally, the home owner will be able to schedule the device, select speeds, adjust comfort settings and receive alerts all remotely from/to their smart device.



The Kinetic Advance is a next-generation heat recovery device. It is the most efficient product available in the UK and incorporates the most sophisticated control platform available. We believe that it will create new ways for customers to interact with and be aware of the ventilation in their home.

Ronnie George
Chief Executive Officer

Integration – across the product range

We have created a Group-wide development platform through a common app enabling us to integrate products from the Group through any of our sales channels.

In 2015, we launched the first products that can connect via Bluetooth or Wi-Fi onto this shared app platform, enabling easily interchangeable products across our Group companies.

We have built the platform with intuitive controls with shared visuals across displays. This includes both integrated screens within products and through the app on mobile devices. End users and installers will have clear, simple and consistent experiences, no matter which of our products they are using. This platform will enable us to easily move products between our brands and countries, maximising our sales channels.

Invisibility – unobtrusive design

We continue to focus on making our products more discreet in both aesthetics and operational noise. This applies across our portfolio of products and companies. We continue to improve the aesthetic options for customers, making sure that they can buy a fan that is sympathetic to their interior design. During the year we also launched some of the quietest products that we have ever made, reducing the risk of nuisance noise even further.

Torin-Sifan

The development and testing of the electrically commutated three-phase motorised impeller continued. During the year we worked with customers to carry out the development and testing regimes required to get the new motor adopted into their products.



Brands in Action



Brands

The ability to create targeted propositions for different customer groups through the use of our brands is what differentiates our strategy. The use of our Group companies and product portfolios to create unique opportunities that are difficult to replicate without scale is a key strength of our organisation.

Highlights

- > Multichannel brand strategy development in Germany
- > Extension of the designer fan range in the UK
- > Group-wide MVHR range development



inVENTer iV12 Smart

Developments

The integration of our recent acquisitions has been proceeding as planned. In 2015, we launched a number of new initiatives across the Group ensuring that we maximise our potential.

Multichannel development in Germany

Through the acquisition of both Brüggemann and the GLT brand via the Ventilair Group, together with inVENTer, we now have three brands all trading across different channels in Germany. This scale and focus of activity across different routes to market will provide a wider opportunity for market share gain. With the decentralised MVHR product category, this will enable us to maximise our sales potential by utilising different sales channels.

Designer fans in the UK

Following on from the launch of the iQ fan in the UK in 2014, 2015 has seen the launch of the Calima fan in the Nordics through PAX. This product formed the basis of our app development and will soon be rolled out in the UK. With the addition of the new Silent Fan to the Group, and a new discreet continuous running fan through Manrose, we now offer improved aesthetics across our sales channels and across a wide spectrum of price points.

The acquisition of Ventilair Group will enable us to control our sales and marketing plans more cohesively than before. The newest addition to the Kinetic family, the Kinetic Advance, positions us strongly for the markets of continental Europe.

Group-wide MVHR launch

The Kinetic Advance is the first of the new generation of MVHR products. It is the first to operate through the new Group app and has been developed with absolute focus on energy efficiency. Optimisation of the air paths through the unit, plus the inclusion of the most efficient motors available, ensures it uses less energy to produce airflow than any similar product available. In addition, it comes with a host of value-added features including filtration up to F7, pre and post heaters for applications in colder climates, innovative methods of summer bypass and frost protection; plus it's the quietest MVHR unit we have ever launched.

In the UK it is the best performing ventilation unit in the national calculation method, making it extremely compelling for new-build developers.

All of this has been delivered with the easiest to use commissioning method we have ever developed, which will be rolled out across the range.

This product will also be rolled out through our international sales channels including through the newly acquired Ventilair Group.



Manrose Quiet Conceal Fan



Fresh Intellivent 2.0



PAX Calima



Our multichannel, multibrand strategy and desire to elevate our customers' relationship with our products enable us to create unique and value-added solutions across our sales channels.

Lee Nurse

Group Marketing Director, Ventilation Group

Scale in Action



Continued growth in the Group provides new and exciting opportunities. The growing sales channels provide increased sales volumes through our manufacturing sites and improvements in scale. Recent investments continue to secure supply and ensure we maximise our opportunities.

Highlights

- > Commissioned and finalised new Group laboratory facility
- > Extended our manufacturing and warehouse footprint by 77,000 square feet
- > Extended the Group product portfolio to 15,000 stock keeping units (SKUs)



Our acquisitive strategy continues to increase our opportunity for operational improvements through scale. Our ability to quickly incorporate acquisitions into the Group and realise the synergies fast will continue to help drive improvements to our earnings.

Paul Davies

Group Operations Director, Ventilation Group



Developments

Centralised internal product support

This year, we have upgraded our new product development capability and finished the upgrade of our Group laboratory facility.

Our facilities now enable us to test products across the Group, including decentralised heat recovery products as well as MVHR units for even the coldest climates in Europe. Throughout the new product development process, from proving concepts to benchmarking competitors, our facilities enable us to continue to strive for excellence in everything we do. Our ability to optimise designs, seeking out even the smallest of operational improvements, enables the Group to lead the way in our core target markets.

Our laboratory now has the capability to cover in-house Group products for all the channels and climates that we can sell through. Performance testing covers air flow, acoustics, environmental characteristics including heat recovery down to -20 degrees Celsius, functional testing and life testing. In addition, we are able to internally cover off product safety and CE approvals as well as provide support to the production teams across the Group.

Increasing intercompany co-operation

The acquisition of the Ventilair Group and Brüggemann has increased our sales channels and our possibilities for leverage of intra-Group trading opportunities. The widening Group portfolio increases the opportunity for intercompany trading and bringing Group companies together continues to be a focus. Intercompany product transfer enables very quick and low risk product introductions as, often, little or no developmental work is required. The additional benefits arising from increased experience within the Group enable our companies to learn from each other. As the scale of our Group grows, these opportunities help support introduction of new product categories to our existing customers, thus increasing our sales opportunities. The additional benefits of the developing relationships also mean that wider sales channels become available for our product categories. Wider channels help support investment which enables the product management teams to make decisions that may potentially be too niche if they were only serving one company. As an example, in the UK we have launched a whole range of designer fans that have been developed across the Group, thus building a proposition which is difficult to replicate. This will ensure that we can build a retail proposition that is unique in the UK, thus helping secure the existing sales channels. The scope to add value will continue to be developed.

With the addition of the new companies to the Group, we now sell over 15,000 SKUs to 12,000 delivery addresses annually.

People in Action



As we grow, our people continue to provide the key to our success. We recognise that the long-term growth and enduring success of the Group depends on its ability to attract and retain talented and skilled employees.

Highlights

- > Recognition of the Manrose Apprenticeship Scheme by a leading national apprenticeship provider
- > Employee development programme in inVENTer
- > Torin-Sifan support for the Go4Set programme through the Engineering Development Trust



We partner with many businesses on their training programmes in the UK and it's wonderful when a company shows such dedication by investing in both its existing staff and also by providing local young people with an employment opportunity.

Jenny Hyam

Business Development Manager,
Key Training Limited



Developments

Following the acquisition of Ventilair, we are now a Group employing over 1,000 employees across eight companies in nine countries. Building a skilled and highly motivated workforce that is connected to our core values will continue to support our growth ambitions. As we acquire businesses, our team's ability to develop and seize the opportunities created will be vital to our success. To this aim, we periodically review our employee development needs and invest in training and support. By investing in their development, we allow employees to grow and thrive in a rewarding environment.

As an organisation, and individually, we all help to build the long-term success of the business. We continue to strive to create an environment where we recognise and develop talent within the organisation thus helping people to realise their potential. Indeed, operational efficiencies across the Group are enhanced by building and developing the skills, competencies and motivation of all employees.

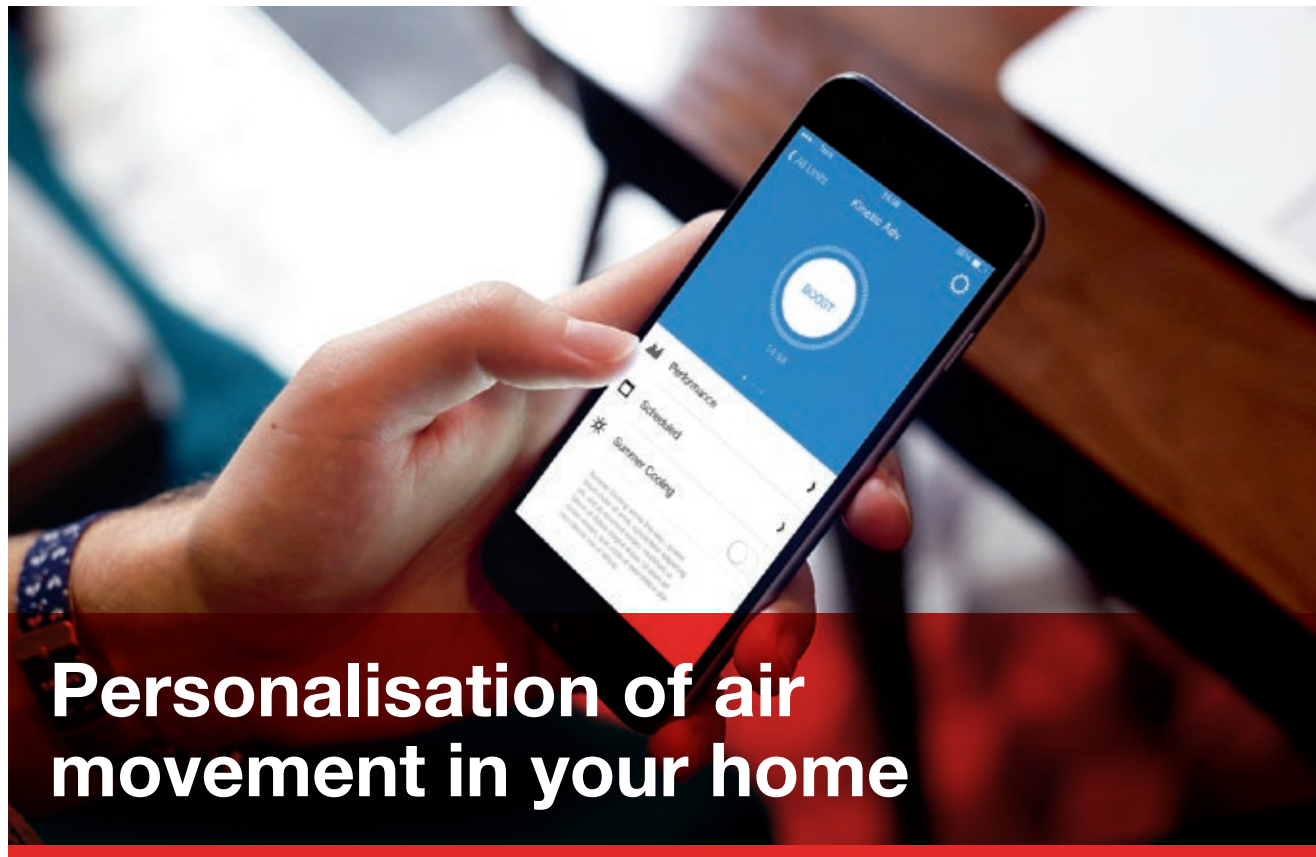
Each company within the Group is encouraged to implement comprehensive employment policies designed to attract, retain and motivate high calibre employees and to determine ways of applying their knowledge and skills in a manner that best contributes towards the long-term success of the business.

We encourage and support the continuing professional development and training of all our employees. We invest in a range of development activities including a Management Development Programme and the National Vocational Qualifications and apprenticeship schemes.

In 2015, Manrose received an award from Key Training Limited, a leading national apprenticeship provider, in recognition of its commitment to apprenticeships at both the Reading and Slough facilities. Apprenticeships have been run in business administration, customer service, office administration and warehouse team leadership. The training scheme enables employees to improve their skills in relevant areas to their role, enhancing their skills and personal development.

Torin-Sifan continues to support the Engineering Development Trust through Go4SET. Go4SET links teams of pupils with employers and universities to offer a ten-week science, technology, engineering and mathematics (STEM) project. As well as encouraging the next generation of engineers, this provides an opportunity for our staff to develop their mentoring and leadership skills.

Technology Highlight



Personalisation of air movement in your home

With most ventilation devices being fixed appliances installed by professionals, historically, most home owners have little involvement with the ventilation solutions selected in their homes. This is changing. Air quality is high on the agenda and, through industry campaigns and regulation, it is only going to continue to become a greater concern for home owners.

To ensure that we are ahead of the curve, we are investing in a Group-wide platform creating an app that enables any future products to have far greater interaction with the end users of our products. During 2015, we launched the first two products that enable adjustment and control remotely from a mobile device after they have been installed. This platform is also shared across the Group, enabling products to move between our businesses easily.

The first was the Calima fan in the Nordics. It has Bluetooth connectivity and customers can select and adjust the speed for each integral sensor individually, create programmed schedules, and select how they want the fan to run. For example, you may want the fan to run at a low speed via the integral light sensor but run on full speed via the humidity sensor for when the whole family is showering in the morning. With customisable, infinitely variable speeds and individual sensor selection, this is now possible. As a home owner, you can decide how your fan works and adjust it after it has been installed simply by downloading the app. The app also includes a schedule function enabling you to programme periods where you don't want the fan to run. This may be ideal for ensuite bathrooms where you don't want a fan to be running at night.

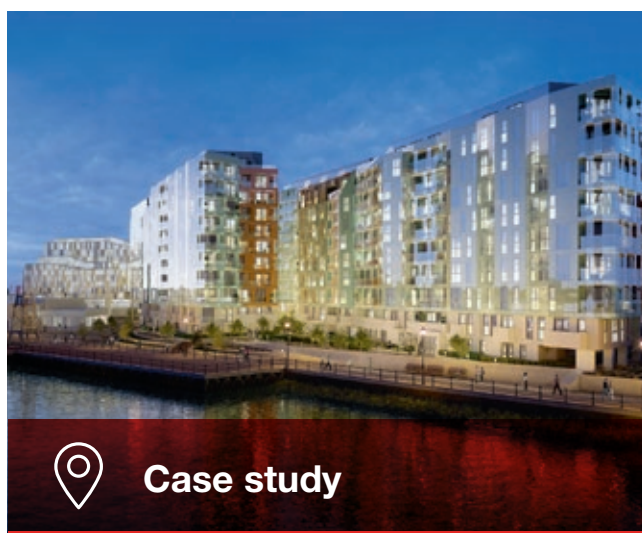
The Kinetic Advance takes this logic one step further and enables end users to see maintenance schedules and other configurable settings. Additionally, the app provides easy and quick, one-handed speed selection during commissioning, so is ideal for installers rather than traditional controls built onboard the unit. This will substantially reduce the installation time, as often these products are installed in lofts or remote locations, making traditional methods time consuming.



During 2015 we have continued to grow in the new-build residential space. That has led to us winning a number of prestigious project orders through the Vent-Axia brand. With the ongoing regulatory pressures, indoor air quality requirements and impressive acoustic characteristics, many projects continue to have the Sentinel Kinetic range of heat recovery devices specified.

The Sentinel Kinetic is a pioneering mechanical ventilation with heat recovery (MVHR) system designed for new-build properties. A whole house, multi-room ducted solution, this MVHR system combines supply and extract ventilation in one unit. Warm, moist air is extracted from “wet” rooms through ducting and passed through the heat exchanger before being exhausted to the outside. Fresh incoming air is preheated via the integral heat exchanger which recovers more than 91% of the heat energy that would otherwise be wasted. With comfort key for occupants, the system also features a “summer bypass” to prevent warm air being re-introduced in summer months and an integral humidity sensor to control air humidity levels.

Below are two projects announced in 2015 representing good examples of the Group’s ability to manage large scale projects through the new-build team.



MVHR – Enderby Wharf London, UK

Volusion’s Vent-Axia division is supplying Sentinel Kinetic BH ventilation units for part of the first phase of 197 homes in the new Enderby Wharf development, a mix of one, two and three-bedroom apartments and duplexes on a site stretching across 200 metres of river front with west-facing views towards Canary Wharf and the City.



MVHR – Elephant & Castle London, UK

Volusion’s Vent-Axia division is supplying Sentinel Kinetic BH ventilation units for the 284 studio, one, two and three-bedroom homes in the new One The Elephant development in Elephant & Castle, London. Comprising an elegant 37-storey tower and four-storey pavilion building, One The Elephant will become a new focal point for the heart of Elephant & Castle.

“

These projects both aim to blend new standards for sustainable, practical and contemporary London living. Heat recovery ventilation is an essential factor for energy-efficient developments, reducing excessive moisture in the air, combating condensation and providing good indoor air quality and comfort for occupiers.

Ronnie George
Chief Executive Officer

Our Strategy

The three strategic pillars

We will continue to build on our core strengths and strong industry track record to gain further market share in each of our core geographical markets. We intend to achieve our goals through a combination of organic growth and selective acquisitions. To achieve this, we have identified three key strategic pillars.



Organic growth in our core markets

Continue to grow through a focused sales strategy for each of our core market sectors. Focus on opportunities arising from increasingly favourable regulatory environments and continue to build public awareness to create upselling opportunities to increase margins. Continue to develop new products and deliver benefits from recently acquired businesses, and drive cross-selling initiatives.



Growth through a disciplined and value-adding acquisition strategy

We will continue to seek to acquire and integrate select businesses, primarily, but not exclusively, related to the residential ventilation market. Our focus will be principally on opportunities in the UK and Europe where there are clear synergistic benefits available.

<p>Actions</p> <ul style="list-style-type: none"> > Drive demand growth in our core markets benefiting from regulation and educated end users > Bespoke sales and marketing strategy to address each market sector > Provide innovative products to address evolving market demand and generate upselling opportunities 	<p>Actions</p> <ul style="list-style-type: none"> > Make acquisitions to establish leading positions in new markets > Deliver revenue and cost synergies from acquisitions > Increase cross-selling and export growth
<p>Achievements during the year</p> <ul style="list-style-type: none"> > Continued growth in our value-added product lines including Lo-Carbon > Launch of the Kinetic Advance > Launch of Calima into the Nordics 	<p>Achievements during the year</p> <ul style="list-style-type: none"> > Acquisition of Brüggemann and the Ventilair Group¹ > Delivery of operating efficiencies in inVENTer > Launch of PAX Eos in Germany and decentralised MVHR in Sweden
<p>Future focus</p> <ul style="list-style-type: none"> > Range development maximising the opportunities created by the Energy Related Product Directive > Sharing experience across Group companies to continuously improve sales planning > Introduce a new range of central heat recovery systems 	<p>Future focus</p> <ul style="list-style-type: none"> > Integration of Ventilair Group and any future acquisitions > Launch Kinetic Advance through the Ventilair Group sales channels > Focus on decentralised systems in the Nordics



Further develop Torin-Sifan's range and build customer preference and loyalty

In the context of a favourable legislation-led shift towards more technologically advanced, more energy-efficient and quieter EC/DC motorised impellers.

Actions

- > Develop a technically superior residential motorised impeller product
- > Expand new product development function and enhance responsiveness to customers

Achievements during the year

- > Customer application testing started
- > Development of the R&D team

Future focus

- > Start supplying the new motor platform to internal and external customers
- > Widen the integration of the new platform into customers' bespoke applications

1. The acquisition of Ventilair Group International BVBA was completed on 5 August 2015 and is therefore not consolidated into the Volution Group plc financial statements for the year ended 31 July 2015.

Key Performance Indicators

Measuring our progress

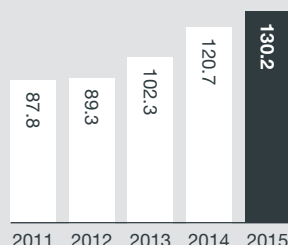
We have identified a number of financial and non-financial key performance indicators (KPIs) that reflect the internal benchmarks we use to measure the success of our business and strategy. These will enable investors and other stakeholders to measure our progress.

Financial performance

Revenue¹ £m

Tracks our performance against our strategic aim to grow the business

£130.2m



Comments

- > Strong revenue development in the year with growth of 7.9% (12.4% on a constant currency basis)
- > The recent acquisitions of Brüggemann (April 2015) and inVENTer (April 2014) contributed significantly to our growth: 6.9% (7.5% on a constant currency basis)
- > Organic growth on a constant currency basis was 4.9%

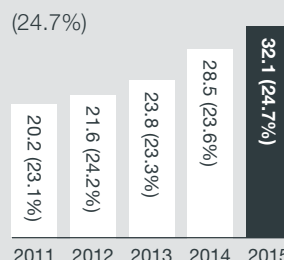
Strategic initiatives measured by this KPI:

Adjusted EBITDA and adjusted EBITDA margin^{1,2}

£m (% of revenue)

Tracks the underlying financial performance of the Group before depreciation

£32.1m



Comments

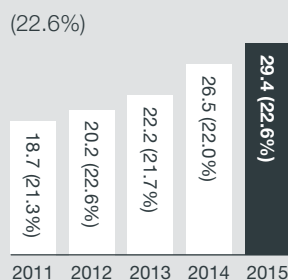
- > Strong growth in underlying profitability, margin improved significantly in the year

Strategic initiatives measured by this KPI:

Adjusted operating profit and adjusted operating profit margin^{1,2} £m (% of revenue)

Tracks the underlying financial performance of the Group

£29.4m



Comments

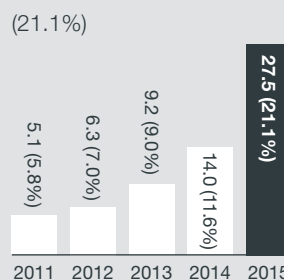
- > Strong growth in underlying profitability and margins

Strategic initiatives measured by this KPI:

Adjusted profit before tax and adjusted profit before tax margin^{1,2} £m (% of revenue)

Tracks the underlying financial performance of the Group

£27.5m



Comments

- > Strong growth in underlying profitability and margins

Strategic initiatives measured by this KPI:

Non-financial performance

Employee retention %

To ensure we continue to retain employees, we monitor the number of voluntary resignations from our businesses and calculate the percentage retention as a function of total average full-time equivalent employees

89.0%

(2014: 93.5%)

Strategic initiatives measured by this KPI:

Comments

- > The high level of staff retention continued in 2015

Sales of low-carbon products %

Tracks our success at upselling and the effect of regulations on sales of more energy-efficient low-carbon products (value of low-carbon product sales expressed as a percentage of total sales)

48%

(2014: 43%)

Strategic initiatives measured by this KPI:

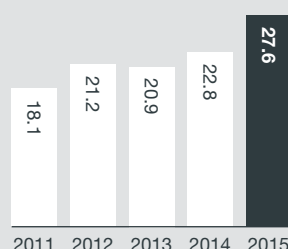
Comments

- > The trend towards higher value-added low-carbon products continues, supported by the acquisitions of inVENTer and Brüggemann

Adjusted operating cash flow² £m

Monitors cash generation (important for our acquisition strategy), after capital expenditure, at the operational level

£27.6m

**Comments**

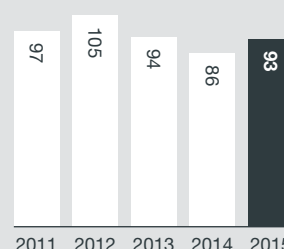
- Adjusted operating cash flow in 2015 remained strong despite a significant increase in capital investment to £5.6 million (2014: £4.5 million)

Strategic initiatives measured by this KPI:

**Adjusted operating cash flow conversion^{1,2} %**

Tracks the efficiency of cash generation (important for our acquisition strategy), after capital expenditure, at the operational level

93%

**Comments**

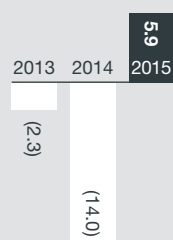
- Good cash generation even after higher than normal capital expenditure of £5.6 million (2014: £4.5 million)

Strategic initiatives measured by this KPI:

**Earnings per share (basic and diluted) p**

To provide a measure of shareholder value

5.9p

**Comments**

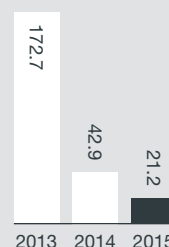
- Improved EPS from improved underlying profitability, the post-listing capital structure and the refinancing of our bank facilities in the year

Strategic initiatives measured by this KPI:

**Net debt³ £m**

To ensure we have an efficient capital structure with headroom to support organic and inorganic growth

£21.2m

**Comments**

- Strong cash generation from operations reduced our net debt significantly
- Leverage (expressed as a ratio of net debt³ to adjusted EBITDA²) was 0.7x (2014: 1.5x)
- Debt fell despite £1.6 million spent on acquisitions

Strategic initiatives measured by this KPI:

**Notes**

- Amounts for 2011 and 2012 have been restated to IFRS.
- The Group uses some alternative performance measures to track and assess the underlying performance of the business. The Board considers that these measures, which exclude exceptional and other unusual items, give a more useful indication of the underlying performance of the business. These measures include adjusted EBITDA, adjusted operating profit, adjusted profit before tax and adjusted operating cash flow.
- Net debt is defined as interest-bearing loans and borrowings, less cash and cash equivalents.
- For a definition of all adjusted measures and constant currency see the glossary of terms in note 36 to the consolidated financial statements.

The three strategic pillars

- Organic growth in our core markets
- Growth through a disciplined and value-adding acquisition strategy
- Further develop Torin-Sifan's range and build customer preference and loyalty



We discuss the KPI performance in the Financial Review
 > pages 32 to 35

Principal Risks and Uncertainties






Our principal risks and uncertainties and how we manage them

The key risks and uncertainties shown on pages 24 to 27 are those the Board considers to be of greatest significance to the Group as it stands today. They have the potential to materially and adversely affect the Group's business and the delivery of its strategy. For each risk there is a description of the possible impact of the risk on the Group, should it occur, together with strategic consequences and the mitigation and control processes in place to manage the risk. This list is likely to change over time as different risks take on larger or smaller significance. The size, complexity and spread of the Group's businesses, and the continually changing environment in which they operate, also mean that the list cannot be an exhaustive list of all risks that could affect the Group.










The Group has an established system of risk management and internal control processes which operate throughout the Group's business. Throughout the year, the Board, along with the Audit Committee, critically evaluates and reviews major risks faced by the Group and the controls and mitigation plans in place intended to manage and reduce their potential impact and ensure that the assets and reputation of the Group are protected.

The Group's risk management and internal control systems can only seek to manage, not eliminate, the risk of failure to achieve business objectives, as any system can only provide reasonable, not absolute, assurance against material misstatement or loss.




As set out in the Governance Report on pages 36 to 72, the Group has policies and procedures in place to ensure that risks are properly identified, evaluated and managed at the appropriate level within the business.










Risk	Impact	Strategic consequence
Economic risk A decline in general economic activity and/or a specific decline in activity in the construction industry.	Demand for our products serving the residential and commercial RMI and new-build markets would decline. This would result in a reduction in revenue and profitability.	  Our ability to achieve our ambition for continuing organic growth would be adversely affected.
Acquisitions We may fail to identify suitable acquisition targets at an acceptable price or we may fail to consummate or properly integrate the acquisition.	Revenue and profitability would not grow in line with management's ambitions and investor expectations. Failure to properly integrate a business may distract senior management from other priorities and adversely affect revenue and profitability. Financial performance could be impacted by failure to integrate acquisitions and therefore not secure possible synergies.	 Our strategic ambition to grow by acquisition may be compromised.
Innovation We may fail to innovate commercially or technically viable products to maintain and develop our product leadership position.	Scarce development resource may be misdirected and costs incurred unnecessarily. Failure to innovate may result in an ageing product portfolio which falls behind that of our competition.	  Our organic growth ambitions depend in part upon our ability to innovate new and improved products to meet and create market needs. In the medium term, failure to innovate may result in a decline in sales and profitability.

The assessment of likelihood and potential impact is subjective and based on the following definitions:

Likelihood of risk occurring	Potential impact	Assessment of change in risk year-on-year	The Board's assessment of whether there has been a change in the level of risk due to either a change in likelihood or a change in potential impact.
 Unlikely  Possible  Likely	 Low  Medium  High	 Reducing  No change  Increasing	




Strategic consequence

-  Organic growth in our core markets
-  Growth through a disciplined and value-adding acquisition strategy
-  Further develop Torin-Sifan's range and build customer preference and loyalty

Likelihood	Potential impact	Change	Mitigation
			<p>Geographic spread from our international acquisition strategy helps to mitigate the impact of local fluctuations in economic activity.</p> <p>New product development, the breadth of our product portfolio and the strength and specialisation of our sales forces should allow us to outperform against a general decline.</p> <p>We are heavily exposed to the RMI market which is more resilient to the effects of general economic decline.</p> <p>Our business is not capital intensive and our operational flexibility allows us to react quickly to the impact of a decline in volume.</p>
			<p>The ventilation industry in Europe is fragmented with many opportunities to court acquisition targets.</p> <p>Senior management has a clear understanding of potential targets in the industry and a track record of three acquisitions over the past two years.</p> <p>Management is experienced in integrating new businesses into the Group.</p>
			<p>Our product innovation is driven by a deep understanding of the ventilation market and its economic and regulatory drivers. The Group starts with a clear marketing brief before embarking on product development.</p>

Principal Risks and Uncertainties continued

Risk	Impact	Strategic consequence
Foreign exchange risk The exchange rates between currencies that we use may move adversely.	The commerciality of transactions denominated in currencies other than the functional currency of our businesses and/or the perceived performance of foreign subsidiaries in our Sterling denominated Group consolidated financial statements may be adversely affected by changes in exchange rates.	  Our ambition to grow internationally through acquisition exposes us to increasing levels of translational foreign exchange risk.
Supply chain and raw materials Raw materials or components may become difficult to source because of material scarcity or disruption of supply.	Sales and profitability may be reduced during the period of constraint. Prices for the input material may increase and our costs may increase.	  Organic growth may be reduced. Our product development efforts may be redirected to find alternative materials and components.
IT systems We may be adversely affected by a breakdown in our IT systems or a failure to properly implement any new systems.	Failure of our IT and communication systems could affect any or all of our business processes and have significant impact on our ability to trade, collect cash and make payments.	  We could temporarily lose sales and market share and could potentially damage our reputation for customer service.
Customers A significant amount of our revenue is derived from a small number of customers and from our relationships with heating and ventilation consultants. We may fail to maintain these relationships.	Any deterioration in our relationship with a significant customer could have an adverse significant effect on our revenue from that customer.	 Our organic growth ambitions would be adversely affected.
Legal and regulatory environment Changes in laws or regulation relating to the carbon efficiency of buildings or the efficiency of electrical products may change.	The shift towards higher value-added and more energy-efficient products may not develop as anticipated resulting in lower sales and profit growth. If our products are not compliant and we fail to develop new products in a timely manner we may lose revenue and market share to our competitors.	   Our organic growth ambitions may be adversely affected. We may need to review our acquisition criteria to reflect the dynamics of a new regulatory environment. We may have to redirect our new product development activity.
People Our continuing success depends on retaining key personnel and attracting skilled individuals.	Skilled and experienced employees may decide to leave the Group, potentially moving to a competitor. Any aspect of the business could be impacted with resultant reduction in prospects, sales and profitability.	   Our competitiveness and growth potential, both organic and inorganic, could be adversely affected.

Likelihood	Potential impact	Change	Mitigation
			<p>Significant transactional risks are hedged by using forward currency contracts to fix exchange rates for the ensuing financial year.</p> <p>Revaluation of foreign currency denominated assets and liabilities are partially hedged by corresponding foreign currency bank debt.</p>
			<p>We establish long-term relationships with key suppliers to promote continuity of supply and where possible we have alternative sources identified.</p>
			<p>Disaster recovery and data backup processes are in place, operated diligently and tested regularly.</p> <p>A significant Enterprise Resource Planning system upgrade is underway managed by a team of experienced senior employees from the business. A disaster failover site is being implemented to cover this upgrade.</p> <p>We undertake cyber security testing.</p>
			<p>We have strong brands, recognised and valued by our end users and this gives us continued traction through our distribution channels and with consultants and specifiers.</p> <p>We have a very wide range of ventilation and ancillary products that enhance our brand proposition and make us a convenient “one-stop-shop” supplier.</p> <p>We continue to develop new and existing products to support our product portfolio and brand reputation.</p> <p>We provide an excellent level of customer service.</p>
			<p>We participate in trade bodies that help to influence the regulatory environment in which we operate and as a consequence we are also well placed to understand future trends in our industry.</p> <p>We are active in new product development and have the resources to react to and anticipate necessary changes in the specification of our products.</p>
			<p>Regular employee appraisals allow two-way feedback on performance and ambition.</p> <p>A senior management development programme was initiated in 2013 to provide key employees with the skills needed to grow within the business and to enhance their contribution to the business.</p> <p>The Group aims to reward and incentivise employees competitively.</p>

Corporate Social Responsibility

Volusion Group is founded upon the excellence of its people, products and technology. We are committed to operating in a manner that protects human rights, provides real opportunities for our employees, protects the environment and makes a positive contribution to the community.

Overview

We embrace a culture of continual improvement in all aspects of our business. We aim to understand and respond to the needs of shareholders, employees, customers, suppliers, the communities in which we work and the wider public.

As part of our commitment to Corporate Social Responsibility we aim to align our business values, purpose and strategy with the needs of our stakeholders, whilst embedding such responsible and ethical principles into everything we do.

Business and ethics

The Group's core values and principles and the standards of behaviour to which every employee and agent across the Group is expected to work, are set out in the Volusion Group plc Code of Conduct. These values and principles are applied to dealings with our customers, suppliers and other stakeholders.

The Group has a zero tolerance approach to all forms of bribery and corruption. During the year, our Anti-Bribery and Corruption Policy was rewritten and rolled out across the Group, including the Board. It applies to all businesses, Directors, employees and agents within the Group to ensure compliance with all laws and regulations governing bribery and corruption in the countries in which the Group operates.

A new "Speak Up" facility was introduced during the year operated by an independent external company, where employees can report any incidents or inappropriate behaviours in their own language by telephone, email or online. The confidentiality of the information reported is correctly protected. New web-based anti-bribery and corruption training was also launched during the year and is carried out by all employees in areas of the business where risk is deemed to be highest.

Environment

The Group recognises the impact that our businesses may have on the environment and, as a minimum standard, we comply with current applicable legislation in the countries in which we operate.

The Group endeavours to limit the impact on the environment within which it operates and also protects the environment that we all share. Across the Group, energy reducing initiatives will continue including using recycled plastics in manufacturing, recycling waste paper and cardboard and working with our customers to reduce waste on site. Our Lo-Carbon range of products will continue to be donated to environmental projects to demonstrate innovative energy reduction techniques.

The Group's product development programme continues to focus on low-carbon initiatives, using technology which reduces power consumption and recovers, recycles and reuses energy that would otherwise be wasted. At all times the Group will produce products that are as energy-efficient as possible and will continue to research and develop energy-efficient solutions for the marketplace.



Sales of the Lo-Carbon range of products
> page 22

Health and safety

The Group is committed to achieving and maintaining the highest standards in health and safety practice. An open culture towards health and safety engages all employees and helps maintain our excellent safety record. Each business invests in specialist roles and training to support this process. Each employee and contractor is given information, instruction and the training necessary to enable safe working. All of our employees and contractors recognise that it is their legal duty to take reasonable care for their own safety and the safety of others in their work area with working safely a condition of employment.

All accidents, dangerous incidents and near-miss situations are promptly and thoroughly investigated. The details of such incidents as well as the remedial and preventative measures taken are shared between sites as a means of raising awareness and reducing the risk of repetition.

Diversity

The Group employs a diverse workforce and prides itself in providing equal opportunities for all. High value is placed on rewarding our people for their commitment, their integrity and their service. We aim to ensure that no employee is discriminated against, directly or indirectly, on the grounds of colour, race, ethnic and national origins, sexual orientation or gender, marital status, disability, religion or belief, being part time or on the grounds of age.

The Board supports the aims, objectives and recommendations outlined in Lord Davies' report "Women on Boards" and recognises the need to recruit women on to the Board, to which it is committed over time. This commitment will be considered as and when the current Board members need to be replaced, given that the Board was only appointed on listing in June 2014 and is felt to be of the right size. The Company's policy is also to make appointments based on merit and against objective criteria to ensure we appoint the best individual for each role. We are committed to developing the potential of women throughout the Group.

The Group's split between male and female employees as at 31 July 2015 is shown below:

	Female	Male	Total
Directors	0	7	7
Senior managers (excluding Directors)	2	6	8
Employees	372	649	1,021
Total	374 (36%)	662 (64%)	1,036

Values

We have the following values:

Grow

Our sales and profit, our people, our capability, capacity and our ambition. Grow our value and invest for the future.

Innovate

Our products, services and solutions.

Customer service

Strive for quality and excellence in everything we do.

Professional and reliable

With customers, suppliers, colleagues, shareholders and all relationships.

Integrity

Environmentally, socially and in our governance.

Commitment

100% every day, everywhere.

Fun

Enjoying what we do, respecting those around us.

Community

Each company within the Group understands the importance of being a contributing member of society and its impact on the long-term development and sustainability of the business. Each business takes responsibility for managing its relationship with its local community. This responsibility involves the positive engagement with, and support of, worthwhile projects and programmes as a company, as well as the volunteering activities and efforts of its employees. Support is given to local initiatives such as manufacturing and business forums and talks and training are given to local groups. The Group policy on donations and community involvement is to support local educational and charitable causes.

The Group continues to work with the Engineering Development Trust to help inspire children and young people to choose a future career in science and engineering. In addition, we support initiatives creating opportunities for work experience within our Group.



Human rights

Human rights is not considered to be a material risk for the business owing to the fact that the Group's activities are substantially carried out in developed countries that have strong legislation governing human rights. The Group supports human rights as set down by:

- > International Labour Organisation standards;
- > United Nations Global Compact (covering the areas of human rights, labour, the environment and anti-corruption); and
- > United Nations Universal Declaration of Human Rights.

Whilst the Group does not have a specific human rights policy at present, due to its short life as a public company, consideration is being given to implementing one in the future.

Greenhouse gas emissions

As the Group is now listed on the London Stock Exchange we are required to measure and report our direct and indirect greenhouse gas (GHG) emissions pursuant to the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

The mandatory requirement is for the disclosure of the scope 1 and 2 emissions only. These are direct emissions such as heating, vehicle fuel and indirect emissions, for example purchased electricity. Our total GHG footprint in line with DEFRA's mandatory reporting requirement is shown in the table below.

Emissions data for year ended 31 July 2015

Emissions from	2015 CO ₂ e tonnes	2014 CO ₂ e tonnes
Electricity, gas and other fuels	3,572	3,495
Petrol and diesel vehicle fuels	746	841
Refrigerants	121	106
Total footprint	4,439	4,442
Greenhouse gas emissions intensity ratio: CO ₂ e tonnes per £m of revenue	34.10	36.80

Note that:

- > data collected is in respect of the years ended 31 July 2014 and 31 July 2015. The conversion factors used are those published by DEFRA; and
- > some extrapolation or estimation techniques have been used to calculate the Group footprint, specifically regarding the calculation of emissions from cooling units.

Operational Review

The Ventilation Group segment

The Ventilation Group has market-leading positions in the UK residential ventilation products market, the Swedish residential refurbishment ventilation products market and the German decentralised heat recovery residential ventilation systems market. With the addition of Ventilair Group, we also are now a leading operator in the Belgium residential centralised heat recovery market with a growing position in ventilation solutions for the commercial market.

Highlights for Ventilation Group segment

Revenue

£111.5 million, 85.6% of Group revenue (£116.4 million at constant currency) (2014: £101.3 million, 83.9% of Group revenue)

Adjusted operating profit

£28.9 million, 98.3% of Group adjusted operating profit (2014: £24.4 million, 92.2% of Group adjusted operating profit)

Employees

800 (2014: 780)

Revenue

Revenue within the Ventilation Group grew very strongly, by 14.9% at constant currency, of which 6.0% was organic and 8.9% the result of acquisitions.

Market sectors	Constant currency			
	2015 £000	2015 £000	2014 £000	Growth %
Ventilation Group				
UK Residential RMI	36,574	36,574	36,979	(1.1)%
UK Residential New Build	17,180	17,180	14,592	17.7%
UK Commercial	16,188	16,188	16,409	(1.3)%
UK Export	8,374	8,922	7,129	25.2%
Nordics	22,241	25,529	22,702	12.5%
Germany	10,904	11,987	3,493	243.2%
Total Ventilation Group	111,461	116,376	101,304	14.9%

There was particularly strong growth of 17.7% in the UK Residential New Build sector, and likewise, exports from the UK of products largely for new-build applications grew very strongly by 25.2% at constant currency. Overall, our UK Residential RMI sector declined by 1.1%; within this, sales of products for the Private sub-sector grew well, by 3.3%. A difficult market for the Public sub-sector in UK Residential RMI caused the overall decline in this sector. New product development and a strengthened sales resource dedicated to the Public RMI sub-sector are positioned to bring it back to growth.

In the commercial market our exposure is greater in RMI applications and the market for new applications is more attractive at present. This is an area of focus and there are a number of possible options being explored whereby we can more actively participate in this market.

Revenue in the Nordics grew organically by 12.5% at constant currency, with particularly strong performance in sales to the Swedish professional and wholesale market.

Germany grew by 243.2% at constant currency as a consequence of the full year effect of the acquisition of inVENTer (acquired in April 2014) and the acquisition of Brüggemann in April 2015. During the year, we have been proactively searching for additional agents to provide a more comprehensive coverage of the German market. Once we have selected and been introduced to an area, there can be a gestation period of up to six months before we see any tangible revenues. During the course of 2015, there have been several new agent introductions and we are seeing very good growth from the agents we have taken on in the last two years. As well as the recruitment of new agents there have also been some new product introductions and a new single “internal” room decentralised heat recovery product from the Nordics product portfolio which was launched at the BAU trade fair in January 2015 with strong results. Continuing to invest in the product portfolio and refining some of our existing solutions will inVENTer continued to improve labour efficiency by taking advantage of its new consolidated factory building.

Within the Ventilation Group, the 6.0% organic increase in sales has been absorbed within our existing capacity headroom and the increased operational gearing has supported our improved margins.

A significant change to the UK factory footprint occurred during January 2015 when the finished goods stock warehouse at Dudley was closed (disposed of in June 2015 resulting in an exceptional operating profit of £0.3 million) and relocated to a more modern building adjacent to the existing manufacturing site, with operating efficiencies being gained. To support the increased sales volume of MVHR units within the UK Residential New Build sector, the assembly area at Dudley was internally re-organised to increase output by 30%.

The Crawley site saw a small decline in manufacturing output during the year due to the reduction in Public Residential RMI sales. Labour efficiencies were maintained through the release of temporary labour. As part of the warehouse move at Dudley, the storage and distribution of residential ducting products was transferred to the Crawley finished goods warehouse. A bespoke storage area has been created and the capacity to supply ducting kits to sites has been increased in line with sales requirements.

The production of rigid plastic ducting at the Reading site rose 20% compared to the previous year, in line with the increase of UK Residential New Build sales. Productivity and quality improvements allowed the increased volume to be achieved without the addition of extra labour within the production area.

The assembly of plastic fan products at the Slough site rose in line with the Private Residential RMI sales. Two extra assembly lines were added to the factory to ensure ongoing capacity is available upon demand.

The sales volume growth within the Nordics region has been supported mainly through the factory at Gemla in Sweden where there have been major changes to the organisation of the factory employees. The changes, including shift work within the mould shop, facilitated the increased output as well as creating a structure to suit the requirements of the forthcoming Enterprise Resource Planning system. The PAX factory re-organised its assembly area to create space for the installation of an assembly line to produce the new Calima product which was launched in May 2015.

OEM (Torin-Sifan) segment

Torin-Sifan is a leading supplier of motors, motorised impellers, fans and blowers for the European heating, ventilation and air conditioning (HVAC) industry. The majority of Torin-Sifan's products are sold in the residential and commercial heating and ventilation products markets.

Highlights for OEM (Torin-Sifan) segment

Revenue

£18.7 million, 14.4% of Group revenue (£19.3 million at constant currency) (2014: £19.4 million, 16.1% of Group revenue)

Adjusted operating profit

£2.5 million, 8.5% of Group adjusted operating profit (2014: £2.7 million, 10.2% of Group adjusted operating profit)

Employees

226 (2014: 218)

Revenue

Revenue within the OEM division declined very slightly by 0.6% at constant currency.

Market sectors	Constant currency			
	2015 £000	2015 £000	2014 £000	Growth %
OEM	18,717	19,293	19,405	(0.6)%
Total OEM	18,717	19,293	19,405	(0.6)%

Torin-Sifan's operational capability has benefited from significant investment in the past twelve months in three specific areas:

- > Production commenced in September 2014 at the new Manufacturing and Technology Centre for energy-efficient electronically commutated motors (ECM). The facility was officially opened in February 2015 by the mayor and local MP for Swindon. The majority of Torin-Sifan's production of ECM energy-saving air movement products now takes place at the new manufacturing centre of excellence. The layout of the facility has permitted the redesign of existing production processes in order to optimise production efficiency and output for our existing ranges of ECM products. In addition, the centre of excellence has room for three more production lines to support the manufacture of the latest generation ECM platform due for launch in the current financial year. The importance of this investment in the new facility has

been underlined in this year's trading, with ECM production output growing by 8% to record levels and ECM volumes now representing 66% of the total production output of the division. This reflects the positive influence of legislation and energy saving drivers on the demand for high value, high technology air movement solutions in Europe.

- > The move of ECM production from Torin-Sifan's Greenbridge facility in Swindon to the new Manufacturing and Technology Centre has created space for utilisation as an enlarged and improved Warehousing and Logistical Centre. The new storage facility increases available pallet spaces by over 100%, generates annual cost savings of over £100,000 per annum and facilitates improved service levels.
- > Significant financial and human resources have been deployed in the final stages of development of the Company's next-generation platform of ECM technology. The new product will be in production in the fourth quarter of 2015 and is already generating significant customer interest. The production process is fully established at the ECM production facility with state of the art equipment installed to optimise productivity and quality.

The investments made in both the new ECM Manufacturing and Technology Centre, the Warehousing and Logistical Centre and the new ECM product platform will enhance sales performance and efficiency of operations.

Financial Review

Ian Dew



Key highlights

- > Strong revenue growth of 7.9% (12.4% at constant currency)
- > Strong growth in adjusted profit before tax of 20.6% and improving margins
- > Brüggemann Energiekonzepte GmbH acquired in April 2015
- > Bank debt refinanced in February 2015
- > Adjusted operating cash inflow of £27.6 million (2014: £22.8 million), representing a cash conversion, after capital expenditure, of 93% (2014: 86%)
- > Closing debt leverage of 0.7x

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.

Trading performance summary

	Reported			Adjusted ¹ and pro-forma ²		
	Year ended 31 July 2015	Year ended 31 July 2014	Movement	Year ended 31 July 2015	Year ended 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 ^{1,2}	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 10 to the consolidated financial statements.

- Details of adjusted EBITDA, adjusted operating profit and adjusted profit before tax can be found in note 10. For a definition of all adjusted measures see the glossary of terms in note 36.
- 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.
- On 23 June 2014, a share for share exchange converted the entire share capital (after re-organisation) of Windmill Topco Limited to new ordinary shares of Volusion 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.

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 in April 2014, and from the acquisition of Brüggemann in Germany, acquired in 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.

Financial Review continued

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 8 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 10. In addition to exceptional items, the following are also excluded from adjusted measures, as reconciled in note 10:

- > 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 10.

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 the glossary of terms in note 36 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 of £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.

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 re-organised in line with the expectations laid out in the Initial Public Offering Prospectus dated 18 June 2014. The purpose of the internal re-organisation 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: loss of 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

The Strategic Report comprising pages 1 to 35 was approved and signed on behalf of the Board on 16 October 2015.



Ronnie George
Chief Executive Officer

Board of Directors

Committee membership

- A** Audit Committee
- N** Nomination Committee
- R** Remuneration Committee
- X** Chairman of Committee



Peter Hill, CBE
Non-Executive Chairman



Ronnie George
Chief Executive Officer



Ian Dew
Chief Financial Officer

Appointed

23 June 2014

15 May 2014

15 May 2014

Committees

N R

Term of office

Peter joined the Board on listing as Non-Executive Chairman and Chairman of the Nomination Committee.

Ronnie joined in 2008 as Managing Director of Vent-Axia Division (now the Ventilation Group) and a director of our then holding company, Volution Holdings Limited, and was appointed our CEO and a director of our then holding company, Windmill Topco, in February 2012.

Ian joined in 2012 in Consultant Services before being appointed Business Improvement Director and subsequently our CFO in January 2014, becoming a director of our then holding company, Windmill Topco, in April 2014.

Experience

Peter has extensive experience of this role, having acted as non-executive chairman of Alent plc since September 2012. He has previously acted as non-executive director on the boards of Cookson Group plc, Meggitt PLC and Oxford Instruments plc, and was a non-executive board member of UK Trade and Investment. He also has substantial experience in executive roles, having been chief executive of Laird PLC from 2002 until late 2011, an executive director of Costain Group plc and a senior manager at BTR plc (subsequently Invensys plc).

Ronnie has over 25 years' experience in industry and, prior to joining us, served as the managing director of Draka UK, a £200 million turnover business with c.450 employees focusing on electric cable production for construction, where he had full financial and operational responsibility for the UK business. Latterly, he also served as the president of Draka's global marine, oil and gas division, reporting directly to the Draka CEO.

Ian has over 25 years' experience in industry and, prior to joining us, held the position of group finance director (industry and speciality group) at Draka Holding N.V., where he had previously been divisional financial controller in the company's marine, oil and gas division. He has also served as finance director of Draka UK and Transplastix Limited.

External appointments

Peter has been non-executive chairman of Alent plc since September 2012. In addition, he acts as a non-executive director of Essentra plc and of the Royal Air Force.

None

None



Anthony Reading, MBE
Senior Independent
Non-Executive Director

23 June 2014

A N R

Tony joined the Board on listing as Senior Independent Non-Executive Director and Chairman of the Remuneration Committee.

Tony has extensive board experience, having been a non-executive director of Taylor Wimpey plc, Laird PLC, e2v technologies plc, Spectris plc and George Wimpey plc. He was previously an executive director of Tomkins plc and chairman and chief executive of Tomkins Corp. USA.

None



Adrian Barden
Independent
Non-Executive Director

23 June 2014

A N R

Adrian joined in 2012 as an independent Non-Executive Director of our then holding company, Windmill Topco.

Adrian was previously chairman of the Construction Products Association and chief business development officer of Wolseley plc as well as a board member of Sanitec Corporation.

None



Paul Hollingworth
Independent
Non-Executive Director

23 June 2014

A N R

Paul joined the Board on listing as an independent Non-Executive Director and Chairman of the Audit Committee.

Paul previously headed the finance function and served on the boards at a number of UK listed public companies, including Thomas Cook Group plc, Mondi Group, BPB plc, De La Rue plc and Ransomes plc.

Paul is currently a non-executive director and chairman of the audit committee at Electrocomponents plc.



Gavin Chittick
Non-Independent
Non-Executive Director

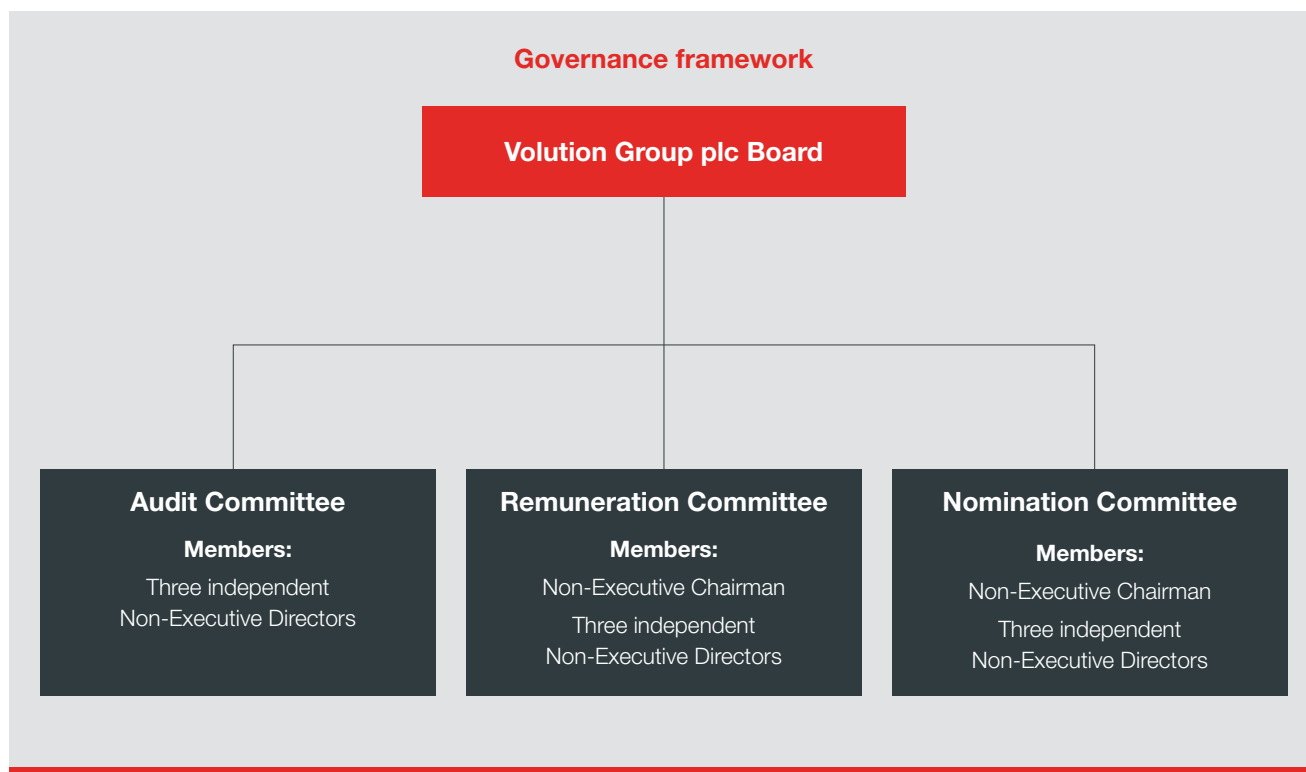
15 May 2014

Gavin joined in 2012 as a Non-Executive Director of our then holding company, Windmill Topco, following his nomination by TowerBrook Capital Partners (TCP).

Gavin was chief executive of EuroPlex BV, an international cinema operator. Over more than 25 years, Gavin has gained extensive board-level management experience in various sectors.

Gavin is the operating director at TCP and provides operational management support to portfolio and prospective investee companies.

Introduction to Governance



Maintaining high standards

Dear shareholder,

I am pleased to be introducing our 2015 Governance Report.

As Chairman, I am committed to ensuring that your Board operates in an effective, transparent and ethical manner, and that we make our decisions based only on what we believe is likely to be for the benefit of shareholders by promoting and maintaining the long-term success of the Company and its reputation, having regard, amongst other things, to the interests of our employees and stakeholders. In our discussions as a Board, I seek to encourage and foster open, honest and challenging discussion. The Board understands how good governance and the promotion of ethical business practices can assist in driving forward the business and its performance, whilst managing or mitigating risks.

Good governance means more than merely complying with a set of rules and regulations, and one of our main aims is to seek to embed within our business a culture that ensures colleagues continue to behave in an ethical and principled manner and in compliance with our governance and risk management processes. To encourage this approach we have a number of processes and procedures designed to facilitate appropriate, sound working practices and good governance in a practicable and achievable way.

We understand the need to continually develop and evolve the Board to make it relevant and appropriately experienced in the light of both near-term and longer-term business strategy and operations, especially as our outlook and activities extend further across Europe.

The Board has regular items that it discusses during the course of a year, which include performance and progress of the Group, future development and strategy, investor relations and value creation and risk. During the year we continued to build on our procedures and processes that had been put in place at the time of the IPO, focusing on ensuring the Group has robust internal controls and risk management systems. The Audit Committee has played a pivotal role in this. We will continue to review our procedures and processes regularly, implement any developments in corporate governance best practice as necessary and seek to apply them appropriately.

During the year we carried out our first Board evaluation exercise to review the performance of the Board, its Committees and individual Directors. Further details are set out later in this report.

The remainder of this report explains in more detail how the Company has complied with the principles of the 2012 edition of the UK Corporate Governance Code, the Listing Rules and the Disclosure and Transparency Rules.

I look forward to meeting any shareholders who can join us at our Annual General Meeting in December and extend my thanks to you all for your continued support as we look forward to the year ahead.

Peter Hill, CBE
 Chairman

16 October 2015

Overview

The Board fully supports the principles laid down in the UK Corporate Governance Code as issued by the Financial Reporting Council in September 2012, which applies to financial years beginning on or after 1 October 2012 (the "Code") and the updated UK Corporate Governance Code issued in September 2014 (the "New Code"), which applies to financial periods beginning on or after 1 October 2014, both of which are available at www.frc.org.uk.

This report sets out the Company's governance structure and how it complies with the Code and also includes items required by the Disclosure and Transparency Rules (DTRs). The disclosures in this report relate to our responsibilities for preparing the Annual Report and Accounts, including compliance with the Code to the extent required, our report on the effectiveness of the Group's risk management and internal control systems, and the functioning of our committees.

Compliance with the Code

The Board considers that it has been in compliance with the provisions of the Code throughout the period under review. The Board also considers that it complies with most aspects of the New Code to the date of this report and is working towards full compliance for the financial year ending 31 July 2016.

Board governance

The Board is appointed by shareholders, who are the owners of the Company. The Board's principal responsibility is to act in the best interests of shareholders as a whole, within the legal framework of the Companies Act 2006. It is also collectively responsible to shareholders for the long-term success of the Company. It agrees the strategic direction and governance structure that will help achieve this long-term success and deliver shareholder value. The Board oversees areas such as strategy, financial policy and making sure we maintain a sound system of internal control, and focuses primarily on strategic policy and governance issues. The Board's main responsibilities are included in a schedule of matters reserved for the Board, as set out below.

The Board has delegated certain responsibilities to Committees to assist it with discharging its duties. The Committees play an essential role in supporting the Board to implement its strategy and provide focused oversight of key aspects of the business. The full Terms of Reference for each Committee are available on the Company's website, www.volutiongroupplc.com.

Board composition

Non-independent
Non-Executive 1

Independent
Non-Executive 3



Executive 2

Non-Executive
Chairman 1

Board balance and independence

The Code recommends that at least half the board of directors of a UK-listed company, excluding the chairman, should comprise non-executive directors determined by the Board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the directors' judgement. The Company's Board consists of three independent Non-Executive Directors, one Non-Executive Chairman, one non-independent Non-Executive Director appointed by Windmill Holdings B.V., our controlling shareholder, and two Executive Directors. A list of the Directors is provided on pages 36 to 37.

The matters reserved for the Board include:

- > agreeing the Group's strategy and objectives;
- > approving acquisitions and disposals;
- > changing the structure and capital of the Group;
- > approving the Annual Report and Accounts and Half-yearly Reports;
- > approving the Group's dividend policy and declaration of dividends;
- > approving the Group's Treasury Policy;
- > reviewing the effectiveness of the Board;
- > reviewing the effectiveness of risk identification and management and internal controls;
- > approving significant expenditure and material transactions and contracts;
- > ensuring a satisfactory dialogue with the Group's shareholders;
- > appointing and removing Directors;
- > determining the remuneration policy for the Executive and Non-Executive Directors;
- > reviewing the Company's overall corporate governance arrangements;
- > delegating authority to the Chief Executive Officer;
- > each year, meeting to set annual objectives for the business in line with the current Group strategy. The Board will monitor the achievement of the Company's objectives through Board reports which include updates from the Chief Executive Officer, Chief Financial Officer and other functions; and
- > the Board also has a rolling agenda of items that regularly need to be considered by the Board and this agenda will be continually updated to include any topical matters that arise.

Corporate Governance continued

Board activities and priorities during the year ended 31 July 2015

Board meetings consist of a mix of regular and standard items considered at each meeting and also special items which arise from time to time, either annually or as part of key project-related work. The table below shows the items of business considered during the year:

Matters considered at all Board meetings

- > Current trading and financial performance
- > Management accounts
- > Operations update
- > Merger and acquisition update
- > Health and safety, and environmental updates
- > Customers and marketing
- > Investor relations including market and sector update
- > People update
- > IT and ERP implementation
- > Regulatory updates
- > Company policies and future governance planning

Matters considered during 2014/15

- > Group strategy
- > Budget and business plan
- > Annual Report and Accounts
- > Notice of AGM
- > Draft preliminary results and half-year results and presentation to analysts
- > Maiden dividend
- > Trading updates
- > Acquisition of Ventilair Group and Brüggemann
- > Refinancing of the Group
- > Integration of recent acquisitions
- > Feedback from current and potential investors following full and half-year investor roadshows
- > Visit to Fresh in Sweden and presentation on Nordics business
- > Property disposal
- > Risk management and internal controls
- > Construction market updates
- > Appointment of joint corporate brokers
- > Appointment of corporate lawyers
- > Board evaluation and effectiveness
- > AGM results and shareholder voting

Chairman and Chief Executive Officer

The Company has established a clear division between the respective responsibilities of the Non-Executive Chairman of the Board and the Chief Executive Officer. The Non-Executive Chairman is Peter Hill who is responsible for leading the Board's discussions and decision-making. The Chairman promotes a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors in particular and ensuring constructive relations between Executive and Non-Executive Directors. The Chief Executive Officer is Ronnie George who, through delegation from the Board, is responsible for executing the strategy and leading the Company's operating performance and day-to-day management of the Group. This separation of responsibilities between the Chairman and the Chief Executive Officer, coupled with the schedule of reserved matters described above, ensures that no individual has unfettered powers of decision-making.

Senior Independent Director

The Code recommends that the board of directors of a company with a premium listing should appoint one of the non-executive directors as a senior independent director to provide a sounding board for the chairman and to serve as an intermediary for the other directors when necessary. The senior independent director should be available to shareholders if they have concerns, when contact through the normal channels of the chief executive officer has failed to resolve, or for which such contact is inappropriate. Tony Reading has been appointed as the Senior Independent Director and has considerable experience of acting as an independent non-executive director on listed company boards. Prior to joining the Company, he was a non-executive director of Taylor Wimpey plc, Laird PLC, e2v Technologies plc, Spectris plc and George Wimpey plc. He was also an executive director of Tomkins plc, and chairman and chief executive of Tomkins Corp. USA.

Non-Executive Directors and independence

The independence of each Non-Executive Director was considered at the time of appointment in June 2014 and once again immediately prior to the signing of this Annual Report and Accounts. The Company's Non-Executive Directors provide a broad range of skills and experience to the Board which assists both in their roles in formulating the Company's strategy and in providing constructive challenge to the Executive Directors. All of the Non-Executive Directors, except for Gavin Chittick, are regarded by the Company as independent Non-Executive Directors within the meaning defined in the Code and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

Gavin Chittick is not considered independent due to his position in TowerBrook Capital Partners L.P. and its relationship with our controlling shareholder (a company which is indirectly controlled by the following funds: TowerBrook Investors III L.P., TowerBrook Investors III (Parallel) L.P., and TowerBrook Investors III Executive Fund L.P., (Funds)). Our controlling shareholder prior to listing controlled the Company and now holds ordinary shares totalling approximately 61.4% of the total issued share capital. Under the terms of a Relationship Agreement, our controlling shareholder has the right to nominate one person to be a Director of the Company for so long as it is interested in at least 15% of the Company's ordinary shares.

Company Secretary

The Company Secretary plays a leading role in the good governance of the Company by supporting the Chairman and helping the Board and its Committees to function efficiently. Together with the Chairman, the Company Secretary keeps under review the governance processes adopted by the Company to ensure they remain fit for purpose and considers any improvements that could strengthen the governance of the Company. All Directors have access to the services of the Company Secretary and may take independent professional advice at the Company's expense in conducting their duties. The Company Secretary acts as secretary to the Board and each of its Committees.

The appointment or removal of the Company Secretary is a matter for the board as a whole. Michael Anscombe has been Company Secretary since August 2014.

Corporate Governance continued

Board meetings

The table below sets out the attendance record of each Director at scheduled Board and Committee meetings during 2014/15:

	Board	Audit	Remuneration	Nomination
Meetings held	7	4	3	1
Meetings attended				
Peter Hill	7	—	3	1
Adrian Barden	7	4	3	1
Gavin Chittick	7	—	—	—
Ian Dew	7	—	—	—
Ronnie George	7	—	—	—
Paul Hollingworth	7	4	3	1
Tony Reading	7	4	3	1

Note

Where a Director is not a member of the committee, this is indicated as a dash. During the year, certain Directors who were not committee members attended meetings of the Audit Committee, Remuneration Committee and Nomination Committee by invitation. These details have not been included in the table.

Agendas for the Board meetings are set out at the beginning of the year and new items are added to this as and when appropriate. All Directors receive papers in advance of Board meetings. These include a business and market update report with updates from the Chief Executive Officer and Chief Financial Officer. Members of the Group's Senior Management Team may also be invited to present at Board meetings as appropriate so that Non-Executive Directors keep abreast of developments in the Group.

Appointment and tenure

The appointment dates of Directors are shown on pages 36 to 37.

The Board believes that all Directors are effective, committed to their roles and have sufficient time available to perform their duties. Accordingly, all members of the Board will be offering themselves for election at the Company's Annual General Meeting to be held on 15 December 2015.

All of the Directors have service agreements or letters of appointment and the details of their terms are set out in the Directors' Remuneration Report on pages 53 to 68. The service agreements and letters of appointment are available for inspection at the Company's registered office during normal business hours. No other contract with the Company or any subsidiary undertaking of the Company in which any Director was materially interested subsisted during or at the end of the financial year other than the Relationship Agreement, further details of which can be found on page 70. Under the Relationship Agreement, our controlling shareholder has the right to nominate one person to the Board of the Company for so long as its shareholding is at least 15% of the Company's ordinary shares.

Board evaluation and effectiveness

The effectiveness and performance of the Board is vital to our continuing success. An internal evaluation of the performance of the Board and its Committees was carried out during the year. The process of evaluating the performance was facilitated by the Chairman, assisted by the Company Secretary. A tailored, high-level questionnaire was distributed for the Directors to complete.

This was structured to provide Directors with an opportunity to express their views about:

- > the performance of the Board and its Committees, including how the Directors work together as a whole;
- > the balance of skills, experience, independence and knowledge of the Directors; and
- > the Board processes and operation.

The responses to the evaluation of the Board and its Committees were reviewed with the Chairman and then considered by the Board and the Committees. The results of the Board evaluation indicated that the Board is working well and that there are no significant concerns among the Directors about its effectiveness. Some actions were agreed as a result of the exercise and these will be progressed over the coming year. These included more visits to business sites to broaden understanding of the business and more exposure to members of the Senior Management Team through being invited to present at more Board meetings.

The Senior Independent Director met with the other Non-Executive Directors in the absence of the Chairman, to assess the Chairman's effectiveness. After considering and discussing the tasks undertaken by the Chairman during the period under review, the Non-Executive Directors agreed that Mr Hill gave appropriate time and commitment to his role as Chairman of the Company and was effective in that role throughout the year. The Senior Independent Director then discussed the results with the Chairman at a separate one-to-one meeting.

The performance of individual Directors was evaluated by the Chairman, with input from the Committee chairmen and other Directors.

The Board intends to comply with Code guidance that the evaluation process should be externally facilitated at least every three years and will engage an external reviewer to evaluate the Board's effectiveness during that time period.

Development

In line with the Code, the Company will ensure that any new Directors joining the Board will receive appropriate support and are given a comprehensive, formal and tailored induction programme organised through the Company Secretary, including the provision of background material on the Company and briefings with senior management. Each Director's individual experience and background will be taken into account in developing a programme tailored to his or her own requirements.

Directors' conflicts of interest

Directors have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Company, unless that conflict is first authorised by the Board. This includes potential conflicts that may arise when a Director takes up a position with another company. The Company's Articles of Association allow the Board to authorise such potential conflicts, and there is in place a procedure to deal with any actual or potential conflict of interest. The Board deals with each appointment on its individual merit and takes into consideration all the circumstances. All potential conflicts approved by the Board are recorded in a conflicts of interest register, which will be reviewed by the Board on a regular basis to ensure that the procedure is working effectively.

External directorships

The Board allows Executive Directors to accept one external commercial non-executive director appointment provided the commitment is compatible with their duties as an Executive Director. The Executive Director concerned may retain fees paid for these services which will be subject to approval by the Board. Currently, neither of the Executive Directors holds an external directorship. Details of all Directors' significant directorships can be found in their biographies on pages 36 to 37.

Where Non-Executive Directors have external directorships, the Board is comfortable that these do not impact on the time that any Director devotes to the Company and we believe that this experience only enhances the capability of the Board.

Information and support available to Directors

All Board Directors have access to the Company Secretary, who advises them on governance matters. The Chairman and the Company Secretary work together to ensure that Board papers are clear, accurate, delivered in a timely manner to Directors, and of sufficient quality to enable the Board to

discharge its duties. Specific business-related presentations are given by senior management when appropriate. As well as the support of the Company Secretary, there is a procedure in place for any Director to take independent professional advice at the Company's expense in the furtherance of their duties, where considered necessary. Deloitte LLP advises on remuneration matters, Ernst & Young LLP on external audit matters and BDO LLP on internal audit matters.

Internal control and risk management

The Board has responsibility for establishing and maintaining the Group's system of risk management and internal control to safeguard shareholders' investments and the Group's assets and for reviewing the effectiveness of this system. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

During the year, the Board appointed BDO LLP to act in the capacity of internal auditor and regular reports have been submitted to the Audit Committee. In addition processes have been introduced to enable an effectiveness review of the Group's system of risk management and internal control to be undertaken.

The key elements of the Group's system of internal control and risk management are as follows:

- > a system is in place for planning, reporting and reviewing performance;
- > the Group has established processes for the identification, review and mitigation of risks that are reviewed and monitored regularly by the Executive Directors and Senior Management Team. These have been reviewed by the Audit Committee which reviews the Group Risk Register at least twice a year and the Principal Risks and Uncertainties together with their potential impact on strategic initiatives and their mitigation can be found on pages 24 to 27; and
- > the Group has in place, controls which cover financial, operational and compliance controls.

In accordance with the requirements of the Code and the Turnbull Guidance on internal control and the revised guidance issued by the Financial Reporting Council in June 2010, the Audit Committee has conducted a review of the effectiveness of the Group's risk management and internal control systems and reported the results to the Board. Further details are given in the Audit Committee Report on pages 47 to 52. The Directors confirm that these processes have been in place during the 2014/15 financial year and up to the date of approval of the Annual Report and Accounts.

Corporate Governance continued

Whistleblowing

During the year an external independent whistleblowing facility was implemented to enable employees to report any concerns which they feel need to be brought to the attention of management concerning any possible impropriety, financial or otherwise. The new system was reviewed by the Audit Committee. The Group believes that it is important to have a culture of openness and accountability in order to prevent such situations occurring or to address them when they do occur.

Shareholder engagement

Responsibility for shareholder relations rests with the Chairman, Chief Executive Officer and Chief Financial Officer. They ensure that there is effective communication with shareholders on matters such as governance and strategy, and are responsible for ensuring that the Board understands the views of major shareholders. The Board aims to present a balanced and clear view of the Group in communications with shareholders and believes that being transparent in describing how we see the market and the prospects for the business is extremely important.

We communicate with existing and potential shareholders in a number of different ways, such as:

- > full and half-year financial results announcements followed by investor roadshows for existing and potential shareholders;
- > periodic trading updates;
- > one-to-one meetings and telephone briefings for analysts and investors;
- > the Annual General Meeting; and
- > periodic visits to the business sites to give analysts and major shareholders a better understanding of how we manage our business. These visits and meetings are principally undertaken by the Chief Executive Officer, Chief Financial Officer and other members of the Senior Management Team.

In any of the above situations, any material presented is also uploaded to the Company's website so being available to all shareholders.

The Board receives regular updates on the views of its shareholders from the Chief Executive Officer and Company brokers. This is a standing agenda item for all Board meetings. In addition, the Senior Independent Director is available to meet shareholders if they wish to raise issues separately from the arrangements as described above.

The Company's investor website is also regularly updated with news and information including this Annual Report and Accounts which sets out our strategy and performance together with our plans for future growth.

Fair, balanced and understandable

The Board recognises its duty to ensure that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the performance, strategy and business model of the Company.

The Board has placed reliance on the following to form this opinion:

- > a verification process dealing with the factual content of the reports and to ensure consistency across the various sections;
- > review of the Annual Report and Accounts by senior management to ensure consistency and overall balance; and
- > the Audit Committee reviewed the Annual Report and Accounts and its compliance with the requirements, concluded that they had been met and recommended their approval by the Board as fair, balanced and understandable.

Annual General Meeting

The Annual General Meeting (AGM) of the Company will take place at 11.00 am on Tuesday 15 December 2015 at the offices of Norton Rose Fulbright LLP, 3 More London Riverside, London SE1 2AQ, United Kingdom. All shareholders have the opportunity to attend and vote, in person or by proxy, at the AGM. The Notice of AGM can be found in a circular which is being posted at the same time as this Annual Report and Accounts. The Notice of AGM sets out the business of the meeting and explanatory notes on all resolutions. Separate resolutions are proposed in respect of each substantive issue. The Chairman, the chairman of each of the Committees and both Executive Directors will be present at the AGM and will be available to answer shareholders' questions.

Nomination Committee Report

Nomination Committee members

Peter Hill, CBE (chair)

Adrian Barden

Paul Hollingworth

Tony Reading

Dear Shareholder,

As chairman of the Nomination Committee, I present our report detailing the role and responsibilities of the Committee and its activities during the year.

Role and responsibilities

The key responsibilities of the Committee are:

- > assessing whether the size, structure and composition of the Board (including its skills, knowledge, experience and diversity, including gender diversity) continues to meet the Group's business and strategic needs;
- > examining succession planning for Directors and other senior executives and, in particular, for the key roles of Chairman of the Board and Chief Executive Officer, taking into account the challenges and opportunities facing the Group and the future skills and expertise needed on the Board; and
- > identifying and nominating, for the approval by the Board, candidates to fill Board vacancies as and when they arise together with leading the process for such appointments.

The full terms of reference of the Committee are available on the Company's website at www.volutiongroupplc.com and are reviewed annually by the Committee.

Membership and attendance

The Code recommends that a majority of the members of a nomination committee should be independent non-executive directors. As the Committee is chaired by me, and its other members are Adrian Barden, Paul Hollingworth and Tony Reading, all of whom are independent Non-Executive Directors, the Company complies with this Code recommendation. By invitation, the meetings of the Committee may be attended by the Chief Executive Officer, the Chief Financial Officer and the non-independent Non-Executive Director. The Chairman of the Board normally chairs the Committee except where it is dealing with his own re-appointment or replacement. The Company Secretary acts as the Secretary to the Committee.

The Committee met once during the year with attendance disclosed on page 42. The Committee will meet formally at least once a year and at such other times as the Board or the Committee chairman requires.

Main activities of the Committee during the year

The following matters were considered at the Committee meeting held during the year:

- > evaluated the balance of skills, experience, independence, diversity and knowledge on the Board;
- > reviewed and approved the recommendations to be made to shareholders for the election of Directors at the Annual General Meeting; and
- > reviewed the Committee's report in the Annual Report and Accounts and recommended approval to the Board.

After the year end, the Committee considered the outcome of the performance evaluations when discussing the effectiveness of the Non-Executive Directors seeking re-election at the Annual General Meeting 2015.

Election of Directors

On the recommendation of the Committee and in line with the Code and the Company's Articles of Association, all of the Company's Directors will stand for election at the Annual General Meeting 2015. The biographical details of the Directors can be found on pages 36 to 37. The Committee considers that the performance of each of the Directors standing for re-election at the Annual General Meeting 2015 continues to be effective and each demonstrates commitment to their role.

Nomination Committee Report continued

Diversity

The Board supports the aims, objectives and recommendations outlined in Lord Davies' report "Women on Boards" and recognises the need to recruit women on to the Board, to which it is committed over time. This commitment will be considered as and when the current Board members need to be replaced, given that the Board was only appointed on listing in June 2014 and is felt to be of the right size. The Company's policy is also to make appointments based on merit and against objective criteria to ensure we appoint the best individual for each role. We are committed to developing the potential of women throughout the Group.

The Committee and the Board understands the importance of a diverse Board membership as well as throughout the Company, and recognises that diversity encompasses not only gender but also background, ethnicity and disability. The Committee believes that appointments should be made on merit, the key criterion being whether or not the appointee can add to or complement the existing range of skills and experience on the Board. Although there are currently no females on the Board, two of the eight members of the Senior Management Team (excluding Directors) are female (25%). Across our business of approximately 1,030 employees, female employees represented approximately 36% (2014: 34%) of the workforce and held 18% (2014: 22%) of senior managerial positions as at 31 July 2015.

Committee performance evaluation

During the year, the Committee carried out an evaluation of its performance through completion of a confidential questionnaire by the Committee members within the context of the wider Board performance evaluation review. This process concluded that the Committee had fulfilled its role effectively.

I look forward to meeting with shareholders at the Annual General Meeting to answer any questions on the work of the Nomination Committee.



Peter Hill, CBE

Chairman of the Nomination Committee

16 October 2015



Paul Hollingworth
Chairman, Audit Committee

Audit Committee members

Paul Hollingworth (chair)
Adrian Barden
Tony Reading

Dear Shareholder,

I am pleased to introduce my second report of the Audit Committee since it was established as part of the governance processes adopted by the Company on listing in June 2014.

This report has been written to offer shareholders an insight into the activities of the Committee during the year and provide an overview of how the Committee has reviewed the work of the external auditor and systems of internal control for effectiveness. It also gives the Committee's opinion on the fairness, balance and understandability of the Annual Report, when viewed as a whole, and provides greater detail on the programme for internal audit and the Group's risk management processes that the Committee oversees.

During this first full year as a listed company, the Committee has focused on the integrity of the Group's financial reporting, risk management and internal controls, and the quality of the internal and external audit processes. BDO LLP (BDO) was appointed to perform the internal audit function on behalf of the Group and a three-year internal audit plan was approved. As I mentioned in my report last year, prior to the Company's listing, Ernst & Young LLP (EY) undertook a Financial Position, Prospects and Procedures review. Their review covered a number of areas and the Committee has been monitoring the progress and resolution of outstanding actions during the year. Further details of the activities undertaken by the Committee during the year are set out on page 48.

Going forward, the Committee will continue the good work achieved so far by looking in detail at more of the Group's business operations, with a further 13 internal audits planned for the 2015/16 financial year. These will cover internal control and compliance areas and be undertaken across functions in UK and German business units.

The Committee has also noted the changes to the UK Corporate Governance Code and associated guidance relating to the viability statement and corporate risk management respectively, and is considering the implications for the Group.

On behalf of the Committee, I would like to thank everyone for their hard work over the past year, including EY as our external auditor, BDO as our internal auditor and the finance teams across the businesses.

I look forward to meeting with shareholders at the Annual General Meeting to answer any questions on the work of the Committee.

A handwritten signature in black ink, appearing to read 'P. Hollingworth', with a stylized flourish at the end.

Paul Hollingworth
Chairman of the Audit Committee
16 October 2015

Audit Committee Report continued

Audit Committee activities during 2014/15

Financial statements and reports

- > reviewed the Preliminary Results Statement, Annual Report and Accounts, Half-year Results Announcement, received reports from the external auditor, and reviewed the Trading Updates issued in August 2014 and December 2014;
- > reviewed the effectiveness of the Group's internal controls and disclosures made in the Annual Report and Accounts;
- > reviewed management representation letters, going concern reviews, fair balanced and understandable criteria, significant areas of accounting estimates/judgements (including exceptional items, intangible assets and rebates); and
- > reported to the Board on the appropriateness of accounting policies and practices.

Risk management

- > considered the Group Risk Register which identified, evaluated and set out mitigation of risks, and reviewed the Principal Risks and Uncertainties disclosed in the Annual Report and Accounts;
- > reviewed the current risk management and internal control processes to determine the key enhancements required to ensure compliance with the UK Corporate Governance Code 2014 requirements for disclosure in the Annual Report and Accounts 2016; and
- > considered the results of cyber-attack penetration testing.

Internal audit

- > appointed BDO to perform the function of Group internal auditor and approved a three-year plan;
- > reviewed management responses to BDO's internal audit reports issued during the year; and
- > reviewed the Group's new Code of Conduct and Anti-Bribery and Corruption Policy and approved the appointment of an external independent Whistleblowing provider which allows the receipt, in confidence, of complaints on accounting, risk issues, internal controls, auditing issues and non-financial related matters.

External auditor and non-audit work

- > reviewed the relationship with the external auditor including its independence, objectivity and effectiveness and, on the basis of that review, recommended to the Board their re-appointment at the Annual General Meeting;
- > reviewed, considered and agreed the scope and methodology of the audit work to be undertaken by the external auditor;
- > agreed the terms of engagement and fees to be paid to the external auditor; and
- > reviewed and approved the Group policy on non-audit services and reviewed any non-audit fees.

Compliance

- > met with the external auditor without executive management; and
- > reviewed the Committee terms of reference and evaluated its performance.

Membership and meetings

The UK Corporate Governance Code (the "Code") recommends that all members of an audit committee be non-executive directors, independent in character and judgement and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgement and that one such member has recent and relevant financial experience.

Accordingly, the Committee comprises three members who are independent Non-Executive Directors, Paul Hollingworth as Committee Chairman, considered by the Board to have recent and relevant financial experience, Tony Reading and Adrian Barden. Biographies of all Committee members can be found on pages 36 to 37. As such, the Committee complies with the Code recommendations. Regular Committee meetings are also normally attended by the Chief Executive Officer, Chief Financial Officer, other Directors, the external auditor, the internal auditor and the Company Secretary, who acts

as secretary to the Committee. Other members of management are invited to attend depending on the matters under discussion. The Committee meets regularly with the external auditor with no members of management present.

Meetings are scheduled in accordance with the financial and reporting cycles of the Company and generally take place prior to Board meetings to ensure effectiveness of the collaboration with the Board.

Members and their attendance at meetings during the year are set out in the Governance Report on page 42.

The Committee has independent access to BDO, the internal auditor and to EY, external auditor. BDO and EY have direct access to the Chairman of the Committee outside formal Committee meetings.

Minutes of each Committee meeting are provided to Board members.

Role and responsibilities

The primary function of the Committee is to assist the Board in fulfilling its responsibilities to protect the interests of shareholders with regard to the integrity of financial reporting, audit, risk management and internal controls. This comprises:

- > monitoring and reviewing the Group's accounting policies, practices and significant accounting judgements; and
- > receiving the annual and half-yearly financial statements and any public financial announcements and advising the Board on whether the Annual Report and Accounts are fair, balanced and understandable.

In relation to the external audit:

- > approving the appointment and recommending the re-appointment of the external auditor and their terms of engagement and fees;
- > considering the scope of work to be undertaken by the external auditor and reviewing the results of that work;

- > reviewing and monitoring the independence of the external auditor and approving their provision of non-audit services;
- > reviewing the effectiveness of the external auditor;
- > reviewing compliance with the UK Corporate Governance Code;
- > monitoring and reviewing the effectiveness of the Group's internal audit function, and its material findings, in the context of the Group's overall risk management systems;
- > overseeing the Group's procedures for its employees to raise concerns through its whistleblowing policy as set out in the Code of Conduct;
- > monitoring the effectiveness of the risk management systems and processes; and
- > assessing and advising the Board on the internal financial, operational and compliance controls.

Significant accounting matters

In reviewing the financial statements with management and the external auditor, the Committee has discussed and debated the critical accounting judgements and key sources of estimation uncertainty as set out in note 4 to the consolidated financial statements. As a result of its review, the Committee has identified the following issues that require particular judgement or have significant impact on interpretation of this Annual Report and Accounts 2015:

- > **Exceptional items:** exceptional items on a pre-tax basis of £0.7 million (2014: £7.8 million) represent a material item in the profit and loss account and primarily consist of costs associated with acquisitions, internal simplification of the corporate structure and the profit on the disposal of a property (see note 8 to the consolidated financial statements).
- > **Intangible assets:** as a result of a number of recent acquisitions, intangible assets, both goodwill and others, are the biggest single asset in the balance sheet. At 31 July 2015 intangible assets relating to goodwill, customer base and trademarks amounted to £147.9 million. The value of goodwill and other intangible assets has been reviewed for impairment using a value in use model using cash flow and discount rates as set out in note 19 to the consolidated financial statements. The Fresh, PAX, inVENTer and Brüggemann acquisitions are showing reasonable headroom on their goodwill calculations (see note 19 to the consolidated financial statements).
- > 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.

Audit Committee Report continued

Internal control and risk management

The Board is ultimately responsible for the Group's systems of internal control and for reviewing their effectiveness and this responsibility has been delegated to the Committee. In accordance with the requirements of the Code and the Turnbull Guidance on internal control and the revised guidance issued by the Financial Reporting Council in June 2010, the Committee has conducted a review of the effectiveness of the Group's risk management and internal control systems and reported the results to the Board.

The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Group's system is designed to provide the Directors with reasonable assurance that any problems are identified on a timely basis and are dealt with appropriately.

The Directors confirm that they have reviewed the effectiveness of the Group's system of internal controls and that the necessary actions have been taken to remedy and control any control weaknesses identified during the year. Since the date of this review, there have been no significant changes in internal controls or other matters which could significantly affect them. The Principal Risks and Uncertainties facing the Group are set out on pages 24 to 27 of the Strategic Report.

During the year, the Board appointed BDO to act in the capacity of internal auditor and regular reports have been submitted to the Committee for review. The Group has operating policies and controls in place covering a range of issues including financial reporting, budgeting and capital expenditure, information technology and appropriate employee and ethics policies. These policies are designed to ensure the accuracy and reliability of financial reporting and govern the preparation of financial statements. The Board, being ultimately responsible for the Group's system of internal controls and risk management, discharges its duties in this area by:

- > holding regular Board meetings to consider the matters reserved for its consideration;
- > receiving regular management reports which provide an assessment of key risks and controls;
- > scheduling annual Board reviews of strategy including reviews of the material risks and uncertainties facing the business;
- > ensuring there is a clear organisational structure with defined responsibilities and levels of authority;
- > ensuring there are documented policies and procedures in place; and
- > scheduling regular Board reviews of financial budgets and forecasts with performance reported to the Board monthly.

In respect of the Group's financial reporting, the Group Finance department is responsible for preparing the Group financial statements using a well-established consolidation process and ensuring that accounting policies are in accordance with International Financial Reporting Standards. All financial information published by the Group is subject to the approval of the Committee.

Internal audit

Following the IPO, the Committee considered whether to set up an internal audit function. The Committee concluded that given the size and scale of the Group's operations, although management had not historically considered it necessary to establish such a function, it had been determined that the best option for the Group was to outsource the function. During the year, BDO was appointed to provide the function, reporting into the Group Chief Accountant, with a separate reporting line to the Committee Chairman.

Following the appointment of BDO, an Internal Audit Charter was approved, formally defining the purpose, authority and responsibility of the internal audit function to be provided. In addition, a three-year internal audit programme was developed and approved by the Committee.

Internal audit reports drafted by BDO have been received by the Committee covering areas such as the effectiveness of financial controls, an audit of the overall control environment in the Torin-Sifan business unit, procurement and payroll. Where areas of weakness have been identified, recommendations for improvements in controls have been presented to the Committee and followed up with management to ensure that all actions agreed had been taken on a timely basis.

The Committee will continue to review and assess the internal audit function to ensure it remains effective and will continue to monitor and provide direction to its activities in 2015/16.

External audit

During the year the external auditor presented their audit plans for the interim review and annual audit. These plans were discussed with the external auditor and appropriate changes from the previous year's scope agreed as appropriate.

The effectiveness of the external audit process depends on appropriate risk identification at the start of the cycle and these were reviewed as part of the planning process.

Following completion of the audit, EY notified the Committee of amendments to their planned procedures, which largely arose due to changes in the business. The Committee assessed the effectiveness of the audit process based on its interaction with the external auditor and by obtaining feedback from management on the effectiveness of the process. The Committee was satisfied that there had been appropriate focus and challenge on the primary areas of audit risk during the year.

External auditor

As noted earlier, EY is the Group's external auditor. Their performance is kept under regular review by the Board and the Audit Committee and the Committee undertook a formal assessment of the external audit process during the external audit of the Group's 2014/15 results and the suitability of EY going forward. This review took the form of a checklist and questionnaire issued to senior management across the business units and involvement of senior management in the detailed stages of the audit process. A summary of the findings was prepared for consideration by the Committee at its October 2015 meeting. The outcome of the review was that the Committee recommended to the Board, which in turn is recommending to shareholders by way of an ordinary resolution at the Annual General Meeting 2015, that EY be re-appointed as the Group's auditor.

In accordance with current professional standards, the external auditor is required to change the lead partner every five years in order to protect auditor independence and objectivity. EY was awarded the external audit for the 2012/13 financial year following a competitive tendering process and therefore no rotation of the lead partner is required until the audit of the 2017/18 financial year. In accordance with the recent changes to the Code, the Competition and Markets Authority's final order on mandatory re-tendering published in September 2014 and the associated transitional provisions and EU Audit Directive, it is the Group's intention to put the audit out to tender at least every ten years. There are no contractual obligations on the Company which restrict the choice of auditor.

Non-audit services

The Group's external auditor may also be used to provide specialist advice where, as a result of their position as auditor, they either must, or are best placed to, perform the work in question. A formal policy is in place in relation to the provision of non-audit services by the external auditor to ensure that there is adequate protection of their independence and objectivity.

Fees charged by EY in respect of non-audit services generally require the prior approval of the Committee. During the year, EY charged the Group £25,000 (2014: £2.1 million) for non-audit related services. A breakdown of the fees paid to EY during the year is set out in note 13 to the consolidated financial statements. In relation to the 2014 fees, £1.8 million related to the Reporting Accountant work on the Group's IPO and accordingly related to non-recurring work. EY was best placed to perform their work given their knowledge of the business.

It is the Company's practice that it will seek quotes from several firms, which may include EY, before work on non-audit projects is awarded. Contracts are awarded to our suppliers based on individual merits.

Code of Conduct, anti-bribery and whistleblowing

The Group is committed to providing a safe and confidential avenue for all employees across the Group to raise concerns about serious wrongdoings. The Group also acknowledges the requirements of the Code in this area, which states that the Committee should review arrangements by which employees across the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensuring that these concerns are investigated and escalated as appropriate.

During the year, the Committee reviewed and the Board approved, a new Group-wide Code of Conduct and Anti-Bribery and Corruption Policy. These policies set out clearly the Group's values and the importance that is placed on honest, ethical and lawful conduct in all business dealings. All Group employees, agents and suppliers are asked to confirm that they do and will continue to comply with them. A gifts and hospitality register is operated to ensure transparency where items are over a certain monetary threshold. In addition, all employees who are considered the most likely to be exposed to bribery and corruption have been given web-based anti-bribery and corruption training.

Also during the year, the Committee reviewed the arrangements by which employees are able to raise, in confidence, any concerns they may have about possible wrongdoing or dishonest or unethical behaviour, such as bribery, corruption, fraud, dishonesty and illegal practices. A new external independent whistleblowing provider was appointed and the confidential web-based, email and telephone facility provided was communicated across the Group, branded as "Speak Up", to ensure awareness. The Code of Conduct protects anyone who comes forward to make a disclosure under the Whistleblowing Policy. Should any disclosures be made, the Company Secretary will initiate an investigation to include all necessary parties. The Committee receives regular reports on matters raised and monitors their resolution. The Committee also has the power to conduct further enquiries itself or other additional actions it sees fit.

Committee performance evaluation

The Board conducted an internal review of Committee effectiveness during the year and concluded that the Committee had acted in accordance with its terms of reference and carried out all of its responsibilities effectively. The review identified certain areas where the Committee would benefit from additional support including more exposure to members of the Senior Management Team through being invited to present at more meetings.

Audit Committee Report continued

Fair, balanced and understandable

The Board has responsibility under the Code for preparing the Company's Annual Report and Accounts, ensuring that it presents a fair, balanced and understandable assessment of the Group's position and prospects and that it provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Process

The review of the Annual Report and Accounts took the form of a detailed assessment of the collaborative process of drafting them, which involves Group Finance, the Company Secretary and Group Marketing with guidance and input from external advisers. It ensured that there is a clear and unified link between this Annual Report and Accounts and the Group's other external reporting, and between the three main sections of the Annual Report and Accounts – the Strategic Report; the Governance Report; and the Financial Statements.

In particular, the Committee:

- > reviewed all material matters, as reported elsewhere in this Annual Report and Accounts;
- > ensured that it correctly reflected the Group's performance in the reporting year;
- > ensured that it correctly reflected the Group's business model and strategy;
- > ensured that it presented a consistent message throughout; and
- > considered whether it presented the information in a clear and concise manner, illustrated by appropriate KPIs, to facilitate shareholders' access to relevant information.

Conclusion

A summary of the process and of the Committee's findings, was considered by the Board at its meeting on 13 October 2015.

The outcome of that review was that the Committee confirmed to the Board that the Annual Report and Accounts 2015 met the requirements of the Code and the Board's formal statement to that effect, to meet the requirements of the Code, is set out on page 39.

Directors' Remuneration Report



Anthony Reading, MBE
Chairman, Remuneration Committee

Remuneration Committee members

Tony Reading (chair)
Adrian Barden
Peter Hill
Paul Hollingworth



Remuneration policies and practices must drive behaviour that is in the long-term interests of the Company and its shareholders.

Anthony Reading, MBE
Chairman, Remuneration Committee

Dear Shareholder,

On behalf of the Remuneration Committee, I am pleased to present the report of the Remuneration Committee for the year ended 31 July 2015, our first full year as a public company.

Last year we reported for the first time on our remuneration arrangements and shareholders were asked to vote at the Annual General Meeting in 2014 on our Directors' Remuneration Policy Report, as well as on the Annual Report on Remuneration, as required by the Companies Act. The Directors' Remuneration Policy Report received strong support from shareholders with 100% of the votes cast in favour, and the Annual Report on Remuneration received 99.77% of the votes cast in favour. The Committee believes that the Remuneration Policy approved last year continues to appropriately support our remuneration principles, which are to:

- > attract and retain the best talent;
- > drive behaviours that support the Group's strategy and business objectives which are developed in the long-term interests of the Company and its shareholders;
- > reward senior management appropriately for their personal and collective achievements;
- > provide incentives that help to maintain commitment over the longer term and align the interests of senior management with those of shareholders; and
- > ensure that a significant percentage of the overall package of the Executive Directors and senior management remains at risk dependent on performance, and that their pay and benefits adequately take account of reward versus risk.

Whilst not asking for a shareholder vote on the Remuneration Policy at the 2015 AGM, we have set out the full policy, as approved by shareholders at the 2014 AGM, in this report to help shareholders assess the reported remuneration in the context of the policy.

Directors' Remuneration Report continued

Performance in 2014/15

It has been another strong year for Volution Group. Adjusted EBIT, working capital management, EBIT margin and Group employee retention were the key measures used by the Committee to measure performance towards achieving the Group's strategic objectives and, accordingly, were the performance measures used in the Annual Bonus Plan (ABP). Performance against these measures resulted in the Committee awarding an annual bonus of 65% of salary to Ronnie George and 65% of salary to Ian Dew. As committed to in last year's Directors' Remuneration Report, we have provided full retrospective disclosure of these targets, as well as the actual performance against them. In accordance with the Directors' Remuneration Policy, 50% of the annual bonus payment above the target incentive (which was 60% of the maximum opportunity) has been deferred into awards over the Company's shares which will vest after three years. Further details can be found on page 63.

In the Annual Report on Remuneration 2014, the Committee outlined the performance measures to be used for the first awards under the Long Term Incentive Plan (LTIP) to be made to the Executive Directors and members of the Senior Management Team. The first LTIP awards were made on 29 October 2014 and further details are set out on page 65. As the vesting date of the first LTIP awards is the third anniversary of grant, no LTIP awards vested during the year.

Remuneration decisions for 2015/16

The Remuneration Committee has recently undertaken a review of the remuneration arrangements for our Executive Directors, with assistance from the Committee's advisers, Deloitte LLP. We believe that the framework remains broadly fit for purpose and so are not proposing any significant changes.

In the light of the review, the Committee awarded salary increases of 1% to each of the Executive Directors with effect from 1 August 2015, in line with the average increase awarded to the Group's UK employees.

The performance measures and their weightings for the ABP to be used for the 2015/16 financial year will be different from last year in that the adjusted EBIT measure will be replaced by adjusted operating profit and adjusted EPS to align more closely with the underlying performance of the business and the creation of shareholder value. In line with the approach taken for 2014/15, the Remuneration Committee will continue its policy of setting stretching annual bonus targets which take into account a number of internal and external factors. The targets set are commercially sensitive at this point in time and it is the Committee's intention to disclose these in the next Annual Report on Remuneration, unless they remain commercially sensitive at that point.

Following the review it was also determined that the performance measures used for LTIP awards made during the 2014/15 financial year remain appropriate. The Committee confirms that it intends to make further LTIP awards during the 2015/16 financial year which will be consistent to the awards made in 2014/15.

Shareholder engagement

We take an active interest in shareholder views on our Directors' remuneration and have established channels for ongoing dialogue with our major shareholders and shareholder representative bodies.

Annual General Meeting 2015

On behalf of the Board I would like to thank shareholders for their continued support and do hope that you will support the resolution requesting approval of the Annual Report on Remuneration at this year's Annual General Meeting on 15 December.



Anthony Reading, MBE

Chairman of the Remuneration Committee

16 October 2015

Directors' Remuneration Policy Report

This section of the Directors' Remuneration Report sets out the Remuneration Policy for Executive and Non-Executive Directors, which shareholders approved at the Annual General Meeting in 2014 and was brought into effect from 17 December 2014. In practice the Remuneration Policy has been applied since the beginning of the financial year on 1 August 2014. The Remuneration Policy will remain binding until the Annual General Meeting in 2017. The Remuneration Policy Report has been updated to show new chart illustrations of the application of the Remuneration Policy to reflect the revised Executive Director salaries for 2015/16.

Remuneration Policy table

Operation	Maximum opportunity	Performance metrics
Base salary		
Purpose and link to strategy: Core element of remuneration set at a level to attract, retain and reward Executive Directors of the required calibre to successfully deliver Company strategy.		
Fixed annual sum, normally reviewed annually. In determining base salaries, the Committee considers: <ul style="list-style-type: none"> > salary levels at companies of a similar size and complexity; > Company performance and external market conditions; > pay and conditions elsewhere in the Group; and > role, experience and personal performance. There is no automatic entitlement to an increase each year.	The current salaries for the Executive Directors are set out in the Annual Report on Remuneration. While the Committee does not consider it appropriate to set a maximum salary increase, annual increases will generally be in line with those of the wider workforce. Increases beyond those awarded to the wider workforce (in percentage of salary terms) may be awarded in certain circumstances such as progression in the role, where there is a change in responsibility, experience or a significant increase in the scale of the role and/or size, value and/or complexity of the Group.	Company and individual performance are factors considered when reviewing salaries.
Pension		
Purpose and link to strategy: The Company aims to provide competitive retirement benefits for the role.		
Executive Directors may receive an employer's pension contribution to a personal or Group pension scheme and/or cash allowance.	15% of base salary.	N/A

Directors' Remuneration Report continued

Directors' Remuneration Policy Report continued

Remuneration Policy table continued

Operation	Maximum opportunity	Performance metrics
Annual Bonus Plan (ABP)		
Purpose and link to strategy: To incentivise Executive Directors to achieve specific, pre-determined goals during a one-year period. Rewards achievement of objectives linked to the Company's strategy.		
<p>Annual bonus payment is determined by the Committee after the financial year end, based on annual performance against targets set at the start of the year.</p> <p>Normally, 50% of any annual bonus payment above the target incentive (which will be 60% of the maximum opportunity) earned by the Executive Directors will be deferred into awards over the Company's shares which normally vest after at least two years.</p> <p>Dividend equivalent payments (cash and/or shares) may be payable on awards to the extent that they vest.</p>	<p>100% of base salary.</p>	<p>Performance measures are determined with reference to the Company's key strategic business objectives for the year.</p> <p>No less than 50% of the bonus will be dependent on financial measures and the remainder will be based on non-financial measures that are aligned to the strategic priorities of the business.</p> <p>At threshold performance up to 25% of the maximum pays out. Below this level of performance, no bonus pays out.</p>
Long Term Incentive Plan (LTIP)		
Purpose and link to strategy: To incentivise the delivery of key strategic objectives over the longer term and align the interests of Executive Directors with those of our shareholders.		
<p>Typically a contingent award of shares or nil-cost options is made on an annual basis. Vesting of the awards is dependent on the achievement of performance targets, typically measured over a three-year period.</p> <p>Dividend equivalent payments (cash and/or shares) may be payable on awards to the extent that they vest.</p>	<p>The Committee intends initially to make awards of 100% of base salary, with the ability to make awards of up to 175% of base salary as permitted by the plan rules.</p>	<p>Awards vest based on challenging financial, operational or share price targets.</p> <p>At least 50% will be based on financial measures.</p> <p>No more than 25% vests at threshold with 100% of awards vesting at maximum performance.</p>
Other benefits		
Purpose and link to strategy: To provide a market-competitive package of benefits consistent with the role.		
<p>Various cash/non-cash benefits are provided to Executive Directors which may include (but are not limited to) a company car (or cash equivalent), life assurance, expatriate benefits, private medical insurance, relocation benefits.</p> <p>Executive Directors would also be able to participate in any all-employee share plans on the same basis as other eligible employees, should such plans be implemented by the Company.</p>	<p>Although the Committee does not consider it appropriate to set a maximum benefits level, they are set at an appropriate level for the specific nature of the role.</p>	<p>N/A</p>

Share ownership guidelines

Purpose and link to strategy: To provide close alignment between the longer-term interests of Executive Directors and shareholders.

Executive Directors are expected to achieve and retain a holding of the Company's shares worth 100% of their base salary within a period of four years from Listing on the London Stock Exchange, which was 23 June 2014, or, if later, within four years of the new Director becoming subject to such guidelines.

100% of base salary.

N/A

Chairman and Non-Executive Director fees

Purpose and link to strategy: To enable the Company to attract and retain Non-Executive Directors of the required calibre by offering market-competitive fees.

Fees are determined by the Board.

The Chairman is paid an all-inclusive fee for all Board responsibilities.

Non-Executive Directors receive a basic Board fee.

Neither the Chairman nor Non-Executive Directors are eligible to participate in any of the Company's incentive arrangements or receive any pension provision.

Additional fees may be payable for additional Board responsibilities such as chairmanship or membership of a committee or performing the Senior Independent Director role.

The Committee reviews the fees paid to the Chairman and the Board reviews the fees paid to the Non-Executive Directors, periodically, with reference to the time commitment of the role and market levels in companies of comparable size and complexity.

Non-Executive Directors shall be entitled to have reimbursed all expenses that they reasonably incur in the performance of their duties.

Fees are set within the aggregate limits set out in the Company's Articles of Association.

Non-Executive Directors are eligible for fee increases during the three-year period that the policy operates to ensure they continue to appropriately recognise the time commitment of the role and fee levels in companies of a similar size and complexity.

N/A

Directors' Remuneration Report continued

Directors' Remuneration Policy Report continued

Choice of performance measures and approach to setting

The performance metrics and targets that will be set for the Executive Directors for the ABP and LTIP will be carefully selected to align closely with the Company's strategic plan and key performance indicators.

Awards under the ABP will be determined by a combination of financial and strategic objectives appropriate to an individual's role.

The long-term performance metrics relating to the LTIP awards will be set at the time of each grant but will normally include at least 50% based on financial performance in line with the Company's key strategic objectives.

Challenging targets for both plans will be set each year based on a number of internal and external reference points.

The Committee will review the choice of performance measures and the appropriateness of the performance targets prior to each grant under the LTIP and will consult with major shareholders in the event of any significant proposed change.

Committee discretion

The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) that are not in line with the Remuneration Policy set out above where the terms of the payment were agreed:

- > before the Remuneration Policy came into effect; or
- > at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company.

For these purposes, "payments" includes the Committee satisfying variable remuneration.

The Committee will operate the LTIP and Deferred Share Bonus Plan (DSBP) according to the respective rules, the Remuneration Policy set out above and in accordance with the Listing Rules where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these plans. These include (but are not limited to) the following:

- > the Committee may settle an award in cash;
- > in the event of a variation of share capital, demerger, delisting, special dividend or any other exceptional event which, in the reasonable opinion of the Committee may affect the current or future value of the Company's shares, the Committee may (i) adjust the terms of the awards and (ii) make amendments to the plan rules in accordance with the terms of the plan; and

- > a performance condition may be amended or substituted if one or more events occur which cause the Committee to consider that it would be more appropriate and would not be materially less difficult to satisfy.

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

Malus and clawback

Malus and clawback provisions (as relevant) may be operated at the discretion of the Committee in respect of awards granted under the LTIP and the DSBP in certain circumstances including, but not limited to, a material misstatement of the Company's financial results, a material failure of risk management by any member of the Group or a relevant business unit, material reputational damage to any member of the Group or relevant business unit, or if the participant is summarily dismissed. Clawback may be applied at the discretion of the Committee up to the third anniversary of delivery.

Takeover or other corporate event

In the event of a change of control, outstanding deferred share bonus awards will vest in full as soon as practicable after the date of the event, unless the Committee determines otherwise.

For outstanding LTIP awards, generally the performance period will end on the date of the event. The Committee will determine the level of vesting taking into account the extent to which performance conditions have been achieved at this point. Unless the Committee determines otherwise, awards will generally vest on a time pro-rata basis taking into account the period of time between grant and the relevant event.

Alternatively, the Committee may permit a participant to exchange his awards for equivalent awards which relate to shares in a different company. If the change of control is an internal re-organisation of the Group, if the Committee so decides, participants will be required to exchange their awards (rather than awards vesting).

If other corporate events occur, such as a winding-up of the Company, demerger, delisting, special dividend or other event which, in the opinion of the Committee, may affect the current or future value of the Company's shares, the Committee may determine that awards will vest on the same basis as set out above for a takeover.

Minor changes

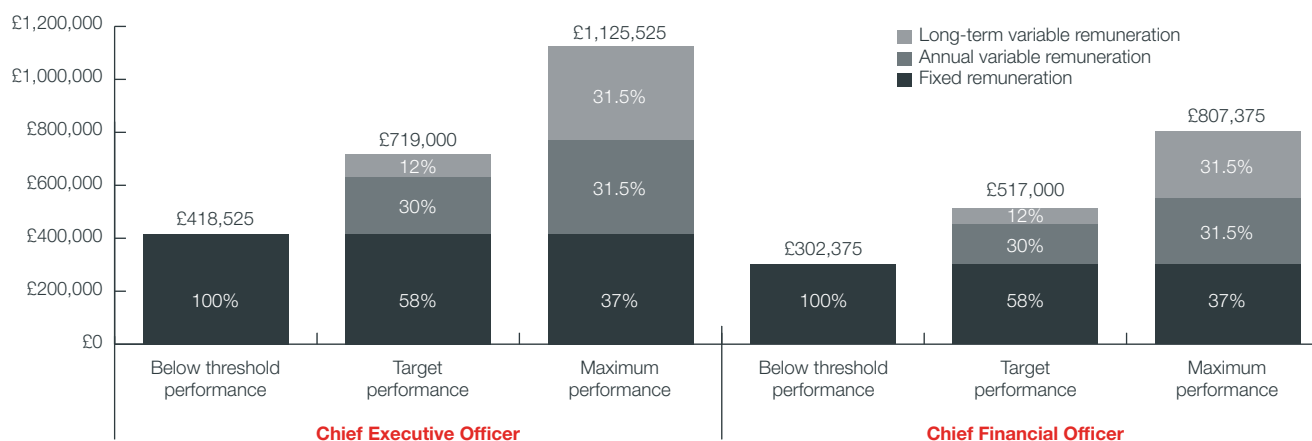
The Committee may make minor amendments to the Remuneration Policy set out in this report (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for the amendment.

Illustrations of the application of the Remuneration Policy

The Company's remuneration arrangements have been designed to ensure that a significant proportion of pay is dependent on the delivery of stretching short-term and long-term performance targets.

The charts below provide illustrative values of the remuneration package for Executive Directors under three assumed performance scenarios. The charts are for illustrative purposes only and actual outcomes may differ from that shown.

Three scenarios have been illustrated for each Executive Director:



The assumptions used for these charts are as follows:

Levels of performance		Assumptions
Fixed pay	All scenarios	<ul style="list-style-type: none"> > Total fixed pay comprises base salary, benefits and pension > Base salary – effective as at 1 August 2015 > Benefits – the value for 2014/15 as set out in the single figure table > 15% of base salary pension contributions
	Below threshold performance	<ul style="list-style-type: none"> > No cash payout under the ABP > No vesting under the LTIP
	Target performance	<ul style="list-style-type: none"> > 60% of the maximum potential payout under the ABP (i.e. 60% of base salary) > 25% vesting under the LTIP (i.e. 25% of base salary), assuming awards equivalent to 100% of base salary are granted
	Maximum performance	<ul style="list-style-type: none"> > 100% of the maximum potential payout under the ABP (i.e. 100% of base salary) > 100% vesting under the LTIP (i.e. 100% of base salary), assuming awards equivalent to 100% of base salary are granted

LTIP awards have been shown at face value with no share price growth, dividends or discount rate assumptions.

External appointments of Executive Directors

The Board allows Executive Directors to accept one external commercial non-executive director appointment provided the commitment is compatible with their duties as an Executive Director. The Executive Director concerned may retain fees paid for these services which will be subject to approval by the Board. Currently, neither of the Executive Directors holds an external directorship.

Approach to recruitment

The Committee will aim to set a new Executive Directors' remuneration package in line with the Remuneration Policy approved by shareholders.

In arriving at a total package and in considering value for each element of the package, the Committee will take into account the skills and experience of a candidate, the market rate for a candidate of that experience, as well as the importance of securing the preferred candidate.

The maximum level of variable remuneration (excluding any buy-outs) on appointment will be in line with the maximum Remuneration Policy set out above (i.e. 275% of base salary). The Committee retains discretion to flex the balance of the annual bonus and LTIP and the measures used to assess performance.

Directors' Remuneration Report continued

Directors' Remuneration Policy Report continued

Approach to recruitment continued

The Committee may make additional cash and/or share-based awards as it deems appropriate and if the circumstances so demand to replace remuneration arrangements forfeited by an Executive Director on leaving a previous employer. This may include the use of the relevant provisions in the Financial Conduct Authority's Listing Rules allowing for exceptional awards to be made without shareholder approval.

Awards to replace forfeited remuneration would, where possible, be consistent with the awards forfeited in terms of delivery mechanism (cash or shares), time horizons, attributed expected value and whether or not they were subject to performance conditions.

Other payments may be made in relation to relocation expenses and support as appropriate.

In the case of an internal appointment, any element of remuneration in respect of the prior role would be allowed to continue according to its original terms, or adjusted if appropriate to take into account the appointment.

For the appointment of a new Chairman or Non-Executive Director, the fee would be set in accordance with the approved Remuneration Policy in force at that time. The length of service and notice periods shall be set at the discretion of the Committee taking into account market practice, corporate governance considerations and the particular candidate at that time.

The Committee retains discretion to make appropriate remuneration decisions outside the standard Remuneration Policy to meet the individual circumstances of recruitment when:

- > an interim appointment is made to fill an Executive Director role on a short-term basis; and
- > exceptional circumstances require that the Chairman or a Non-Executive Director takes on an executive function on a short-term basis.

Service agreements and letters of appointment

Each of the Executive Directors' service agreements is for a rolling term and may be terminated by the Company or the Executive Director by giving not less than twelve months' prior written notice.

The Chairman and each of the Non-Executive Directors of the Company do not have service contracts. The independent Non-Executive Directors have letters of appointment which have an initial three-year term which is renewable and is terminable by the Company or the individual on one month's written notice. Adrian Barden's letter of appointment is with Blue Burgee Limited, a service company through which he provides his services.

Under a Relationship Agreement between the Company and our controlling shareholder, Windmill Holdings B.V., one Non-Executive Director (who shall be deemed non-independent) can be appointed to the Board on behalf of the controlling shareholder. Gavin Chittick was nominated and has a letter of appointment to provide services to the Company for an initial three-year term which is renewable and is terminable on one month's written notice.

The terms of the Non-Executive Directors' positions are subject to their election by the Company's shareholders at the Annual General Meeting 2015. No contractual payments would become due on termination.

Non-Executive Directors are not eligible to participate in cash or share incentive arrangements and their service does not qualify for pension or other benefits. No element of their fee is performance related.

A Non-Executive Director's appointment may be terminated with immediate effect if such Director has:

- > materially breached a term of their letter of appointment;
- > committed a serious or repeated breach of his duties to the Company;
- > been found guilty of fraud, dishonesty or certain criminal offences;
- > acted in a way likely to bring the Company into disrepute or which is materially adverse to the Company;
- > been declared bankrupt; or
- > been disqualified from acting as a director.

The Executive Directors' service agreements and Non-Executive Directors' letters of appointment are available for inspection at the Company's registered office and will be available at the Annual General Meeting 2015.

Policy on Directors leaving the Group

The Committee must satisfy any contractual obligations agreed with the Executive Director. This is dependent on the contractual obligations not being in contradiction with the Remuneration Policy set out in this report.

If an Executive Director's employment is terminated, in the absence of a breach of service agreement by the Director, the Company may, although it is not obliged to, terminate the Director's employment immediately by payment of an amount equal to base salary and the specified benefits (including pension scheme contribution) in lieu of the whole or the remaining part of the notice period. Payments in lieu of notice may be paid in monthly instalments over the length of the notice period. The Executive Directors are obliged to seek alternative income during the notice period and to notify the Company of any income so received. The Company would then reduce the monthly instalments to reflect such alternative income.

Discretionary bonus payments will not form part of any payments made in lieu of notice. Annual bonus may be payable, at the Committee's discretion, with respect to the period of the financial year served although it would be paid in cash and normally pro-rated for time and paid at the normal payment date.

Any share-based entitlements granted to an Executive Director under the Company's share plans will be determined based on the relevant plan rules.

The default treatment under the LTIP is that any outstanding awards lapse when the individual leaves the Group. However, in certain prescribed circumstances, such as death, ill health, injury or disability, transfer of the employing entity outside of the Group or in other circumstances at the discretion of the Committee (except where the Director is summarily dismissed), "good leaver" status may be applied.

For good leavers, awards will normally vest to the extent that the Committee determines, taking into account the satisfaction of the relevant performance conditions and unless the Committee determines otherwise, the period of time that has elapsed between grant and the date of leaving. Awards will normally vest at the original vesting date, unless the Committee decides that awards should vest at the time of leaving.

If a participant of the DSBP leaves the Group for any reason, the award will usually vest in full at the date of cessation, unless the Committee determines otherwise.

In the event that a buy-out award is made on recruitment, the leaver provisions would be determined at the time of the award.

Differences in Remuneration Policy for Executive Directors compared to other employees

The Committee has regard to pay structures across the wider Group when setting the Remuneration Policy for Executive Directors. The Committee considers the general basic salary increase for the broader workforce when determining the annual salary review for the Executive Directors.

Overall, the Remuneration Policy for the Executive Directors is more heavily weighted towards performance-related pay than for other employees.

The level of performance-related pay varies within the Group by grade of employee and is calculated by reference to the specific responsibilities of each role as appropriate.

Statement of consideration of employment conditions elsewhere in the Group

Although pay and employment conditions elsewhere in the Group are taken into account to ensure the relationship between the pay of Executive Directors and employees remains appropriate, the Committee does not consult with employees when formulating the Remuneration Policy set out in this report.

Consideration of shareholder views

We take an active interest in shareholder views on our executive remuneration policy. The Committee is also committed to maintaining an ongoing dialogue with major shareholders and shareholder representative bodies whenever material changes are under consideration.

Annual Report on Remuneration

This section provides details of how the Remuneration Policy was implemented during the year and how the Remuneration Committee (the "Committee") intends to apply the policy in the financial year 2015/16. Certain sections of this report are audited and indicated as such where applicable. The Annual Report on Remuneration will be subject to an advisory shareholder vote at the Annual General Meeting 2015.

Role of the Committee

The role of the Committee is to recommend to the Board a strategy and framework for remuneration for Executive Directors and the Senior Management Team in order to attract and retain leaders who are focused and incentivised to deliver the Company's strategic business priorities, within a remuneration framework which is aligned with the interests of our shareholders and thus designed to promote the long-term success of the Company.

The Committee has clearly defined terms of reference which are available on the Company's website, www.volutiongroupplc.com. The Committee's main responsibilities are to:

- > establish and maintain formal and transparent procedures for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors, and to monitor and report on them;

- > determine the remuneration, including pension arrangements, of the Executive Directors;
- > monitor and make recommendations in respect of remuneration for the tier of senior management one level below that of the Board;
- > approve annual and long-term incentive arrangements together with their targets and levels of awards;
- > determine the level of fees for the Chairman of the Board; and
- > select and appoint the external advisers to the Committee.

Directors' Remuneration Report continued

Annual Report on Remuneration continued

Membership

The Committee currently comprises three independent Non-Executive Directors, Tony Reading, Adrian Barden and Paul Hollingworth, and the Chairman of the Board, Peter Hill. Tony Reading is the Committee chairman and he has chaired the Committee from his appointment to the Board on 23 June 2014. The Chairman of the Board is a member of the Committee because the Board considers it essential that the Chairman is involved in setting remuneration policy (although he is not party to any discussion directly relating to his own remuneration).

During the year the Committee also consulted with the Chief Executive Officer, Chief Financial Officer and the Company Secretary but not on matters relating to their own remuneration.

Meetings

The Committee met three times during the year and has had two meetings to date in 2015/16. Committee member attendance can be found in the table on Board and Committee attendance on page 42.

Committee activity and key decisions during the year ended 31 July 2015

Matters considered and decisions reached by the Committee during the year included:

- > reviewed outcomes and approved payments for Executive Director and Senior Management Team bonuses for 2013/14;
- > considered and approved the Directors' Remuneration Report 2013/14;
- > reviewed and approved the Remuneration Policy and arrangements in the light of market trends for the 2014/15 Directors' Remuneration Report and reviewed and confirmed the Remuneration Policy remained appropriate for 2015/16;
- > reviewed and approved the parameters of the ABP, including performance measures and targets for 2014/15 for the Executive Directors and Senior Management Team;
- > considered and approved the first LTIP awards to the Executive Directors and Senior Management Team for 2014/15;
- > reviewed market trends and developments in executive remuneration in advance of considering Executive Director and Senior Management Team remuneration proposals for 2015/16;

- > reviewed and approved the Executive Director and Senior Management Team salaries for 2015/16;
- > reviewed and approved the parameters of the ABP, including performance measures for 2015/16 for the Executive Directors and Senior Management Team;
- > reviewed and approved the performance measures to be used for any LTIP awards made during 2015/16;
- > agreed the process for consultation with shareholders on Remuneration Policy;
- > reviewed the Committee's Terms of Reference;
- > evaluated the performance of the Committee; and
- > reviewed and approved the Committee's rolling annual agenda.

Committee performance evaluation

The Board conducted an internal review of Committee effectiveness during the year and concluded that the Committee has acted in accordance with its terms of reference and carried out all of its responsibilities effectively.

Advice to the Committee

The Committee keeps itself fully informed on developments and best practice in the field of remuneration and it seeks advice from external advisers when appropriate.

The Committee appoints its own independent remuneration advisers and at the time of listing appointed Deloitte LLP to that role. Deloitte LLP have served as advisers to the Committee since listing and throughout the year. Total fees for advice provided to the Committee during the year by Deloitte LLP were £33,100 and were charged based on the time spent and seniority of the staff involved in providing the advice.

Deloitte LLP is a member of the Remuneration Consultants Group and as such voluntarily operates under the code of conduct in relation to executive remuneration consulting in the United Kingdom. The Committee requests Deloitte LLP to attend meetings periodically during the year.

Single total figure of remuneration (audited)

The audited table below sets out the total remuneration for the Directors in the years ended 31 July 2015 and 31 July 2014. It should be noted that, as the Company was listed in June 2014, figures for the year ended 31 July 2014 relate to remuneration paid under the pre-listing remuneration policy.

	Salary and fees ¹		Benefits ²		Pension ³		Annual bonus ⁴		Long-term incentives ⁵		Other ⁶		Total	
	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000
Chairman														
Peter Hill	135	14	—	—	—	—	—	—	—	—	—	50	135	64
Executive Directors														
Ronnie George	350	239	12	18	53	23	228	311	—	—	—	470	643	1,061
Ian Dew ⁷	250	96	12	6	38	9	163	135	—	—	—	75	463	321
Non-Executive Directors														
Adrian Barden	45	51	—	—	—	—	—	—	—	—	—	25	45	76
Gavin Chittick ⁸	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Paul Hollingworth	55	6	—	—	—	—	—	—	—	—	—	25	55	31
Tony Reading	60	6	—	—	—	—	—	—	—	—	—	25	60	31

Notes

- As explained in the Annual Report on Remuneration 2014, prior to listing on 23 June 2014, the salaries of our Executive Directors were reviewed against other companies comparable to Volusion Group plc:
 - Ronnie George's base salary was increased to £350,000 per annum effective from listing; and
 - Ian Dew's base salary was increased to £250,000 per annum effective from listing.
- Benefits include an annual car allowance paid in cash of £10,000 per annum, life assurance equivalent to four times annual salary and permanent health insurance.
- Employer's pension contributions of 15% of base salary were paid to each of the Executive Directors with effect from listing.
- The annual bonus for 2014/15 relates to annual incentive payments for performance in that financial year. The calculation of this amount is set out on page 64. 50% of the 2014/15 annual bonus above target (which is 60% of the maximum) is deferred into shares for a minimum period of two years. Ronnie George will be awarded shares equivalent to £8,750 and Ian Dew will be awarded shares equivalent to £6,250.
- Long-term incentives: this column relates to the value of long-term awards whose performance period ends in the year under review. The first long-term incentive awards granted post listing have a performance period that ends on 31 July 2017. As a result, this column has a zero figure in 2014 and 2015.
- Conditional on listing, the Company agreed to pay to the Chairman and each independent Non-Executive Director £25,000 (or, in the case of the Chairman, £50,000) in consideration for each Director providing certain advice and assistance to the Company in connection with the listing. This amount was satisfied on listing by allotting shares to each Director. These payments on an after-tax basis were subject to each of the Directors acquiring an equivalent amount of shares from their own funds.

Prior to listing, the employee benefit trust held a number of unallocated shares. Windmill Holdings B.V., the owner of the then group, approved the gifting of these shares to the Executive Directors (and other management shareholders), pro-rata to their shareholdings at the time. Ronnie George was gifted £470,305 of shares and Ian Dew was gifted £75,420 of shares.
- Ian Dew was a consultant to the Group between December 2012 and February 2013. He became an employee in September 2013.
- Gavin Chittick is the non-independent Non-Executive Director appointed by the Company's controlling shareholder, Windmill Holdings B.V., under a Relationship Agreement dated 18 June 2014 between the Company and the controlling shareholder. He is not entitled to receive any fees for the services he provides to the Company.

Directors' Remuneration Report continued

Annual Report on Remuneration continued

Annual Bonus Plan (ABP) (audited)

The operation of the ABP during the year ended 31 July 2015 was consistent with the framework set out in the Remuneration Policy. The maximum annual bonus potential for the Executive Directors during the year was 100% of base salary, and bonus for on-target performance was 60% of base salary. In last year's Directors' Remuneration Report we committed to retrospective disclosure of the targets and performance against those targets which are set out in the table below.

Measure	Strategic objective	Weighting	Threshold	Target	Maximum	Actual performance	Payment (% of maximum)	Payment (% of base salary)
Adjusted EBIT	To increase profit	70%	£27.7m	£29.4m	£31.2m	£29.4m	55.7%	40.0%
Working capital management	Delivering efficiency of working capital and cash generation	10%	£19.4m	£18.5m	£17.5m	£15.2m	100.0%	10.0%
EBIT margin	Driving operating margin progression	15%	21.5%	22.0%	22.5%	22.6%	100.0%	15.0%
Group employee retention	To continue to retain our skilled employees	5%	93.5%	94.0%	95.0%	89.0%	0%	0%
Total							65.0%	

Note

All measures exclude acquisitions completed during the year.

Long Term Incentive Plan (LTIP) (audited)

2014/15 Awards

During the year the Committee made the first awards under the LTIP in accordance with the Remuneration Policy. The LTIP awards were made in the form of nil-cost options, which will, subject to the rules of the LTIP, vest after three years following the Committee's determination of the extent to which performance conditions applicable to the awards have been satisfied. To the extent the performance conditions have been satisfied, the nil-cost options will have a normal vesting date of 29 October 2017 and the last date of exercise shall be 29 October 2024, subject to the individual's ongoing employment.

As described in last year's Annual Report on Remuneration, the Committee approved the following performance conditions which were used for these awards.

	Weighting (% of total award)	Below threshold (0% vesting)	Threshold (25% vesting)	Maximum (100% vesting)
TSR vs Direct Peer Group index	25%	Below index	Equal to index	Index + 8% p.a.
TSR vs FTSE companies of a similar size	25%	Less than median	Median	Upper quartile
Cumulative average EPS growth	50%	Below 6% p.a.	6% p.a.	15% p.a.

Awards will vest on a straight line basis between these points. For the LTIP awards granted during the year ended 31 July 2015, the Direct Peer Group index was an unweighted index comprised of Polypipe, Tyman, Topps Tiles, Marshalls, Safestyle, Epwin Group and Norcros.

The companies of a similar size represent the group of 50 companies above and below the Company in terms of market capitalisation (excluding financial services and oil and gas companies). Relative TSR performance will be measured on a ranked basis against this group as set out in the table above.

The combination of the two relative TSR comparator groups above has been selected to measure Volution's performance as the Committee believes that this approach aligns remuneration with the delivery of superior market performance over the long term.

Growth in EPS will be assessed over the three financial years ending 31 July 2017 and will determine the vesting of 50% of the awards.

In addition to the stretching performance conditions set out above, for awards to vest, the Committee must be satisfied with the overall financial performance of the Company over the performance period.

The LTIP awards made on 29 October 2014 were as follows:

Executive Director	Number of shares	Base price	Face value ¹	Face value % of base salary	Vesting date
Ronnie George	243,325	£1.4384	£349,998	100%	29 October 2017
Ian Dew	173,804	£1.4384	£249,999	100%	29 October 2017

Note

1. The price used to calculate the number of LTIP awards was £1.4384 per share, being the average of the mid-market closing price of a Volution Group plc share on the three consecutive business days immediately preceding the date of grant.

Statement of Directors' shareholdings and share interests (audited)

We believe that Executive Directors should have shareholdings in the Company to ensure that they are as closely aligned as possible with shareholder interests. As such the Company has implemented share ownership guidelines which state that Executive Directors are expected to achieve and retain a holding of the Company's shares equal to 100% of their base salary within a period of four years from listing or, if later, within four years of the new Director becoming subject to such guidelines. It should be noted that both the Executive Directors currently have shareholdings well in excess of 100% of base salary. The Chairman and the Non-Executive Directors are also encouraged to hold shares in the Company in order to align their interests with those of shareholders. Directors' interests in ordinary shares held as at 31 July 2015 (together with the interests held by their connected persons) are set out below.

	Shares held beneficially at 31 July 2015 ¹	LTIP awards (unvested awards subject to performance)	Total share interests held at 31 July 2015¹	Target shareholding guidelines (% of salary)	Target shareholding achieved ²
Chairman					
Peter Hill	35,333	—	35,333	N/A	N/A
Executive Directors³					
Ronnie George	5,622,833	243,325	5,866,158	100%	Yes
Ian Dew	855,327	173,804	1,029,131	100%	Yes
Non-Executive Directors					
Adrian Barden	97,725	—	97,725	N/A	N/A
Gavin Chittick	—	—	—	N/A	N/A
Paul Hollingworth	19,333	—	19,333	N/A	N/A
Tony Reading	40,000	—	40,000	N/A	N/A

Notes

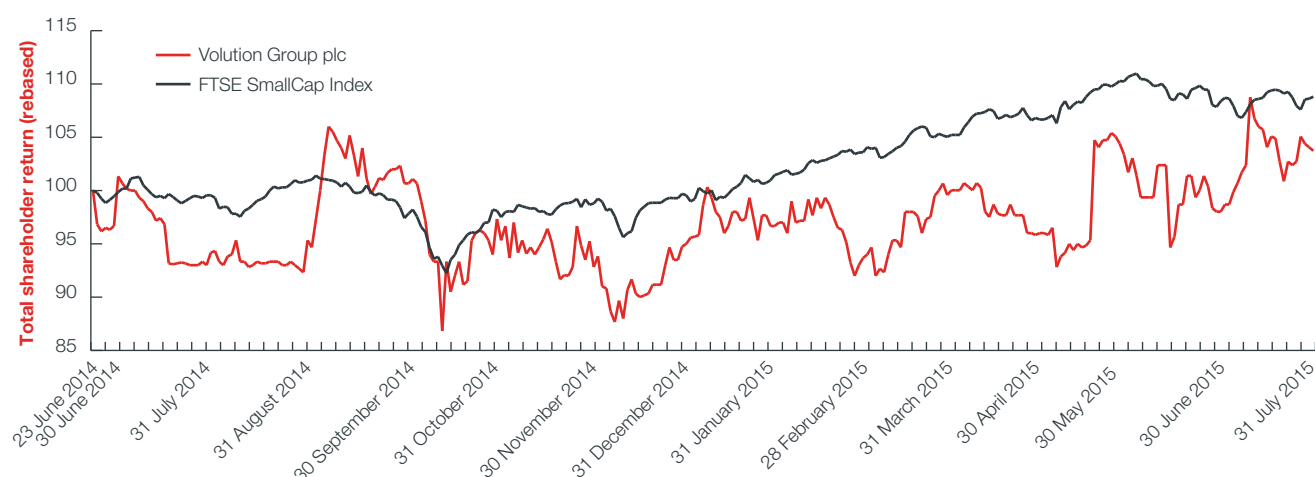
1. Includes any shares held by connected persons.
2. The target shareholding achieved has been calculated based on shares held beneficially as at 31 July 2015 using the share price on that date.
3. As part of the listing, the Executive Directors became subject to a lock-up arrangement whereby they agreed not to dispose of any shares for 365 days from listing. That period has now ended and it is possible that they may sell a portion of their holding, although at all times they will maintain a sizeable holding in the Company to ensure alignment with shareholders.
4. There were no changes in the Directors' shareholdings between 31 July 2015 and the date of this report.

Directors' Remuneration Report continued

Annual Report on Remuneration continued

Performance graph and Chief Executive Officer remuneration table (audited)

The chart below compares the total shareholder return performance of the Company against the performance of the FTSE SmallCap Index since listing on 23 June 2014. This index has been chosen because it is a recognised equity market index of which the Company is a member. The base point in the chart for the Company equates to the listing offer price of 150 pence per share.



The table below summarises the Chief Executive Officer's single figure for total remuneration, annual bonus payments and LTIP vesting levels as a percentage of maximum opportunity. Note that the 2014 data below relates to the whole of the 2014 financial year and so is not directly comparable to the 2014 period used above for TSR purposes as the Company listed on 23 June 2014.

	2015	2014
Chief Executive Officer's single figure of remuneration (£000)	643	1,061
Annual bonus pay out (as a % of maximum opportunity)	65%	100%
LTIP vesting (as a % of maximum opportunity)	N/A	N/A

Percentage change in remuneration of the Chief Executive Officer (audited)

The table below shows the movement in salary, benefits and bonus for the Chief Executive Officer between the current and prior year compared to the average remuneration for all employees.

% change	Chief Executive Officer	All employees ¹
Base salary	46.4%	12.6%
Benefits ²	58.5%	9.0%
Total annual bonus	(26.7)%	4.5%

Notes

1. Also including Chief Executive Officer's remuneration.

2. Benefits include car allowance, health cover and pension contributions.

The figures above represent a comparison of the Chief Executive Officer's salary pre and post listing. As explained earlier in the report, the Chief Executive Officer's salary was increased to £350,000 from listing (23 June 2014) following review of comparable companies.

Relative importance of the spend on pay (audited)

The following table shows the total expenditure on pay for all of the Company's employees compared to distributions to shareholders by way of dividend and share buyback. In order to provide context for these figures, adjusted EBITDA is also shown.

	2015 £m	2014 £m	% change
Employee remuneration costs	31.5	27.1	16.2%
Distributions to shareholders	2.1	—	N/A
Adjusted EBITDA	32.1	28.5	12.6%

Statement of implementation of Remuneration Policy for the financial year ending 31 July 2016

The Remuneration Committee has recently undertaken a review of the remuneration arrangements for our Executive Directors, with assistance from the Committee's advisers, Deloitte LLP. The following conclusions were reached by the Committee on implementation of the Remuneration Policy for the 2015/16 financial year.

Executive Director base salaries

Following the review, the Committee discussed and reviewed the salaries of the Executive Directors to ensure they were aligned with pay levels at companies of a similar size and complexity, considering Company performance and external market conditions, pay and conditions elsewhere in the Group, and the role, experience and personal performance of each individual. In the light of the review, the Committee awarded salary increases of 1% to each of the Executive Directors with effect from 1 August 2015, taking the base salary of Ronnie George to £353,500 and for Ian Dew to £252,500. This level of increase is in line with the average increase awarded to the Group's UK employees.

Pension and other benefits

The Executive Directors will continue to receive an annual employer's pension contribution at the rate of 15% of base salary and benefits comprising an annual car allowance paid in cash of £10,000 per annum, life assurance equivalent to four times annual salary and permanent health insurance.

Annual Bonus Plan (ABP)

Following the review, it was determined that there would be no change to the maximum percentage payable for Executive Director annual bonuses which would be up to a maximum of 100% of base salary. However, the adjusted EBIT performance measure which for the year ended 31 July 2015 was weighted as 70% of the maximum opportunity, would be replaced with adjusted operating profit (50%) and adjusted EPS (35%). Given the introduction of these two new measures, the EBIT margin measure would not continue as a performance measure. The remaining performance measures and weightings would remain the same as for the year ended 31 July 2015, being working capital management (10%) and Group employee retention (5%). Adjusted operating profit would measure the underlying performance of the business and adjusted EPS would measure the creation of shareholder value, therefore aligning the annual bonus incentive closely with the Group's strategy.

Long Term Incentive Plan (LTIP)

Following the review, it was determined that the LTIP framework would remain unchanged for the year ended 31 July 2016. Performance measures together with the Direct Peer Group and FTSE Comparator Group to be used for the LTIP awards made would remain the same as for the year ended 31 July 2015. Any LTIP awards made will be in accordance with the Remuneration Policy.

Non-Executive Director fees

Fees of Non-Executive Directors are determined by the Board in their absence. The fees of the Chairman (whose fees are determined by the Committee in his absence) and the Non-Executive Directors were reviewed in July 2015 and it was determined that they will remain unchanged for the year ended 31 July 2016.

The fees with effect from 1 August 2015 are summarised in the table below:

Chairman fee covering all Board duties	£135,000
Non-Executive Director basic fee	£45,000
Supplementary fees to Non-Executive Directors covering additional Board duties:	
– Senior Independent Director	£5,000
– Audit Committee Chairman	£10,000
– Remuneration Committee Chairman	£10,000

Directors' Remuneration Report continued

Statement of implementation of Remuneration Policy for the financial year ending 31 July 2016 continued

Statement on shareholder voting

The Company is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes in respect of the approval of the Directors' Remuneration Report and the Remuneration Policy. In the event of a substantial vote against a resolution in relation to Directors' remuneration, the Company would seek to understand the reasons for any such vote and would set out in the following annual report and accounts any actions in response to it.

The following table sets out the voting by shareholders at the Annual General Meeting in December 2014 in respect of our Remuneration Policy and Annual Report of Remuneration.

Resolution	Votes cast for	% of votes cast	Votes cast against	% of votes cast	Votes withheld
Approval of Remuneration Policy	179,988,175	100.00	0	0	4,000,000
Approval of Annual Report on Remuneration	179,572,767	99.77	415,408	0.23	4,000,000

Approval

This Directors' Remuneration Report was approved by the Board of Directors on 16 October 2015 and signed on its behalf by the Remuneration Committee chairman.



Anthony Reading, MBE

Chairman of the Remuneration Committee

16 October 2015

Directors' Report

Introduction

The Directors present their Annual Report and the audited financial statements of the Company for the year ended 31 July 2015.

This Directors' Report includes additional information required to be disclosed under the Companies Act 2006, the Code, the DTRs and the Listing Rules of the Financial Conduct Authority.

Certain information required to be included in the Directors' Report is included in other sections of this Annual Report as follows, which is incorporated by reference into this Directors' Report:

- > the Strategic Report on pages 1 to 35;
- > the Governance Report on pages 36 to 72;
- > information relating to financial instruments, as set out in note 25 to the consolidated financial statements; and
- > related party transactions as set out in note 31 to the consolidated financial statements.

This Directors' Report also represents the "Management Report" for the purpose of compliance with the DTRs.

Corporate structure

Volution Group plc is a public company limited by shares, incorporated in England and Wales and its shares are traded on the premium segment of the main market of the London Stock Exchange (LSE: FAN).

Results and dividend

The Group's results for the year are shown in the statement of comprehensive income on page 79.

In accordance with the Company's dividend policy, a maiden interim dividend of 1.05 pence per share was paid to shareholders on 14 May 2015. The Directors are recommending a final dividend in respect of the financial year ended 31 July 2015 of 2.25 pence per share which, if approved, will be paid on 18 December 2015 to shareholders on the register on 27 November 2015. The total dividend paid and proposed for the year amount to 3.30 pence per share.

Share capital and related matters

The Company has only one class of share and the rights attached to each share are identical. Details of the rights and obligations attaching to the shares are set out in the Company's Articles of Association which are available from the Company Secretary. The Company may refuse to register any transfer of any share which is not a fully paid share. At a general meeting of the Company, every member has one vote on a show of hands and on a poll one vote for each share held. Details of the voting procedure, including deadlines for exercising voting rights, are set out in the Notice of Annual General Meeting 2015.

As at 31 July 2015 the issued share capital of the Company was 200,000,000 ordinary shares of 1 pence each. Details of the share capital as at 31 July 2015 are shown in note 28 to the financial statements.

Powers of the Directors

The Directors may exercise all the powers of the Company including, subject to obtaining the required authority from the shareholders in general meeting, the power to authorise the issue of new shares and the purchase of the Company's shares. During the financial year ended 31 July 2015, the Directors did not exercise any of the powers to issue or purchase shares in the Company.

Restrictions on transfer

There are no general restrictions on the transfer of ordinary shares in the Company other than in relation to certain restrictions that are imposed from time to time by laws and regulations (for example insider trading laws). Pursuant to the Listing Rules, Directors and certain officers and employees of the Group require the approval of the Company to deal in the ordinary shares of the Company.

On 18 June 2014, the Company entered into an Underwriting Agreement with, among others, the Directors, the Senior Management Team (the names of which are set out in the Prospectus dated 23 June 2014, available on the Company's website), Windmill Holdings B.V. (our controlling shareholder), and Liberum Capital Limited and Canaccord Genuity Limited (underwriters) in accordance with which:

- > our controlling shareholder agreed, subject to certain customary exceptions, not to dispose of any shares in the Company for a period of 180 days following listing; and
- > each of the Executive Directors and the Senior Management Team agreed, subject to certain customary exceptions, not to dispose of any shares in the Company for a period of 365 days following listing.

All these restrictions ceased during the year.

Each ordinary share in the capital of the Company ranks equally in all respects. No shareholder holds shares carrying special rights relating to the control of the Company. However, the Company has entered into a Relationship Agreement with our controlling shareholder in connection with the exercise of their rights as principal shareholder in the Company and their right to appoint a Director to the Board.

The Company has in place certain share incentive plans and details can be found on page 64. The first awards under the Company's Long Term Incentive Plan were made in October 2014 and details can be found in the Directors' Remuneration Report on page 65.

The Company also has an employee benefit trust in which to hold ordinary shares to satisfy awards under the share incentive plans. As at the financial year end on 31 July 2015 and as at the date of this report, there were no ordinary shares held in the trust.

Directors' Report continued

Substantial shareholdings

As at 16 October 2015, the Company had been notified, in accordance with the DTRs, of the following interests representing 3% or more of the voting rights in the issued share capital of the Company:

Name of holder	Total holding of shares	% of total voting rights
Windmill Holdings B.V.	122,751,087	61.38%
Tameside MBC re. Greater Manchester Pension Fund	6,413,511	3.21%
Polar Capital European Forager Fund Limited	6,087,757	3.04%

Relationship Agreement

On 18 June 2014, the Company and our controlling shareholder entered into a Relationship Agreement, the principal purpose of which is to ensure that the Company is capable at all times of carrying on its business independently of our controlling shareholder and their associates and ensure all transactions and arrangements between them and the Group will be conducted at arm's length and on normal commercial terms. The terms of the Relationship Agreement remain unchanged.

The Board can confirm that during the financial year ended 31 July 2015, the Company complied with the independence provisions in the Relationship Agreement and, so far as the Board is aware, the independence provisions have also been complied with by the Company's controlling shareholder and its associates.

Directors

The Directors of the Company and their biographies are set out on pages 36 to 37. Their interests in the ordinary shares of the Company are shown in the Directors' Remuneration Report on page 65. There have been no changes in the make-up of the Board between the end of the financial year and the date of this report.

Appointment and removal of Directors

Directors may be appointed by ordinary resolution of the Company or by the Board.

Under the Relationship Agreement, the Company has agreed with our controlling shareholder that it may appoint and remove one Non-Executive Director to the Board for so long as our controlling shareholder (and/or any of its associates, when taken together) holds 15% or more of the voting rights over the Company's shares.

All Directors will stand for re-election on an annual basis, in line with the recommendations of the Code.

Under the Listing Rules, our controlling shareholder is a controlling shareholder of the Company. For so long as the Company has a controlling shareholder, any election or re-election of an Independent Director by shareholders must also be approved by independent shareholders (being shareholders other than the controlling shareholder). If the approval of independent shareholders to the appointment of a Director is not obtained, the Company may propose a further shareholder resolution to appoint that person between 90 and 120 days after the vote on the first resolution. Independent shareholder approval is not required for any such second resolution.

In addition to any powers of removal conferred by the Companies Act 2006, the Company may by special resolution remove any Director before the expiration of his period of office.

Directors' indemnities and insurance

The Articles of Association of the Company permit it to indemnify the Directors of the Company against liabilities arising from or in connection with the execution of their duties or powers to the extent permitted by law.

The Company has directors' and officers' indemnity insurance in place in respect of each of the Directors. The Company has entered into a qualifying third party indemnity (the terms of which are in accordance with the Companies Act 2006) with each of the Directors. Neither the indemnity nor insurance provide cover in the event that a Director or officer is proved to have acted fraudulently.

Transactions with related parties

Details of the transactions entered into by the Company with parties who are related to it are set out in note 31 to the consolidated financial statements.

The only material agreements with related parties in place during the year were as follows:

- > the Relationship Agreement with our controlling shareholder, Windmill Holdings B.V. This Relationship Agreement describes the relationship of the Company with our controlling shareholder together with and subject to certain minimum shareholding requirements, the right of our controlling shareholder to be represented on the Board and certain anti-dilution rights; and
- > the Underwriting Agreement. The Company entered into this agreement on 18 June 2014 with, among others, the Directors, the Senior Management Team (the names of which are set out in the Prospectus dated 23 June 2014 available on the Company's website), our controlling shareholder (Windmill Holdings B.V.) and Liberum Capital Limited and Canaccord Genuity Limited (underwriters). This agreement sets out the underwriting arrangements for the Company's listing on 23 June 2014. As part of this agreement, our controlling shareholder, the Directors and the Senior Management Team became subject to certain lock-up arrangements whereby they agreed not to dispose of any ordinary shares in the Company for a period of time. Further details can be found on page 69 under share capital and related matters.

Change of control

There is one significant agreement to which the Company is a party that is affected by a change of control as follows:

- > The Facilities Agreement dated 13 February 2015 contains provisions to enter into negotiations with the lenders to continue with the Facilities set out in the agreement upon notification that there will be a change of control. Further details of the Group's banking facilities are shown in note 26 to the consolidated financial statements.

The provisions of the Company's share incentive plans may cause options and awards granted to employees under such plans to vest on takeover.

The Company does not have agreements with any Director that would provide compensation for loss of office or employment resulting from a change of control.

Amendment to the Company's Articles of Association

The Company may alter its Articles of Association by special resolution passed at a general meeting of shareholders.

Political donations

The Group has not made in the past, nor does it intend to make in the future, any political donations.

Post balance sheet events

On 5 August 2015, the Company completed the acquisition of Ventlair Group International BVBA based in Belgium. This company is not consolidated into the Volution Group plc financial statements.

Going concern

The financial position of the Group, its cash flows and liquidity position are set out in the Financial Statements section. Furthermore, note 30 on page 113 to the consolidated financial statements includes the Group's objectives and policies for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit and liquidity risk.

The Directors believe the Group is in a strong financial position due to its profitable operations and strong cash generation and that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. The Directors have made this assessment after consideration of the Company's budgeted cash flows and related assumptions and in accordance with the Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009 published by the UK Financial Reporting Council.

Viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code 2014 (which applies to the Group for the financial year ended 31 July 2016), the Board will assess the prospects of the Group over a longer period than the twelve months required by the Going Concern provision. The Board will determine the period of time which is relevant to the Group and its prospects over that period, and make a disclosure together with the reasons why the period was chosen, in the Annual Report and Accounts 2016.

Annual General Meeting

The Annual General Meeting will be held at 11.00 am on Tuesday 15 December 2015 at the offices of Norton Rose Fulbright LLP, 3 More London Riverside, London SE1 2AQ. The Notice of Annual General Meeting and an explanation of the items of non-routine business are set out in the explanatory circular that accompanies this Annual Report and Accounts.

Auditor and disclosure of information to auditor

Each of the Directors in office at the date when this Annual Report and Accounts was approved confirms that:

- > so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- > the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Ernst & Young LLP has expressed their willingness to be re-appointed as auditor of the Company. A resolution to re-appoint Ernst & Young LLP as the Company's independent auditor will be proposed at the forthcoming Annual General Meeting.

By order of the Board



Michael Anscombe
Company Secretary

16 October 2015

Volution Group plc
Registered office: Fleming Way, Crawley, West Sussex RH10 9YX
Company number: 09041571

Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with IFRS as adopted by the EU.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- > select suitable accounting policies and then apply them consistently;
- > make judgements and estimates that are reasonable and prudent;
- > state whether the Group and parent company financial statements have been prepared in accordance with IFRS as adopted by the EU; and
- > prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of Directors in respect of the Annual Report and the financial statements

We confirm that to the best of our knowledge:

- > the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and loss of the Group and the undertakings included in the consolidation taken as a whole; and
- > the Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- > the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board



Ronnie George
Chief Executive Officer
16 October 2015



Ian Dew
Chief Financial Officer
16 October 2015

Independent Auditor's Report

to the members of Volusion Group plc

Opinion on financial statements

In our opinion:

- > the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs at 31 July 2015 and of the Group's profit for the year then ended;
- > the Group and parent company financial statements have been properly prepared in accordance with IFRS adopted by the European Union; and
- > the financial statements have been prepared in accordance with the provisions of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

Volusion Group plc's financial statements comprise the:

Group

- > consolidated statement of comprehensive income for the year ended 31 July 2015;
- > consolidated statement of financial position at 31 July 2015;
- > consolidated statement of changes in equity for the year then ended;
- > consolidated statement of cash flows for the year then ended; and
- > related notes 1 to 36 to the consolidated financial statements.

Parent company

- > parent company statement of financial position at 31 July 2015;
- > parent company statement of changes in equity for the year then ended;
- > parent company statement of cash flows for the year then ended; and
- > related notes 1 to 18 to the parent company financial statements.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) adopted by the European Union.

Our assessment of risk of material misstatement

We identified the following risks that had the greatest impact on our audit strategy and scope; the allocation of resources in the audit; and directing the efforts of the engagement team. Our response to the risks identified is also set out below:

Risk	Our response to these risks	What we concluded to the Audit Committee
Revenue recognition – inaccuracy of the measurement, completeness and occurrence of revenue		
Group revenue substantially arises from the sale of goods, with a small proportion relating to the provision of services. The timing of revenue recognition depends on the terms of individual transactions and is typically recognised on despatch. We assessed inappropriate revenue cut-off to be a significant risk as revenue is a key input to many of the Group's key performance indicators. In addition we assessed inaccurate accruals for customer rebates to be a significant risk within revenue recognition. Details of the estimates and assumptions applied to rebates are disclosed in note 4 to the consolidated financial statements. Revenue is analysed in note 6 to the consolidated financial statements.	<p>We updated our understanding of revenue processes and controls and, in certain key locations, tested key management controls supporting the recognition and measurement of revenue.</p> <p>In all locations we verified the recognition and measurement of revenue by tracing a sample of transactions throughout the year to source data. We simultaneously verified the accuracy of reported revenue.</p> <p>We tested a sample of non-automated journal entries to revenue and credit notes issued subsequent to the year end. We tested the appropriate recognition and documentation of customer rebates with reference to agreed rebate terms and through comparison of prior period provisions and their eventual settlement.</p> <p>We also performed analytical review procedures to identify significant fluctuations and trends and obtained explanations for unusual variances.</p> <p>We performed full audit procedures in six locations, which covered 98% of consolidated revenue. We also performed analytical review procedures in two locations, which covered 2% of consolidated revenue.</p>	<p>Having completed our procedures nothing has come to our attention to indicate that revenue recognition is inappropriate. Our testing of controls did not identify material weaknesses in the design and operation of controls.</p> <p>From the testing performed we found that revenue is accurate and measured in line with source data. Our testing of non-automated journal entries to revenue did not indicate evidence of management override nor did we identify an unusually high level of sales returns or credit notes issued subsequent to the year end.</p> <p>We also found that the accrual for customer rebates reflected the commercial substance of the customer agreements, and assumptions applied by management in reaching the rebate accrual to be consistent with those applied in FY 2014.</p>

Independent Auditor's Report continued

to the members of Volusion Group plc

Our assessment of risk of material misstatement continued

Risk	Our response to these risks	What we concluded to the Audit Committee
Impairment of the valuation of goodwill and intangible assets		
<p>Goodwill and intangible assets comprise a significant proportion of total assets and have arisen principally from various business combinations entered into by the Group.</p> <p>The Group tests annually whether goodwill, which has an indefinite useful life, has suffered impairment. The Group also reviews assets that are subject to amortisation or depreciation for events or changes in circumstances that indicate the carrying amount of the asset may not be recoverable.</p> <p>The testing described above requires the use of accounting estimates and judgements in determining the recoverable amount of cash generating units (CGUs) to which the assets are associated. These include forecast cash flows for CGUs for future years ahead and the determination of an appropriate post-tax discount factor. This is a key focus of our audit procedures due to the level of management judgement required in determining appropriate assumptions impacting the impairment assessment and the sensitivity of the model.</p> <p>The main assumptions impacting the assessment and sensitivity of the model are future revenues, future earnings and discount rates.</p> <p>Further details of the key assumptions used and the recoverable amount are set out in notes 4 and 19 to the consolidated financial statements.</p>	<p>We updated our understanding of management's annual impairment process.</p> <p>We ensured the methodology applied in the impairment review complies with the requirements specified in IAS 36, including the components of the carrying value and the nature of cash flows included in determining the value in use. We also performed the following:</p> <ul style="list-style-type: none"> > We obtained the forecasts underlying the impairment review and agreed these to budgets approved by the Board. > We assessed the reasonableness of terminal growth rates used in the model for the period beyond the approved budgets. > We reviewed key assumptions including sales and EBITDA against actual performance and ascertained the historical accuracy of forecasting. > We made enquiries of the appropriate finance and commercial personnel where forecasted performance significantly deviated from historic performance levels, observable trends or our expectations. > We also performed sensitivity analysis on key assumptions. <p>We determined whether the discount rates applied were appropriate with support from our internal business modelling experts. We also considered whether an appropriate country specific discount rate was applied and whether the associated financial statement disclosures were appropriate.</p> <p>We compared indicators of impairment considered by management with those suggested by IAS 36 and other matters we considered to be relevant to the Group.</p>	<p>We believe the assessment of the CGU recoverable amounts, including the cash flow projections estimated by management, are reasonable. We noted the methodology applied by management to be consistent with the methodology applied in FY 2014.</p> <p>We believe the process undertaken in determining whether any indicators of impairment are present is appropriate.</p> <p>Based on the procedures performed, we believe the carrying value of goodwill and intangible and assets to be supportable.</p>

Risk	Our response to these risks	What we concluded to the Audit Committee
Legal entity restructuring – incorrect measurement of realised profit recognised by the parent company		
<p>During the IPO in 2014, the Group identified a number of potential dividend blocks in its legal entity structure, which it intended to resolve through restructuring intra-group balances and investments.</p> <p>The restructuring took place during the year and, as a result, subsidiaries have adequate distributable reserves to distribute dividends upwards to the parent company in the future. A £4.8 million dividend in specie was received by the parent entity from the restructuring, thus increasing distributable reserves. The remaining £92.9 million created in reserves in the parent company is non-distributable.</p> <p>We assessed the legal entity restructuring as containing a significant risk due to the magnitude of realised profit recognised by the parent company and the complex pattern of individual steps in arriving at the increase in distributable reserves of the parent company.</p>	<p>We obtained the detailed step plan used by management and involved our specialists in reviewing the steps that were implemented. We also reviewed all the journals recorded and whether the amounts recorded were accurate.</p> <p>We reviewed filings made at Companies House in support of the above and undertook further procedures in understanding the qualifications of the advisers engaged by management to design and execute the step plan.</p>	<p>Having completed our procedures, nothing has come to our attention to suggest the amounts recognised are inaccurate, nor the steps taken in the restructuring are inappropriate. We also consider the accompanying disclosure to be appropriate.</p>

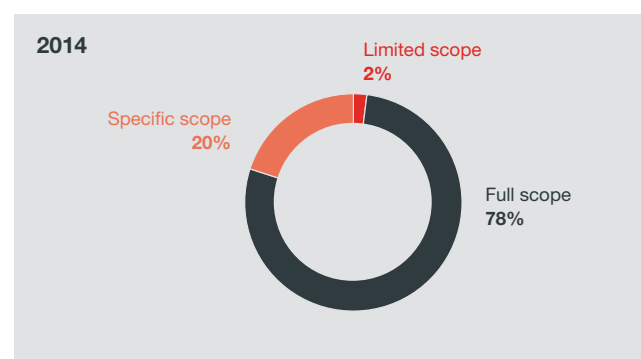
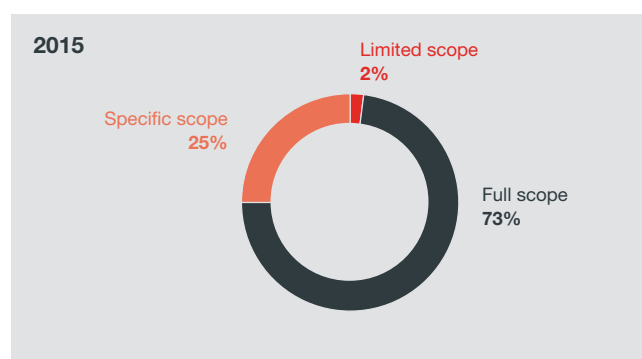
In our audit opinion for the year ended 31 July 2014, the following were included in our summary of risks of material misstatement:

- inappropriate accounting for the Group restructuring resulting from the IPO in June 2014;
- the conversion of the Group's results from UK GAAP to IFRS adopted by the European Union;
- accounting for business combinations; and
- inappropriate presentation of items as exceptional.

The IPO and conversion of the Group's results from UK GAAP to IFRS were one-off events in the year ended 31 July 2014 that were not applicable for 2015. Whilst we continue to perform audit procedures over business combinations, of which there has only been one during the year and of a relatively small scale, and the presentation of items as exceptional, we considered the impact in FY 2015 to be considerably less significant to the financial statements.

An overview of the scope of our audit

Our audit focused on the Group's principal trading locations and cost centres, which were identified based on our assessment of higher risk areas and locations that were considered material based on size, complexity and risk, organisation of the Group and effectiveness of Group-wide controls. Our testing is summarised below:



Independent Auditor's Report continued

to the members of Volution Group plc

An overview of the scope of our audit continued

	Financial year 2015		Financial year 2014	
	Coverage (revenue)	Number of components	Coverage (revenue)	Number of components
Full scope procedures	73%	4	78%	4
Specific audit testing	25%	10	20%	9
Limited review	2%	6	2%	6
	100%	20	100%	19

	Financial year 2015		Financial year 2014	
	Coverage (adjusted PBT)*	Number of components	Coverage (adjusted PBT)*	Number of components
Full scope procedures	85%	4	52%	4
Specific audit testing	14%	10	48%	9
Limited review	1%	6	0%	6
	100%	20	100%	19

* Pre-tax earnings, adjusted for non-recurring exceptional items. Full scope coverage increased substantially as a result of refinancing of loan facilities. These facilities were moved from a non-trading, specific scope component into a full scope component.

The audits of these components were performed at a materiality level calculated as a proportion of Group materiality appropriate to the relative scale and risk of the location. The number of components changed following the acquisition of Brüggemann during the year.

Full scope locations were subject to an audit of the entire balance sheet and income statement. Specific scope locations were not significant enough to require a full scope audit; our procedures therefore focused on individual balances that are significant to the Group either based on their size or risk. Limited review locations were subject to analytical procedures, testing of entity level controls at Group level and review of the Group financial statement close process.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the four full scope components, audit procedures were performed on all of these directly by the primary audit team. Of the ten specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

Detailed audit instructions were sent to the EY component auditors in Sweden and Germany. The instructions explained the relevant risks of material misstatement to the Group and set out significant audit areas that should be addressed and the nature of reporting required by the Group audit team.

The audit of all the UK components was performed by the Group audit team, who also attended key meetings of the Swedish and German components to discuss the results of their testing of higher risk areas relevant to the Group. All significant locations were audited by EY member firms. Due to the nature of the risks noted on the previous page, the Group audit team was supported by valuations experts and taxation and accounting specialists.

Our application of materiality

We applied the concept of materiality both in planning and performing our audit, and in evaluating the effects of misstatements on our audit and the financial statements. For the purposes of determining whether the financial statements are free from material misstatement, we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person relying on the financial statements would be changed or influenced. We also determine a level of performance materiality, which we use to determine the extent of testing needed to reduce to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined materiality for the Group to be £752,000, which is approximately 5% of pre-tax earnings, adjusted for non-recurring exceptional items, as set out in note 8 to the consolidated financial statements.

On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgement is that overall performance materiality for the Group is £376,000. This equates to 50% of the Group materiality. Our objective in adopting this approach is to ensure that total uncorrected and undetected audit differences do not exceed our materiality of £752,000 for the financial statements as a whole.

Materiality in the year ended 31 July 2014 was £511,000 and was calculated as approximately 2% of earnings before interest, tax, depreciation and amortisation (EBITDA), adjusted for non-recurring exceptional items. We adjusted the basis for calculating planning materiality as the Group is generating pre-tax profits in FY 2015, whereas the Group was loss making in FY 2014 due to the high levels of interest payable under its previous private equity capital structure. Performance materiality in FY 2014 was £256,000.

We agreed with the Audit Committee that we would report all identified audit differences in excess of £38,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We reported audit differences greater than £26,000 to the audit committee in FY 2014.

We evaluate any uncorrected misstatements against both quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming an opinion.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibility Statement set out on page 72, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- > the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- > the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's Report continued to the members of Volution Group plc

Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting

We are required to report to you if, in our opinion, financial and non-financial information in the Annual Report is:

We have no exceptions to report.

- > materially inconsistent with the information in the audited financial statements; or
- > apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- > otherwise misleading.

In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the Directors' statement that they consider the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the Annual Report appropriately addresses those matters that we communicated to the Audit Committee that we consider should have been disclosed.

Companies Act 2006 reporting

We are required to report to you if, in our opinion:

We have no exceptions to report.

- > adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- > the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- > certain disclosures of Directors' remuneration specified by law are not made; or
- > we have not received all the information and explanations we require for our audit.

Listing Rules review requirements

We are required to review:

We have no exceptions to report.

- > the Directors' Responsibility Statement, set out on page 72, in relation to going concern; and
- > the part of the Corporate Governance Statement relating to the Company's compliance with the ten provisions of the UK Corporate Governance Code specified for our review.

Notes

1. The maintenance and integrity of the Volution Group plc website is the responsibility of the Directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Ernst & Young Wf

Andy Glover (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP,
Statutory Auditor
London
16 October 2015

Consolidated Statement of Comprehensive Income

For the year ended 31 July 2015

	Notes	2015 £000	2014 £000
Revenue	6	130,178	120,709
Cost of sales		(67,019)	(63,748)
Gross profit		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	8	(731)	(7,783)
Operating profit	12	17,202	5,664
Finance revenue	9	533	7
Finance costs	9	(2,209)	(21,183)
Profit/(loss) before tax		15,526	(15,512)
Income tax	14	(3,691)	1,254
Profit/(loss) for the year		11,835	(14,258)
Other comprehensive (expense)/income:			
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)	15	5.9p	(14.0)p

Strategic Report

Governance Report

Financial Statements

Additional Information

Consolidated Statement of Financial Position

At 31 July 2015

	Notes	2015 £000	2014 £000
Non-current assets			
Property, plant and equipment	16	16,047	15,915
Intangible assets – goodwill	17	51,725	50,127
Intangible assets – others	18	100,951	113,651
Deferred tax assets	14	394	732
		169,117	180,425
Current assets			
Inventories	21	15,019	15,922
Trade and other receivables	22	26,271	25,422
Income tax		—	1,093
Other current financial assets	25	—	422
Cash and short-term deposits	23	11,565	10,987
		52,855	53,846
Total assets		221,972	234,271
Current liabilities			
Trade and other payables	24	(25,295)	(22,821)
Other current financial liabilities	25	(225)	(467)
Income tax		(1,411)	—
Provisions	27	(855)	(1,018)
		(27,786)	(24,306)
Non-current liabilities			
Interest-bearing loans and borrowings	26	(31,867)	(53,903)
Other non-current financial liabilities	25	—	(122)
Provisions	27	(600)	(600)
Deferred tax liabilities	14	(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	28	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. Refer to note 34 for further detail of these plans.

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	8	731	7,783
Cash flows relating to exceptional costs		(89)	(6,847)
Finance revenue	9	(533)	(7)
Finance costs	9	2,209	21,183
Share-based payment expense		181	—
Depreciation of property, plant and equipment	16	2,536	1,932
Amortisation of intangible assets	18	11,646	11,201
Impairment of intangible assets	18	—	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	18	(1,723)	(1,664)
Purchase of property, plant and equipment	16	(3,880)	(2,930)
Proceeds from disposal of property, plant and equipment		979	62
Acquisition of subsidiaries, net of cash acquired	20	(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		(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	23	11,565	10,987

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

1. General information

The consolidated financial statements present the results of Volution Group plc ("the Company") and its subsidiaries (collectively referred to as "the Group") for the year ended 31 July 2015. A list of subsidiaries and their countries of incorporation is presented in note 32.

From a trading perspective, the Group is engaged in the following:

- > the design, manufacture and distribution of unitary and systems ventilation products and equipment. These include a number of respected brands in the ventilation industry; and
- > the design, manufacture and distribution of a range of motors and components for use in air movement applications and gas boilers.

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.

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 are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

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.

Capital re-organisation during 2014

Windmill Newco plc was incorporated on 15 May 2014 and subsequently changed its name to Volution Group plc on 4 June 2014. With effect from 23 June 2014, Volution Group plc became the legal parent of Windmill Topco Limited, the previous holding company of the Group, and its subsidiary undertakings through a Group re-organisation, which was accounted for as a common control transaction. The consolidated financial statements have therefore been prepared as a continuation of the existing Group using the pooling of interest method. The difference in share capital and reserves arising from the use of the pooling of interest method was recorded in a capital reserve.

Legal entity re-organisation during 2015

As the Volution Group (the "Group") has grown and been through various rounds of ownership and refinancing the Group structure has evolved accordingly. Because Volution is now a fully listed Group it was necessary to simplify the Group corporate structure and remove dividend blocks, as initially described in the IPO prospectus (page 207 and 208). In summary, the change to the corporate structure involved the movement "sideways" of 4 subsidiary holding companies out of the dividend chain and the transfer of a 6% shareholding in a German property subsidiary to Volution Group plc. These changes were required in order to allow dividends to flow freely up the Group and ultimately be available for distribution to shareholders of the Group.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2015

3. Accounting policies continued

Basis of consolidation

The financial information includes all subsidiaries. The results of subsidiaries are included from the date on which effective control is acquired up to the date control ceases to exist.

Subsidiaries are controlled by the parent (in each relevant period) regardless of the amount of shares owned. Control exists when the parent has the power, either directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Subsidiaries are consolidated from the date on which control is transferred and cease to be consolidated from the date on which control no longer exists.

The financial statements of subsidiaries are prepared for the same reporting periods using consistent accounting policies. All intercompany transactions and balances, including unrealised profits arising from intra-group transactions, have been eliminated on consolidation.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. There have been no non-controlling interests in the business combinations to date. Acquisition costs incurred are expensed and included in exceptional items.

When the Group acquires a business it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date.

Contingent consideration resulting from business combinations is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date, with changes in fair value recognised either in profit or loss or as a change in other comprehensive income (OCI). The determination of fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

Goodwill is initially recognised at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units (CGUs) that are expected to benefit from the combination, irrespective of whether assets or liabilities of the acquisition are assigned to those units.

Business combinations are set out in note 20.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances that are calculated based upon the price of goods, volumes and product mix purchased by the customer. Revenue is stated net of settlement discounts, VAT, other sales taxes and duties.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- > the Group has transferred ownership of the goods when the significant risks and rewards have passed to the buyer, usually on the delivery of the goods;
- > the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- > the amount of revenue can be measured reliably;
- > it is probable that the economic benefits associated with the transaction will flow to the entity; and
- > the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

3. Accounting policies continued

Revenue recognition continued

Rendering of services

Revenue from the provision of services is recognised by reference to the stage of completion. The stage of completion is measured by reference to costs incurred to date as a percentage of total expected cost for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of expenses recognised that are recoverable.

Finance revenue

Revenue is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

Segmental analysis

The Group has adopted IFRS 8 Operating Segments. The method of identifying segments is based on internal management reporting information that is regularly reviewed by the chief operating decision maker, which is considered to be the Chief Executive Officer of the Company.

For management purposes, the Group is organised into two reportable segments: Ventilation Group and Original Equipment Manufacturer (OEM (Torin-Sifan)). Each reportable segment is managed separately as they require different marketing approaches.

Foreign currencies

The individual financial statements of each subsidiary are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the Group financial statements, the results and financial position of each entity are expressed in GBP ("£000"), which is the functional currency of the Company and the presentational currency of the Group.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rate of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rate prevailing at the end of the reporting period.

Non-monetary items that are measured in historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date the fair value was determined.

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 directly to reserves together with the exchange difference on the net investment in these operations.

Income taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from, or payable to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements with the following exceptions:

- where the temporary differences arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised only to the extent that the Directors consider it is probable that there will be taxable profits from which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates enacted or substantively enacted by the reporting date.

The carrying amount of deferred income tax assets is reviewed at each reporting date. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred taxes relate to the same taxation authority and that authority permits the Group to make a single net payment.

Deferred income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, deferred tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2015

3. Accounting policies continued

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment; when significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred.

Depreciation is charged so as to write off the cost or valuation of assets, except freehold land, over their estimated useful lives using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimates accounted for on a prospective basis.

The following useful lives are used in the calculation of depreciation:

Freehold buildings	– 30–50 years
Plant and machinery	– 5–10 years
Fixtures, fittings, tools, equipment and vehicles	– 4–10 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income as part of administrative expenses, as set out in note 12, or if the amount is deemed significant within exceptional items, as set out in note 8.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

The fair value of patents, trademarks and customer base acquired and recognised as part of a business combination is determined using the relief-from-royalty method or multi-period excess earnings method.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses.

Research and development costs

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale; its intention to complete and its ability to use or sell the asset; how the asset will generate future economic benefits; the availability of resources to complete the asset; and the ability to reliably measure the expenditure during development.

Development costs

In the first set of financial statements prepared applying IFRS, the Group had been unable to capitalise development costs in full for historical periods. Retrospective application of IFRS does not permit the use of hindsight to conclude whether the development costs recognition and measurement criteria were met in historical periods. In order to retrospectively apply IFRS and capitalise development costs prior to periods presented, the Group would have had to revisit the research and development costs incurred and reconstruct a development cost that would be compliant with IFRS criteria, as the current records do not separate research and development costs based on the IFRS criteria. For example, staff costs were not divided between specific projects. The Group has therefore determined that most of the development costs for the historical periods could not be capitalised without the use of hindsight and therefore all development costs relating to staff costs were expensed as incurred for the respective periods. The Group has now put a procedure in place to monitor all future development spending and staff costs to assess whether the criteria are met.

Subsequent measurement of intangible assets

Intangible assets with a definitive life are amortised on a straight line basis over their estimated useful lives as follows:

Development costs	– 10 years
Software costs	– 5 years
Customer base	– 5–11 years
Trademarks	– 20–25 years
Patents	– 20–25 years

The estimated useful life and amortisation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3. Accounting policies continued

Intangible assets continued

Impairment of tangible and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets with definite lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest Group of cash generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. Impairment losses are immediately recognised in the statement of comprehensive income.

The Group has identified the following cash generating units. These are used in the impairment review of tangible and intangible assets.

Residential repair, maintenance and improvement (RMI)
 Residential New Build
 Commercial
 UK Export
 Nordics Residential
 Germany Residential
 Original Equipment Manufacturer (OEM (Torin-Sifan))

Goodwill

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units.

Goodwill is reviewed for impairment annually or more frequently if there is an indication of impairment. Impairment of goodwill is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying value of the cash generating unit to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

- > raw materials: purchase cost on a first in, first out basis; and
- > work in progress and finished goods: cost of direct materials and labour and an appropriate portion of fixed and variable overhead expenses based on normal operating capacity, but excluding borrowing costs.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Trade and other receivables

Trade and other receivables are recognised when it is probable that a future economic benefit will flow to the Group. Trade and other receivables are carried at original invoice or contract amount less any provisions for discounts and doubtful debts. Provisions are made where there is evidence of a risk of non-payment taking into account ageing, previous experience and general economic conditions.

Cash and cash equivalents

Cash and short-term deposits comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2015

3. Accounting policies continued

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that the Group will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Provisions for the expected costs of maintenance guarantees are charged against profits when products have been invoiced.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

The timing of cash outflows are by their nature uncertain and are therefore best estimates. Provisions are not discounted as the time value of money is not considered material.

Exceptional items

The Group discloses exceptional items by virtue of their nature, size or incidence to allow a better understanding of the underlying trading performance of the Group. Exceptional items include, but are not limited to, IPO transaction costs, significant restructuring, acquisition and related integration and earn-out costs and material gains or losses on disposal of property, plant and equipment.

Financial liabilities

Net financing costs

Net financing costs comprise interest income on funds invested, gains/losses on the disposal of financial instruments, changes in the fair value of financial instruments, interest expense on borrowings and finance leases, and foreign exchange gains/losses. Interest income and expense is recognised as it accrues in the statement of comprehensive income using the effective interest method.

Interest-bearing loans and borrowings

Borrowings and other financial liabilities, including loans, are initially measured at fair value, net of transaction costs.

Borrowings and other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

All transaction costs relating to the refinancing have been expensed in the prior year. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk. Instruments used are principally foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are included in notes 25 and 30.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at the reporting date. The resulting gain or loss is immediately recognised in the statement of comprehensive income. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The fair value of derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the relationship is more than twelve months and as a current asset or a current liability if the remaining maturity of the relationship is less than twelve months.

No derivative contracts have been designated as hedges for accounting purposes.

Hedge of net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for as follows: gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in OCI while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is reclassified to profit or loss.

The Group uses borrowings in local currencies as a hedge of its exposure to foreign exchange risk on its investments in foreign operations.

3. Accounting policies continued

Fair value measurement

The Group measures certain financial instruments, such as derivatives, at fair value at each reporting date. The Group also measures assets and liabilities (for example intangible assets) acquired in a business combination at fair value on initial recognition. The fair values of financial instruments measured at amortised cost are disclosed in note 30.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or most advantageous market must be accessible by the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fair value measurement

For recurring and non-recurring fair value measurements categorised within Level 3 of the fair value hierarchy, based on a multi-criteria approach, the following valuation techniques can be used for the same class of assets:

- discounted cash flow using the following inputs: net current inflow, terminal value, discount rate; and
- yield methodology using market values capitalised with a market capitalisation rate.

The resulting valuations are cross-checked against the initial yields and the fair market values derived from actual market transactions.

If the fair value is not reliably determinable, the asset is measured at cost model until such time as the fair value can be reliably measured.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Leasing commitments

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Payments under operating leases are charged to the statement of comprehensive income on a straight line basis over the term of the lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

Pensions

Contributions to defined contribution schemes are recognised in the statement of comprehensive income in the period they become payable. The cost charged to the statement of comprehensive income of providing retirement pensions for employees represents the amounts paid by the Group to various defined contribution pension schemes operated by the Group in the financial period.

Dividends

Dividends are recognised when they meet the criteria for recognition as a liability. In relation to final dividends, this is when the dividend is approved by the Directors in the general meeting, and in relation to interim dividends, when paid.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2015

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

Judgements

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

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 management's 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 8 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 18 for amounts capitalised as development costs.

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 20 provides details on business combinations.

Impairment of goodwill and other intangible assets

The Group's impairment test for goodwill is based on a value in use calculation using a discounted cash flow model. The cash flows are derived from the business plan for the following three years. The recoverable amount is 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 19.

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 18.

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 14. Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

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

Estimates and assumptions continued

Rebates payable and receivable

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

The following new accounting standards and amendments have been adopted during the period:

IFRS 10 Consolidated Financial Statements builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in the consolidated accounts of the Company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 12 Disclosure of Interests in Other Entities includes the disclosure requirements for all forms of interests in other entities.

2010–2012 Annual Improvements cycle – The IASB's annual improvements process deals with non-urgent, but necessary, clarifications and amendments to IFRS. The 2010–12 cycle includes an amendment to IFRS 8 Operating Segments that requires the Group to disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of the economic characteristics used to assess whether the segments are similar.

Adoption of IFRS 10 and 12 and the 2010–12 Annual Improvements cycle has had no impact on the Group's reported results or financial position.

The following standards and interpretations have an effective date after the date of these financial statements. The Group plans to adopt them from the effective dates adopted by the EU and based on the currently completed impact assessment work does not foresee any material impact.

Standard or interpretation	Title	Effective for accounting periods beginning on or after
IAS 1	Disclosure initiative – Amendments to IAS 1	1 January 2016
IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation – Amendments to IAS 16 and IAS 38	1 January 2016
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2018
IFRS 14	Regulatory Deferral Accruals	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2018

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2015

6. 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.

7. Segmental analysis

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

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

The measure of revenue reported to the chief operating decision maker to assess performance is total revenue for each operating segment. The measure of profit reported to the chief operating decision maker to assess performance is adjusted EBITDA (see note 36 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.

7. 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 listed group.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2015

7. 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 on the previous page 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 and 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).

8. 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) As set out in note 20, 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.

8. Exceptional items continued

(b) Acquisition costs substantially relate to professional fees incurred in respect of the business combinations disclosed in note 20 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 relate 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 the year. During the year ended 31 July 2014, £524,000 was incurred relating to the 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) Cost 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.

9. 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 refinancing 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 (see note 30 for further information).

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2015

10. 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 36, Glossary of terms.

Year ended 31 July 2015	Reported £000	Adjustments £000	Adjusted results £000	Pro-forma adjustments £000	Adjusted results £000
Revenue	130,178	—	130,178	—	130,178
Cost of sales	(67,019)	—	(67,019)	—	(67,019)
Gross profit	63,159	—	63,159	—	63,159
Administration and distribution costs	(45,226)	11,498	(33,728)	—	(33,728)
Operating profit before exceptional items	17,933	11,498	29,431	—	29,431
Exceptional items	(731)	731	—	—	—
Operating profit	17,202	12,229	29,431	—	29,431
Finance revenue	533	(467)	66	—	66
Finance costs	(2,209)	209	(2,000)	—	(2,000)
Profit before tax	15,526	11,971	27,497	—	27,497
Income tax	(3,691)	(1,838)	(5,529)	—	(5,529)
Profit after tax	11,835	10,133	21,968	—	21,968
EBITDA	31,384	731	32,115	—	32,115
Basic and diluted EPS (pence per share) ³	5.9		11.0		11.0

10. Adjusted and pro-forma earnings continued

Year ended 31 July 2014	Reported £000	Adjustments £000	Adjusted results £000	Pro-forma adjustments £000	Pro-forma results £000
Revenue	120,709	—	120,709	—	120,709
Cost of sales	(63,748)	—	(63,748)	—	(63,748)
Gross profit	56,961	—	56,961	—	56,961
Administration and distribution costs	(43,514)	13,056	(30,458)	(1,200) ¹	(31,658)
Operating profit/(loss) before exceptional items	13,447	13,056	26,503	(1,200)	25,303
Exceptional items	(7,783)	7,783	—	—	—
Operating profit/(loss)	5,664	20,839	26,503	(1,200)	25,303
Finance revenue	7	—	7	—	7
Finance costs	(21,183)	8,643	(12,540)	10,003 ²	(2,537)
(Loss)/profit before tax	(15,512)	29,482	13,970	8,803	22,773
Income tax	1,254	(4,314)	(3,060)	(2,025)	(5,085)
(Loss)/profit after tax	(14,258)	25,168	10,910	6,778	17,688
EBITDA	20,746	7,783	28,529	(1,200)	27,329
Basic and diluted EPS (pence per share) ³	(14.0)		5.5		8.8

Notes

1. 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.

Administration and distribution costs – A pro-forma adjustment has been made to the prior year administration 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 23 June 2014, a share for share exchange converted the entire share capital (after re-organisation) of Windmill Topco Limited to new ordinary shares of Volusion 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.

11. Staff costs

	2015 £000	2014 £000
Wages and salaries	26,759	22,836
Social security costs	3,407	3,205
Other pension costs	1,174	1,065
Share-based payment charge (see note 34)	181	—
	31,521	27,106

Other pension costs relate to the Group's contribution to defined contribution pension plans. Total contributions payable in the next financial year are expected to be at rates broadly similar to those in 2014/15 but based on actual salary levels in 2015/16.

Average monthly number of employees in the year

	2015 Number	2014 Number
Production	586	551
Sales and administration	450	457
	1,036	1,008

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2015

11. Staff costs continued

Directors' remuneration

	2015 £000	2014 £000
Amounts paid in respect of qualifying services		
Aggregate Directors' emoluments	1,011	1,655
Aggregate Directors' pension scheme contributions	91	36
In respect of the highest paid Director		
Aggregate Directors' emoluments	588	1,038
Aggregate Directors' pension scheme contributions	53	23

The number of Directors accruing benefits under Group money purchase pension arrangements was two (2014: two).

The Group also 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 further costs from 23 June 2014 to 31 July 2014 of £36,000.

12. Other operating expenses

Cost of sales, distribution costs and administrative expenses include the following:

	2015 £000	2014 £000
Cost of sales		
Costs of inventories recognised as expenses	65,050	62,250
Operating lease expense – land and buildings	847	505
Depreciation of property, plant and equipment	1,122	993
Distribution costs		
Depreciation of property, plant and equipment	436	412
Administrative expenses		
Research and development costs	1,485	533
Depreciation of property, plant and equipment	978	527
Amortisation and impairment of intangible assets	11,646	13,150
Operating lease expense – other	74	7
Net foreign exchange differences	(483)	(71)
Gain on disposal of property, plant and equipment	(19)	(15)

The Group's research and development concentrates on the development of new products. Research and development costs that are not eligible for capitalisation have been expensed in the period incurred and are disclosed in the table above.

13. Auditor's remuneration

The Group paid the following amounts to its auditor, Ernst & Young LLP, and its member firms in respect of the audit of the financial statements and for other services provided to the Group:

	2015 £000	2014 £000
Audit services		
Fees for the audit of the parent and Group financial statements	120	90
Fees for local statutory audits of subsidiaries	136	142
Non-audit services		
Fees payable for taxation advisory services	—	98
Fees payable for corporate finance services*	—	1,960
Fees payable for interim review, including tax	25	—
	281	2,290

* In 2014, £182,000 relates to transaction advisory services in connection with the refinancing of bank debt and £1,778,000 relating to the stock market listing. The fee relating to the stock market listing is included in exceptional items.

14. 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2015

14. 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 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)
Other 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 on 17 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.

15. 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.

15. Earnings per share (EPS) continued

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

	2015 £000	2014 £000
Year ended 31 July		
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
	2015 £000	2014 ¹ £000
Year ended 31 July		
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 10 for details of adjustments made.

See note 36, Glossary of terms, for explanation of the adjusted basic and diluted earnings per share calculation.

16. Property, plant and equipment

	Freehold land and buildings £000	Plant and machinery £000	Fixtures, fittings, tools, equipment and vehicles £000	Total £000
2015				
Cost				
At 1 August 2014	12,477	2,998	5,461	20,936
On acquisition	—	—	51	51
Additions	265	1,113	2,502	3,880
Disposals	(611)	(76)	(1,058)	(1,745)
Net foreign currency exchange differences	(651)	(281)	(346)	(1,278)
Transfers ¹	—	—	(95)	(95)
At 31 July 2015	11,480	3,754	6,515	21,749
Depreciation				
At 1 August 2014	1,980	718	2,323	5,021
Charge for the year	432	552	1,552	2,536
Disposals	(252)	(72)	(852)	(1,176)
Net foreign currency exchange differences	(78)	(273)	(343)	(694)
Transfers ¹	—	—	15	15
At 31 July 2015	2,082	925	2,695	5,702
Net book value				
At 31 July 2015	9,398	2,829	3,820	16,047

1. During the year it was identified that costs related to software had been incorrectly classified as fixtures, fittings, tools and equipment and costs related to fixtures, fittings, tools and equipment had been incorrectly classified as patents and have therefore been transferred accordingly.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2015

16. Property, plant and equipment continued

2014	Freehold land and buildings £000	Plant and machinery £000	Fixtures, fittings, tools, equipment and vehicles £000	Total £000
Cost				
At 1 August 2013	8,254	2,503	3,954	14,711
On acquisition	3,503	170	788	4,461
Additions	873	724	1,333	2,930
Disposals	—	(130)	(257)	(387)
Net foreign currency exchange differences	(153)	(269)	(357)	(779)
At 31 July 2014	12,477	2,998	5,461	20,936
Depreciation				
At 1 August 2013	1,729	776	1,413	3,918
Charge for the year	294	344	1,294	1,932
Disposals	—	(119)	(221)	(340)
Net foreign currency exchange differences	(43)	(283)	(163)	(489)
At 31 July 2014	1,980	718	2,323	5,021
Net book value				
At 31 July 2014	10,497	2,280	3,138	15,915

17. 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; see note 20 for further details.

18. Intangible assets – other

	Development costs £000	Software costs £000	Customer base £000	Trademark £000	Patents £000	Total £000
2015						
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 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 17 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.

	Development costs £000	Software costs £000	Customer base £000	Trademark £000	Patents £000	Total £000
2014						
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

18. Intangible assets – other continued

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

	Customer base	Trademark	Patent
Volition 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	—	—

19. 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.

	Residential RMI £000	Residential New Build £000	Commercial £000	UK Export £000	OEM (Torin-Sifan) £000	Nordics Residential £000	Germany Residential £000
31 July 2015							
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							
Carrying value of goodwill	21,195	7,143	8,744	3,590	4,996	2,729	1,730
GU 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%–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%–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.

20. 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, which are 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.

Acquisitions in the year ended 31 July 2014

inVENTer GmbH

The Group purchased the assets of inVENTer GmbH on 17 April 2014; prior to this, Volution Holdings Germany was incorporated as a holding company on 5 December 2013. Two further companies were incorporated as subsidiaries of Volution Holdings Germany, being Volution Ventilation Germany, the trading company, and Volution Ventilation Property Germany, the property investment company. The Group acquired inVENTer because it significantly enlarged the range of decentralised heat recovery ventilation systems in the ventilation segment and it also offered a channel to sell existing ventilation products in a new region. The transaction was funded by bank debt.

Total consideration for the transaction was split as follows:

- > cash consideration of €21,510,000 (£17,705,000); and
- > deferred consideration of €2,000,000 (£1,646,000), which was paid on 31 July 2014.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2015

20. Business combinations continued

Acquisitions in the year ended 31 July 2014 continued

inVENTer GmbH continued

Transaction costs associated with the transaction were £683,000. During the year ended 31 July 2015 the original provisional fair value of the net assets acquired has been reduced by £113,000 for additional inventory that was subsequently discovered to be obsolete at the date of purchase. The finalised fair value of the assets acquired is set out below:

	Book value £000	Fair value adjustments £000	Final value £000
Intangible assets	154	10,454	10,608
Property, plant and equipment (note 16)	3,672	—	3,672
Inventory	2,031	(14)	2,017
Trade and other receivables	627	—	627
Trade and other payables	(29)	—	(29)
Total identifiable net assets	6,455	10,440	16,895
Goodwill on acquisition			2,251
			19,146
Discharged by:			
Consideration satisfied in cash			19,146

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

Goodwill of £2,251,000 reflects certain intangible assets that cannot be individually separated and reliably measured due to their nature. These items include the value of expected synergies and the experience and skill of the workforce arising from the acquisition.

The gross amount of trade receivables is £627,000. It is expected that the full contractual amounts for trade and other receivables can be collected.

inVENTer generated revenue of £3,408,000 and generated a loss after tax of £99,000 in the period from acquisition to 31 July 2014, which are included in the consolidated statement of comprehensive income for this reporting period.

If the combination had taken place as at 1 August 2013, the Group's revenue from continuing operations for the year to 31 July 2014 would have been £129,997,000 and the loss before tax from continuing operations would have been £14,939,000.

PAX AB and PAX Norge AS

On 22 August 2013, Volusion Holdings Sweden AB acquired the entire issued share capital of PAX AB and PAX AS. The transaction was funded by surplus cash in hand. The Group acquired PAX AB and PAX AS because it significantly enlarges the Group's presence in Swedish and Norwegian markets. It also offered a channel to sell existing ventilation products in a new region.

Total consideration for the transaction was split as follows:

- > upfront cash consideration of SEK 115,536,000 (£11,384,000); and
- > contingent consideration of SEK 828,000 (£78,000). The performance criteria for payment of the contingent consideration were met and payment was made in January 2014.

20. Business combinations continued

Acquisitions in the year ended 31 July 2014 continued

PAX AB and PAX Norge AS continued

Transaction costs of £39,000 were expensed in the year ended 31 July 2014. The fair value of the net assets acquired was finalised in the prior year and is set out below:

	Book value £000	Fair value adjustments £000	Fair value £000
Intangible assets (note 18)	—	8,040	8,040
Property, plant and equipment (note 16)	789	—	789
Inventory	1,086	102	1,188
Trade and other receivables	1,797	—	1,797
Trade and other payables	(1,831)	(1,769)	(3,600)
Cash and cash equivalents	1,037	—	1,037
Total identifiable net assets	2,878	6,373	9,251
Goodwill on acquisition			2,211
			11,462
Discharged by:			
Consideration satisfied in cash			11,462

The fair value adjustments arose in aligning PAX accounting policies to those of the Group and in the recognition of intangible assets, net of the associated deferred tax liability. Goodwill reflects certain intangible assets that cannot be individually separated and reliably measured due to their nature. These items include the value of expected synergies and the experience and skill of the workforce arising from the acquisition. The fair value of the acquired trademarks and customer base was identified and included in intangible assets.

The gross amount of trade and other receivables is £1,797,000. It is expected that the full contractual amounts for trade and other receivables can be collected.

PAX generated revenue of £9,159,000 and a profit after tax of £1,094,000 in the period from acquisition to 31 July 2014, which are included in the consolidated statement of comprehensive income for this reporting period.

If the combination had taken place as at 1 August 2013, the Group's revenue from continuing operations would have been £121,404,000 and the loss before tax from continuing operations would have been £15,814,000.

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

21. Inventories

	2015 £000	2014 £000
Raw materials and consumables	7,545	7,116
Work in progress	1,212	1,429
Finished goods and goods for resale	6,262	7,377
	15,019	15,922

During 2015, £331,000 (2014: £454,000) was recognised as a cost of sales for inventories written off in the year.

22. Trade and other receivables

	2015 £000	2014 £000
Trade receivables	24,818	23,748
Allowance for doubtful debts	(1,185)	(926)
	23,633	22,822
Other debtors	311	277
Prepayments	2,327	2,323
	26,271	25,422

Movement in the allowance for doubtful debts is set out below.

	2015 £000	2014 £000
At start of the year	(926)	(903)
Charge for the year	(864)	(252)
Amounts utilised	599	217
Foreign currency adjustment	6	12
At end of the year	(1,185)	(926)

Gross trade receivables are denominated in the following currencies:

	2015 £000	2014 £000
Sterling	19,725	19,405
US Dollar	36	112
Euro	2,285	2,405
Swedish Kroner	2,180	1,726
Other	592	100
	24,818	23,748

Gross trade receivables are aged as follows:

	2015 £000	2014 £000
Neither past due nor impaired	21,056	19,260
Past due but not impaired:		
Overdue 0–30 days	1,721	1,998
Overdue 31–60 days	687	677
Overdue 61–90 days	123	171
Overdue more than 90 days	46	716
	23,633	22,822

The credit quality of trade receivables that are neither past due nor impaired is assessed by reference to external credit ratings where available; otherwise historical information relating to counterparty default rates is used. The Group continually assesses the recoverability of trade receivables and the level of provisioning required.

23. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks, net of outstanding bank overdrafts, which is £nil. Cash and cash equivalents as shown in the statement of cash flows is equal to that in the statement of financial position as follows:

	2015 £000	2014 £000
Cash and short-term deposits	11,565	10,987

Cash and cash equivalents are denominated in the following currencies:

	2015 £000	2014 £000
Sterling	6,070	8,103
Euro	3,729	1,457
US Dollar	201	255
Swedish Kroner	1,187	839
Other	378	333
	11,565	10,987

24. Trade and other payables

	2015 £000	2014 £000
Trade payables	10,629	7,622
Social security and staff welfare costs	1,234	2,627
Accrued expenses	13,432	12,572
	25,295	22,821

25. Other financial assets and liabilities

	2015		2014	
	Current £000	Non-current £000	Current £000	Non-current £000
Financial assets				
Cash held in escrow account	—	—	422	—
	—	—	422	—
Financial liabilities				
Interest rate swap	(73)	—	—	(122)
FX forward contracts	(152)	—	(467)	—
	(225)	—	(467)	(122)

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2015

26. Interest-bearing loans and borrowings

	2015		2014	
	Current £000	Non-current £000	Current £000	Non-current £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

- During the year ended 31 July 2015 the GE corporate finance bank loan was repaid in full and a new multicurrency revolving credit facility was 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 that participates in the facilities, a fixed and floating charge over the assets of the Group.
- 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 refinancing following admission to the LSE 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 that is dependent on the consolidated leverage level of the Group in respect of the most recently completed reporting period. For the year ended 31 July 2015, Group leverage was between 1.0:1 and 1.5:1 and therefore the margin was 1.25%. The consolidated leverage level 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.

27. Provisions

	Product warranties £000	Property dilapidations £000	Total £000
2015			
At 1 August 2014	1,018	600	1,618
Arising during the year	656	—	656
Utilised	(791)	—	(791)
Foreign currency adjustment	(28)	—	(28)
At 31 July 2015	855	600	1,455
Analysis:			
Current	855	—	855
Non-current	—	600	600
	855	600	1,455
	Product warranties £000	Property dilapidations £000	Total £000
2014			
At 1 August 2013	719	550	1,269
On acquisition	113	—	113
Arising during the year	923	50	973
Utilised	(723)	—	(723)
Foreign currency adjustment	(14)	—	(14)
At 31 July 2014	1,018	600	1,618
Analysis:			
Current	1,018	—	1,018
Non-current	—	600	600
	1,018	600	1,618

Product warranties

A provision is recognised for warranty costs expected to be incurred in the following twelve months on products sold during the year and in prior years. Product warranties can range between one and five years; however, based on management's knowledge of the products, claims in relation to warranties after more than twelve months are rare and highly immaterial.

Property dilapidations

A provision has been recognised for dilapidations relating to obligations under leases for leasehold buildings and will be payable at the end of the lease term.

Notes to the Consolidated Financial Statements continued

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28. Authorised and issued share capital and reserves**Share capital of Volution Group plc**

Number of shares	2015	2014
Ordinary shares of £0.01 each, allotted, called up, issued and fully paid	200,000,000	200,000,000

In 2014, following the decision by the Board of Directors, the Group was listed on the London Stock Exchange. Prior to the listing the Group completed a re-organisation implemented by way of a share for share exchange made by the Company for the shares of Windmill Topco Limited on 17 June 2014.

As the Group has been formed through a re-organisation in which Volution Group plc, a newly incorporated entity, became the new parent company of the existing Group, the 2014 consolidated accounts were prepared as a continuation of the existing Group using the pooling of interest method.

Prior to the re-organisation implemented by way of a share for share exchange made by the Company for the ordinary shares in Windmill Topco Limited on 17 June 2014, the share capital of the Company comprised the share capital of Windmill Topco Limited, the former parent.

The 2014 movement in called up share capital and the share premium account is set out below:

	Number of ordinary shares	Ordinary shares £000	Share premium £000
At 17 June 2014			
Issue of ordinary shares following subdivision of preference shares to 100 ordinary shares	100	—	—
At 22 June 2014			
Issue of ordinary shares following the re-organisation and the share for share exchange	151,999,900	1,520	—
At 23 June 2014			
Primary issue of ordinary shares on admission to the London Stock Exchange	48,000,000	480	71,520
Share issue costs	—	—	(2,363)
At 16 July 2014			
Reduction of share premium account	—	—	(57,630)
At 31 July 2014 and 31 July 2015	200,000,000	2,000	11,527

29. Dividends paid and proposed

	2015 £000	2014 £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.

30. Risk management

As a result of entering into financial instruments, the Group is exposed to market risk, credit risk, foreign exchange risk and liquidity risk. The Group's principal financial instruments are:

- > interest-bearing loans and borrowings;
- > trade and other receivables, trade and other payables, cash and short-term deposits; and
- > FX forward contracts and interest rate swaps.

This note provides further detail on financial risk management and includes quantitative information on the specific risks the Group is exposed to.

Derivative financial instruments

The Group uses forward foreign currency contracts to reduce exposure to foreign exchange risk and interest rate swaps to reduce its exposure to interest rate risk.

Forward foreign currency contracts

The Group's purchases in foreign currencies, net of Group sales in those currencies, represent approximately 4% (2014: 15%) of total material and component purchases. Each quarter the Group enters into forward exchange contracts for the purchase of the budgeted monthly net expenditure in US Dollars for the following rolling 15 months. Hedge accounting is not applied for these derivatives.

The Group's criteria for entering into a forward foreign currency contract would require that the instrument must:

- > be related to anticipated foreign currency commitment;
- > involve the same currency as the foreign currency commitment; and
- > reduce the risk of foreign currency exchange movements on the Group's operations.

Interest rate swaps

The Group's criteria for entering into an interest rate swap would require that the instrument must:

- > be related to an asset or a liability; and
- > change the character of the interest rate by converting a variable rate to a fixed rate or vice versa.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risks, such as equity price risk and commodity risk.

The Group's exposure is primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into derivative financial instruments to manage its exposure to these risks.

On 3 May 2012, the Group entered into an interest rate swap agreement with Royal Bank of Scotland plc and Bank of Ireland. Under this agreement, which was due to mature on 30 April 2015, the Libor interest rate above the margin related to the bank loan with GE Corporate Finance Bank SAS, London branch, was subject to a fixed rate of 1.2550%, replacing Libor. This interest rate swap was cancelled on 31 July 2014 and incurred a breakage cost of £144,000.

In February 2014, the Group entered into an interest rate swap agreement with Royal Bank of Scotland plc and Bank of Ireland. Under this agreement, which matures on 31 December 2015, the Libor interest rate above the margin related to the bank loan with GE Corporate Finance Bank SAS, London branch, is subject to a fixed rate of 1.15%, replacing Libor. This interest rate swap was restructured during the prior year with no breakage costs to ensure that 66.67% of the GE Corporate Finance Bank SAS, London branch, loans was hedged.

In February 2015, the interest rate swap with Bank of Ireland was cancelled, leading to breakage costs of £102,000.

The fair value of the interest rate swap at 31 July 2015 is a liability of £73,000 (2014: £122,000).

At 31 July 2015, the Group had commitments under forward foreign exchange contracts with varying settlement dates to 6 May 2016 (2014: 6 October 2014). See note 25 for fair values.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2015

30. Risk management continued**Sensitivity analysis**

The Group recognises that movements in certain risk variables (such as interest rates or foreign exchange rates) might affect the value of its derivatives and also the amounts recorded in its equity in the overseas entities and its statement of comprehensive income for the period. Therefore the Group has assessed:

- > what would be reasonably possible changes in the risk variables at the end of the reporting period; and
- > the effects on profit or loss and equity if such changes in the risk variables were to occur.

Interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the Group's floating rate loans and borrowings which at the relevant reporting dates are not hedged. With all other variables being constant the Group's profit before tax is affected through the impact on floating rate borrowings as follows. There is only an immaterial impact on the Group's equity.

	Increase in basis points	Effect on profit before tax £000
31 July 2015		
Sterling	+25	—
Swedish Kroner	+25	(18)
Euro	+25	(21)
31 July 2014		
Sterling	+25	(4)
Swedish Kroner	+25	(15)
Euro	+25	(25)

The assigned movement in basis points for interest rate sensitivity analysis is based upon the currently observable market environment.

The Group cash balances are held in bank current accounts and earn immaterial levels of interest. Management has concluded that any changes in the Libor and SEK Libor rates will have an immaterial impact on interest income earned on the Group cash balances. No interest rate sensitivity has been included in relation to the Group's cash balances.

Foreign currency risk

The Group's exposure to foreign exchange risk primarily arises when revenue and expenses are denominated in a different currency from the Group's presentational currency. Foreign exchange risk also arises when the individual entities enter into transactions that are not denominated in their functional currency.

The following tables illustrate the impact of several changes to the spot £/USD, £/EUR and £/SEK exchange rates of +5%. The tables below reflect the impact on profit before tax and equity if those changes were to occur. Only the impact of changes in the SEK, USD and Euro denominated balances have been considered as these are the most significant non-GBP denominations used by the Group.

	Change in GBP vs USD/ SEK/EUR rate	Effect on profit before tax	
		2015 £000	2014 £000
Swedish Kroner	5%	240	191
US Dollar	5%	107	78
Euro	5%	(186)	(163)
	Change in GBP vs SEK/EUR rate	Effect on equity	
		2015 £000	2014 £000
Swedish Kroner	5%	5	(12)
Euro	5%	(39)	—

30. Risk management continued

Liquidity risk

Liquidity risk for the Group arises from the management of working capital commitments and meeting its financial obligations as they fall due. The Group's policy is to regularly review cash flow forecasts/projections as well as information regarding cash balances to ensure that it has significant cash to allow it to meet its liabilities when they become due. The Group reviews its long-term funding requirements in parallel with its long-term strategy, with an objective of aligning both in a timely manner. At the reporting date, forecasts indicate that the Group is expected to have sufficient liquidity to meet its financial obligations for the foreseeable future.

The table below summarises the maturity profile of the Group's significant undiscounted financial liabilities at 31 July 2015 and 2014.

	Less than one year £000	Between one and five years £000	More than five years £000	Total £000
At 31 July 2015				
Financial liabilities				
Interest-bearing loans and borrowings (excluding interest)	—	32,733	—	32,733
Forward foreign currency exchange outflow	8,224	—	—	8,224
Forward foreign currency exchange inflow	(8,072)	—	—	(8,072)
Interest rate swaps	73	—	—	73
Trade and other payables	25,218	—	—	25,218
	25,443	32,733	—	58,176
At 31 July 2014				
Financial liabilities				
Interest-bearing loans and borrowings (including interest)	1,853	51,301	10,119	63,273
Forward foreign currency exchange outflow	8,280	—	—	8,280
Forward foreign currency exchange inflow	(7,805)	—	—	(7,805)
Interest rate swaps	87	35	—	122
Trade and other payables	20,194	—	—	20,194
	22,609	51,336	10,119	84,064

Fair values of financial assets and financial liabilities

There are no material differences between the book values and fair values for any of the Group's financial instruments carried at amortised cost. Derivatives financial instruments have all been valued using other techniques, for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2015

30. Risk management continued

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations under a financial instrument or customer contract, leading to a financial loss. The Group is mainly exposed to credit risk from its operating activities (primarily for trade receivables – credit sales) and from cash and cash equivalents and deposits with banks and financial institutions and other financial instruments.

Trade receivables

The Group's finance function has established a credit policy under which each new customer is analysed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored and credit insurance is used where applicable. The credit quality of trade receivables that are neither past due nor impaired is assessed by reference to external credit ratings where available, otherwise historical information relating to counterparty default rates is used. The Group continually assesses the recoverability of trade receivables and the level of provisioning required. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a prepayment/pro-forma basis.

Refer to note 22 for the table of the age of accounts receivable that are past due.

The carrying amount of accounts receivable is reduced by an allowance account and the amount of loss is recognised within the consolidated income statement. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited to the consolidated statement of comprehensive income.

The Group evaluated the concentration of credit risk with respect of trade receivables as low in view of the Group's large and diversified client base, which is located in several jurisdictions, and the Group's established credit policies.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed in accordance with the Group's policy. The Group deposits cash with reputable financial institutions, from which management believes the possibilities of loss to be remote. The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 July 2015 and 2014 is the carrying amount. The Group's maximum exposure for financial derivative instruments is noted in either note 25 on page 109 or in the liquidity table on the previous page, respectively.

Capital risk management

The primary objective of the Group's capital management policy is to ensure that it has the capital required to operate and grow the business at a reasonable cost of capital without incurring undue financial risks. The Board periodically reviews its capital structure to ensure it meets changing business needs. The Group defines its capital as its share capital, share premium account, foreign currency translation reserves and retained earnings. In addition, the Directors consider the management of debt to be an important element in controlling the capital structure of the Group. The Group may carry significant levels of long-term structural and subordinated debt to fund investments and acquisitions and has arranged debt facilities to allow for fluctuations in working capital requirements. Aside from the refinancing, there have been no changes to the capital management policy in the current period. Management manages capital on an ongoing basis to ensure that covenant requirements on third party debt are met.

Fair value hierarchy

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 solely comprise the derivative financial instruments in note 25. For hierarchy purposes all these instruments are deemed to be Level 2 as external valuers are involved for the valuation of these contracts. Their fair value is measured using valuation techniques including the DCF model. Inputs to this calculation include the expected cash flows in relation to these derivatives contracts and relevant discount rates.

31. Related party transactions

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

No related party loan note balances exist at 31 July 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 B.V. (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 LSE, 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 eight individuals who report directly to the CEO.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2015

32. Group structure and acquisition details

At 31 July 2015, Volution Group plc held 100% voting shares of the following subsidiaries:

Group company	Country of incorporation
Direct	
Windmill Topco Limited	England
Volution Holdings Limited	England
Indirect	
Windmill Midco Limited	England
Windmill Cleanco Limited	England
Windmill Bidco Limited	England
Manrose Manufacturing Limited	England
Volution Ventilation Group Limited	England
Torin-Sifan Limited	England
Anda Products Limited	England
Axia Fans Limited	England
Roof Units Limited	England
Torin Limited	England
Vent-Axia Limited	England
Vent-Axia Clean Air Systems Limited	England
Vent-Axia Group Limited	England
Volution Holdings Sweden AB	Sweden
Fresh AB	Sweden
Volution Norge AS (formerly Fresh Norge AS)	Norway
Fresh Shanghai Limited	China
PAX AB	Sweden
PAX Norge AS	Norway
inVENTer GmbH	Germany
Volution Management Holdings GmbH	Germany
Volution Deutschland Real Estate GmbH	Germany
Brüggemann Energiekonzepte GmbH	Germany

During the year ended 31 July 2015 the Group undertook a re-organisation exercise as described in the prospectus prepared for listing on the LSE. As part of the re-organisation Windmill Bidco Limited sold the entire issued share capital of Volution Holdings Limited to Volution Group plc. The re-organisation did not change the overall companies held (either indirectly or directly) by Volution Group plc.

33. Commitments and contingencies

Operating lease commitments

The Group has entered into commercial leases on certain items of land and building and others. These leases have an average life of between five and 15 years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these contracts.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2015 £000	2014 £000
Within one year	1,033	934
After one year but not more than five years	3,859	3,153
More than five years	1,212	2,853
	6,104	6,940

Commitments

Commitments for the acquisition of property, plant and equipment as of 31 July 2015 are £789,000 (2014: £362,000).

34. Share-based payments

The Company operates a share-based incentive scheme for Directors and key employees, known as the Volution Long Term Incentive Plan (LTIP). Share options were granted in October 2014; these nil-cost options normally vest after three years assuming continuing employment with the Company. The extent to which the options will vest is dependent upon the Company's performance over a three-year period set at the date of grant. The vesting of 50% of the awards will be determined by the Company's relative total shareholder return (TSR) performance and the other 50% by the Company's absolute EPS performance. The TSR element of the options granted has been valued using the Group's share price volatility, the correlation between the share price movements of TSR comparators and the relevant vesting schedule.

	2015 Number	2014 Number
Outstanding at 1 August	—	—
Granted during the year	563,354	—
Exercised during the year	—	—
Lapsed during the year	—	—
Outstanding at 31 July	563,354	—

The weighted average exercise price for all options is £nil.

Of the total number of options outstanding at 31 July 2015 none had vested or were exercisable.

The weighted average fair value of each option granted during the year was £1.44 (2014: £nil).

The following information is relevant in the determination of the fair value of options granted during the year under the LTIP.

	2015
Option pricing model used	Deloitte TSR pricing tool
Weighted average share price at grant date (in £)	1.44
Exercise price (in £)	Nil
Expected life (years)	3
Expected volatility	25%
Risk-free interest rate	1.04%

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of share prices since the Company listed in June 2014.

The share-based remuneration expense comprises:

	2015 £000	2014 £000
Equity-settled schemes	181	—
	181	—

The Group did not enter into any share-based payment transactions with parties other than employees during the current or previous period.

35. 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2015

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

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

On 23 June 2014, a share for share exchange converted the entire share capital (after re-organisation) of Windmill Topco Limited to new ordinary shares of Volusion 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.

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

Parent Company Statement of Financial Position

At 31 July 2015

	Notes	2015 £000	2014 £000
Non-current assets			
Property, plant and equipment	8	1	—
Investments	9	189,941	64,022
Deferred tax assets	7	48	—
		189,990	64,022
Current assets			
Other receivables and prepayments	10	23,435	1,120
Other current financial assets	11	—	423
Income tax		591	—
Cash and short-term deposits		581	533
		24,607	2,076
Total assets		214,597	66,098
Current liabilities			
Trade and other payables	12	(19,158)	(731)
Non-current liabilities			
Interest-bearing loans and borrowings	13	(31,867)	—
Total liabilities		(51,025)	(731)
Net assets		163,572	65,367
Capital and reserves			
Share capital	14	2,000	2,000
Share premium		11,527	11,527
Share-based payment reserve		181	—
Capital reserve		(273)	(273)
Retained earnings		150,137	52,113
Total equity		163,572	65,367

The financial statements of Volusion 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

Parent Company Statement of Changes in Equity

For the year ended 31 July 2015

	Share capital £000	Share premium £000	Share-based payment reserve £000	Capital reserve £000	Retained earnings £000	Total £000
On incorporation (15 May 2014)	—	—	—	—	—	—
Share for share exchange as part of the Group re-organisation	1,520	—	—	(273)	—	1,247
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	—
Loss for the period	—	—	—	—	(5,517)	(5,517)
At 1 August 2014	2,000	11,527	—	(273)	52,113	65,367
Profit for the year	—	—	—	—	7,233	7,233
Other comprehensive income	—	—	—	—	92,891	92,891
Total comprehensive income	—	—	—	—	100,124	100,124
Share-based payment	—	—	181	—	—	181
Dividends paid	—	—	—	—	(2,100)	(2,100)
At 31 July 2015	2,000	11,527	181	(273)	150,137	163,572

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. Refer to note 33 of the Group financial statements for further details.

Total comprehensive income for the year ended 31 July 2015

The significant profit for the year ended 31 July 2015 was generated as a result of the Group re-organisation which took place during the year. The other comprehensive income of £92,891,000 does not meet the criteria for qualifying consideration and is therefore not realised or distributable.

Parent Company 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		100,124	(5,517)
Adjustments to reconcile profit/(loss) for the year to net cash flow from operating activities:			
Income tax for the year		(639)	—
Exceptional costs		34	5,479
Cash flows relating to exceptional costs		(34)	(4,881)
Finance revenue		(17)	—
Finance costs		530	—
Share-based payment expense		181	—
Non-cash dividends received		(97,743)	—
Working capital adjustments:			
Decrease/(increase) in other receivables, prepayments and other current financial assets		717	(1,543)
Increase in trade and other payables		5,199	133
Net cash flow generated from/(used in) operating activities		8,352	(6,329)
Investing activities			
Purchase of property, plant and equipment	8	(1)	—
Interest received		17	—
Investment in subsidiary undertaking		—	(62,775)
Net cash flow generated from/(used in) investing activities		16	(62,775)
Financing activities			
Interest paid		(428)	—
Repayment of interest-bearing loans and borrowings		(45,260)	—
Proceeds from new borrowings		40,435	—
Issue costs of new borrowings		(967)	—
Proceeds from issue of new shares		—	72,000
Transaction costs on issue of new shares		—	(2,363)
Dividend paid to equity holders		(2,100)	—
Net cash flow (used in)/generated from financing activities		(8,320)	69,637
Net increase in cash and cash equivalents		48	533
Cash and cash equivalents at the start of the year		533	—
Cash and cash equivalents at the end of the year		581	533

Strategic Report

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Additional Information

Notes to the Parent Company Financial Statements

For the year ended 31 July 2015

1. General information

These financial statements were approved and authorised for issue by the Board of Directors of Volution Group plc ("the Company") on 16 October 2015.

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.

2. Accounting policies

Basis of preparation

The financial statements of Volution Group plc ("the Company") are presented as required by the Companies Act 2006. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

The financial statements are presented in Sterling (£), rounded to the nearest thousand (£000) unless otherwise stated. They have been prepared under the historical cost convention.

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act and not presented an income statement or a statement of comprehensive income for the Company. The profit for the year is disclosed in the statement of changes in equity.

The policies applied by the Company are consistent with those set out in note 3 to the consolidated financial statements. The following additional policies are also relevant to the company financial statements.

Investments

Investments in subsidiary undertakings are valued at cost, being the fair value of the consideration given and including directly attributable transaction costs. The carrying value is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Company financial statements requires the use of certain judgements, estimates and assumptions that affect the reported amount of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions relevant to the financial statements are embedded with the relevant notes to the consolidated financial statements.

Carrying value of investments

The key source of estimation uncertainty at the reporting date that has a significant risk of causing a material adjustment to the parent company financial statements is the recoverability of the investments set out in note 9.

The recoverability is estimated based on the expected performance and value of the investments factoring in potential expected future net cash flow to be generated from the investment. The Company based its estimation on information available when these financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected when they occur.

4. Standards issued but not yet effective

The following standards and interpretations have an effective date after the date of these financial statements. The Company plans to adopt them from the effective dates adopted by the EU and does not foresee any material impact.

Standard or interpretation	Title	Effective for accounting periods beginning on or after
IAS 1	Disclosure initiative – Amendments to IAS 1	1 January 2016
IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation – Amendments to IAS 16 and IAS 38	1 January 2016
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2018
IFRS 14	Regulatory Deferral Accruals	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2018

5. Auditor's remuneration

The Company paid the following amounts to its auditor, Ernst & Young LLP, and its member firms in respect of the audit of the financial statements and for other services provided to the Group:

	2015 £000	2014 £000
Audit services		
Fees for the audit of the parent and Group financial statements	120	—
Fees for local statutory audits of subsidiaries	76	—
Non-audit services		
Fees payable for corporate finance services*	—	1,778
Fees payable for interim review, including tax	25	—
	221	1,778

* Primarily comprises services relating to preparation before the Listing of the Company.

The audit fees for 2014 were borne by a fellow Group undertaking.

6. Staff costs

	2015 £000	2014 £000
Wages and salaries	1,746	—
Social security costs	155	—
Share-based payment charge	181	—
Other pension costs	111	—
	2,193	—

Other pension costs relate to the Group's contribution to defined contribution pension plans. Total contributions payable in the next financial year are expected to be at rates broadly similar to those in 2014/15 but based on actual salary levels in 2015/16.

Average monthly number of employees in the year

	2015 Number	2014 Number
Administration	7	—

Directors' remuneration

	2015 £000	2014 £000
Amounts paid in respect of qualifying services		
Aggregate Directors' emoluments	1,011	—
Aggregate Directors' pension scheme contributions	91	—
In respect of the highest paid Director		
Aggregate Directors' emoluments	588	—
Aggregate Directors' pension scheme contributions	53	—

In the prior year the Executive Directors received remuneration for their services to the Group from a fellow Group undertaking, Windmill Bidco Limited, in respect of services to the Group of which the Company is a member. Further information on Directors' remuneration is provided in note 11 of the Group financial statements.

The number of Directors accruing benefits under Group money purchase pension arrangements was two (2014: nil).

The Group incurred costs of £295,000 (2014: £36,000) from Peter Hill, Tony Reading, Paul Hollingworth and Adrian Barden for their services as Non-Executive Directors.

Notes to the Parent Company Financial Statements continued

For the year ended 31 July 2015

7. Deferred tax balances

Deferred tax assets and liabilities arise from the following:

	1 August 2014 £000	Charged to income £000	31 July 2015 £000
Deferred tax asset			
Temporary differences	—	48	48

8. Property, plant and equipment

	Fixtures, fittings, tools, equipment and vehicles £000	Total £000
Cost		
At 1 August 2013 and 2014	—	—
Additions	1	1
At 31 July 2015	1	1
Depreciation		
At 31 July 2013, 2014 and 2015	—	—
Net book value		
At 31 July 2015	1	1
At 31 July 2014	—	—

9. Investments

	2015 £000
Cost	
At 1 August 2014	64,022
Acquired in the period	189,941
Disposals in the period	(64,022)
At 31 July 2015	189,941

For a list of the subsidiaries in which Volution Group plc held 100% voting shares of as at 31 July 2015, see note 32 of the Group financial statements.

The significant additions and disposals during the year were as a result of the legal entity re-organisation as described in note 3 of the Group financial statements.

10. Other receivables and prepayments

	2015 £000	2014 £000
Amounts owed by Group undertaking	23,085	475
Prepayments	350	645
	23,435	1,120

11. Other current financial assets

	2015 £000	2014 £000
Cash held on escrow	—	423

12. Trade and other payables

	2015 £000	2014 £000
Trade payables	152	391
Accruals	1,046	253
Amounts owed to Group undertaking	17,960	87
	19,158	731

13. Interest-bearing loans and borrowings

	2015		2014	
	Current £000	Non-current £000	Current £000	Non-current £000
Unsecured – at amortised cost				
Revolving credit facility ¹	—	32,733	—	—
Cost of arranging bank loan	—	(866)	—	—
	—	31,867	—	—

1. During the year ended 31 July 2015 a new multicurrency revolving credit facility was 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.

Revolving credit facility – 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 that is dependent on the consolidated leverage level of the Group in respect of the most recently completed reporting period. For the year ended 31 July 2015, Group leverage was between 1.0:1 and 1.5:1 and therefore the margin was 1.25%. The consolidated leverage level 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 Company had £57,267,000 of its multicurrency revolving credit facility unutilised.

Notes to the Parent Company Financial Statements continued

For the year ended 31 July 2015

14. Share capital, share premium and reserves

The movement in called up share capital and share premium accounts is set out below:

	Number of ordinary shares	Share capital £000	Share premium £000
At 17 June 2014			
Issue of ordinary shares following subdivision of preference shares to 100 ordinary shares	100	—	—
At 22 June 2014			
Issue of ordinary shares following the re-organisation and the share for share exchange	151,999,900	1,520	—
At 23 June 2014			
Primary issue of ordinary shares on admission to the LSE	48,000,000	480	71,520
Share issue costs	—	—	(2,363)
At 16 July 2014			
Reduction of share capital account	—	—	(57,630)
At 31 July 2015 and 31 July 2014	200,000,000	2,000	11,527

15. Dividends paid and proposed

	2015 £000	2014 £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 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.

16. Financial instruments

The Company's principal financial liabilities are trade payables and Group debt. The Company's principal financial assets include investments, Group receivables and cash and cash equivalents. The Company is exposed to a variety of risks, including credit risk and liquidity risk. The Company's senior management oversees the management of these risks and agrees the policies for managing each of these risks. The risks are summarised as follows:

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument, leading to a financial loss. The Company is exposed to credit risk from its financing activity, including cash and cash equivalents and deposits with banks and financial institutions.

16. Financial instruments continued

Interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the Company's floating rate loans and borrowings which at the relevant reporting dates are not fully hedged. With all other variables being constant the Company's profit before tax is affected through the impact on floating rate borrowings as follows. There is only an immaterial impact on the Company's equity.

	Increase in basis points	Effect on loss before tax £000
31 July 2015		
Sterling	+25	—
Swedish Kroner	+25	(18)
Euro	+25	(21)

The assigned movement in basis points for interest rate sensitivity analysis is based upon the currently observable market environment.

The Company cash balances are held in bank current accounts and earn immaterial levels of interest. Management has concluded that any changes in the Libor and Euribor rates will have an immaterial impact on interest income earned on the Company cash balances. No interest rate sensitivity has been included in relation to the Company's cash balances.

Fair values of financial assets and financial liabilities

There are no material differences between the book values and fair values for any of the Company's financial instruments carried at amortised cost.

Liquidity risk

Liquidity risk for the Company arises from the management of working capital commitments and meeting its financial obligations as they fall due. The Company's policy is to review cash flow forecasts/projections regularly as well as information regarding cash balances to ensure that it has significant cash to allow it to meet its liabilities when they become due. The Company reviews its long-term funding requirements in parallel with its long-term strategy, with an objective of aligning both in a timely manner. At the reporting date, forecasts indicate that the Company is expected to have sufficient liquidity to meet its financial obligations for the foreseeable future.

The table below summarises the maturity profile of the Company's significant undiscounted financial assets and liabilities at 31 July 2015; the Company had no undiscounted financial assets and liabilities at 31 July 2014.

At 31 July 2015	Less than one year £000	Between one and five years £000	More than five years £000	Total £000
Financial liabilities				
Interest-bearing loans and borrowings (excluding interest)	—	32,733	—	32,733
Trade and other payables	19,158	—	—	19,158
	19,158	32,733	—	51,891

Fair values of financial assets and financial liabilities

There are no material differences between the book values and fair values for any of the Company's financial instruments carried at amortised cost.

Capital risk management

The Board's objectives and policies for the Company are consistent with those of the Group. Full details are provided in note 29 of the consolidated financial statements.

Notes to the Parent Company Financial Statements continued

For the year ended 31 July 2015

17. Related party transactions

The following table provides the total amount of transactions that have been entered into with subsidiary undertakings for the relevant financial period.

	2015		2014	
	Amounts owed by related parties £000	Amounts owed to related parties £000	Amounts owed by related parties £000	Amounts owed to related parties £000
Related parties				
Volution Ventilation Group Limited	23,085	17,960	—	—
Windmill Bidco Limited	—	—	451	—
Windmill Midco Limited	—	—	24	—
Volution Holdings Limited	—	—	—	87
	23,085	17,960	475	87

In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Compensation of key management personnel

The Executive and Non-Executive Directors are deemed to be key management personnel of Volution Group plc. It is the Board that has responsibility for planning, directing and controlling the activities of the Group. Please refer to note 6 for details of the Executive and Non-Executive Directors' remuneration.

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 year, key management personnel did not owe the Company any amounts.

18. Share-based payments

For detailed disclosures of share-based payments granted to employees refer to note 34 of the Group financial statements.

Glossary of Technical Terms

Alternating current or AC	the flow of electric current which reverses direction periodically, typically at 50Hz in the UK and Europe. This is the standard type of electricity supply to domestic and commercial properties
AC blowers	a low-pressure fan with an AC motor
AC motor	an alternating current motor
Airvac	a central vacuum system
Decentralised heat recovery	a system of ventilation that collects heat from exhaust air that would otherwise be lost and reuses such heat by transferring it to the incoming fresh air. Decentralised heat recovery consists of multiple units supplying and extracting from around the home
EC/DC	electronically commutated direct current
Electronically commutated	a type of motor which historically used a mechanical means of “EC” reversing the current flow but which now uses an electronic device to do the same, which is more reliable and more efficient
HVAC	heating, ventilation and air conditioning
IAQ	indoor air quality
Lo-carbon products	a trademark used to represent our low-energy range of products
MEV	a system of ventilation operated by a power-driven mechanism which extracts air from a room and discharges it only to the external air
Motorised impellers	a motor that is supplied complete with an impeller attached to it
MVHR	a system of ventilation that collects heat from exhaust air that would otherwise be lost and reuses such heat by transferring it to the incoming fresh air
OEM	original equipment manufacturer
PVC	polyvinyl chloride
POD blower	a forward curved impeller mounted on a motor (“motorised impeller”) fitted into a scroll to enhance the performance and provide a means of mounting the fan to the customer
RMI	repair, maintenance and improvement
Specifiers	persons who may specify certain characteristics of products

Shareholder Information

Shareholder services

For any enquiries concerning your shareholding please contact our registrar:

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West Sussex BN99 6DA
United Kingdom

Equiniti has a shareholder portal offering access to services and information to help manage your shareholdings and inform your important investment decisions. Please visit www.shareview.co.uk.

Shareholder helpline: 0371 384 2030* from the UK or +44 (0) 121 415 7047 from overseas.

* Calls to this number cost 10 pence per minute plus network extras. Lines are open 8.30 am to 5.30 pm, Monday to Friday (excluding UK public holidays).

You can access our Annual Report and Accounts and other shareholder communications through our website, www.volutiongroupplc.com.

Company advisers

Auditor

Ernst & Young LLP

Joint corporate brokers

Liberum Capital Limited
Canaccord Genuity Limited

Legal adviser

Norton Rose Fulbright LLP

Financial PR adviser

Brunswick Group LLP

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Forward-looking statements

The Annual Report and Accounts contains certain statements, statistics and projections that are or may be forward-looking. The accuracy and completeness of all such statements including, without limitation, statements regarding the future financial position, strategy, projected costs, plans and objectives for the management of future operations of Volution Group plc and its subsidiaries is not warranted or guaranteed. These statements typically contain words such as "intends", "expects", "anticipates", "estimates" and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Although Volution Group plc believes that the expectations reflected in such statements are reasonable, no assurance can be given that such expectations will prove to be correct. There are a number of factors, which may be beyond the control of Volution Group plc, that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. Other than as required by applicable law or the applicable rules of any exchange on which our securities may be listed, Volution Group plc has no intention or obligation to update forward-looking statements contained herein.



Volusion Group's commitment to environmental issues is reflected in this annual report which has been printed on Chorus Silk, an FSC® mix certified paper, which ensures that all virgin pulp is derived from well-managed forests and other responsible sources.

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