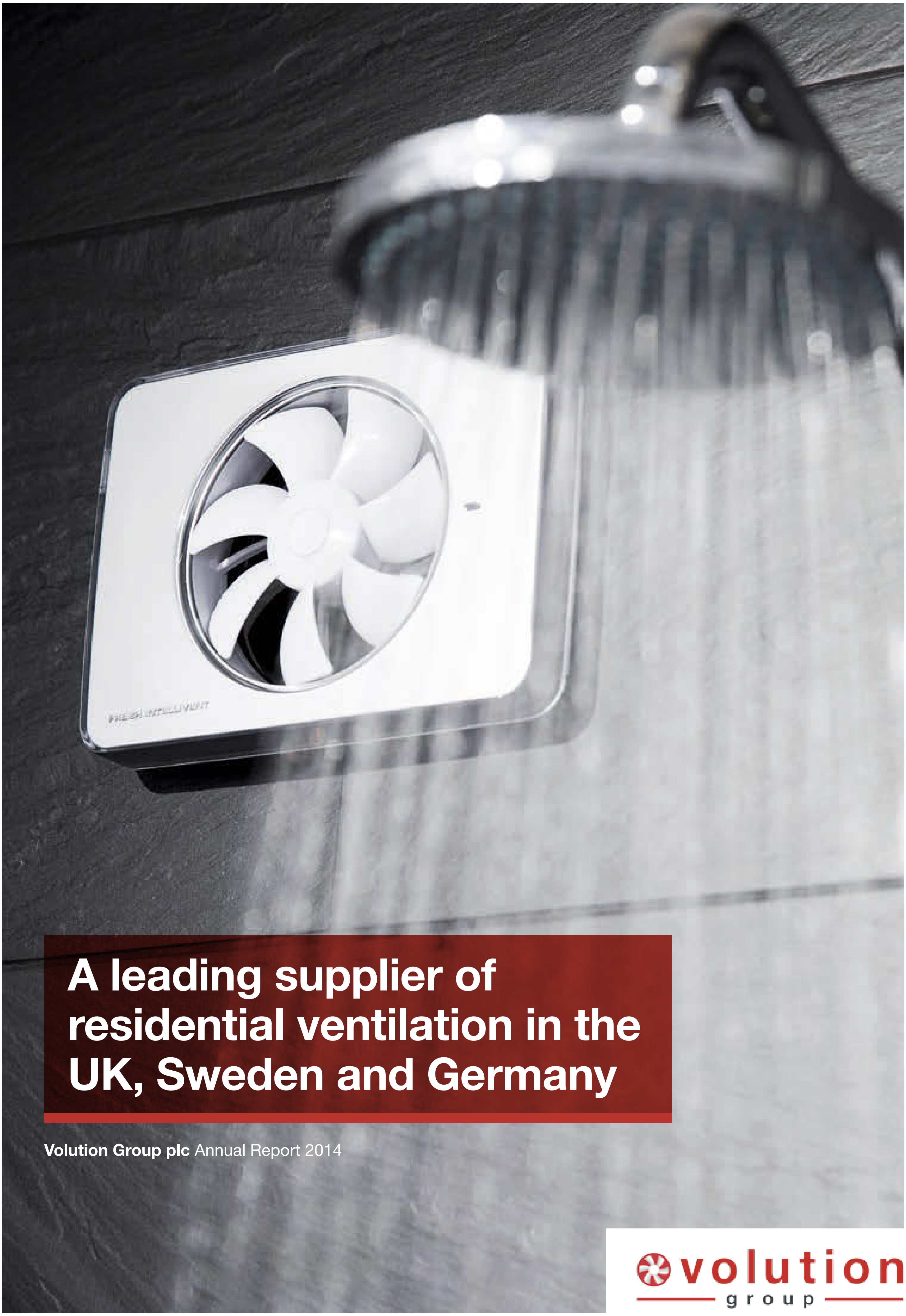


A leading supplier of residential ventilation in the UK, Sweden and Germany

Volution Group plc Annual Report 2014

volution group

Volution Group plc is a leading supplier of ventilation products with primary markets 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.

Strategic Report

Governance Report

Financial Statements

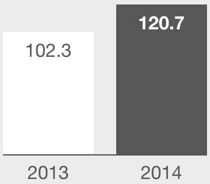
Additional Information

Find out more online
www.volutiongroupplc.com

Highlights

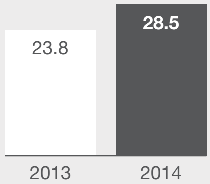
Revenue £m

£120.7m



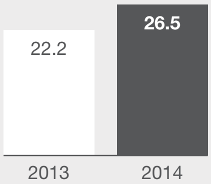
Adjusted EBITDA[1] £m

£28.5m



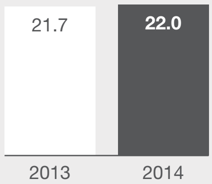
Adjusted operating profit[1] £m

£26.5m



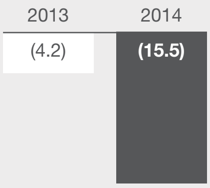
Adjusted operating margin %

22.0%



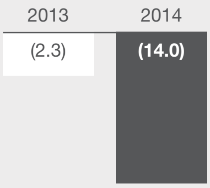
Reported loss before tax £m

£(15.5)m



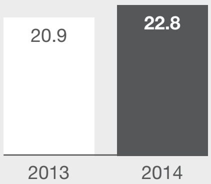
Basic and diluted EPS[2] p

(14.0)p



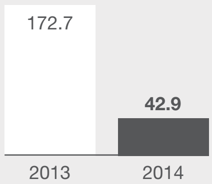
Adjusted operating cash flow[3] £m

£22.8m



Net debt[4] £m

£42.9m



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

Highlights

- Performance in line with management expectations at the time of the IPO
- Revenue growth driven by acquisitions:
  - 3.2% organic revenue growth (5.2% on a like-for-like currency basis)
  - Inorganic revenue growth of 14.8%, notably as a result of the acquisition of PAX in Sweden completed in August 2013
- Organic revenue growth was helped by an increase in new build residential systems sales in the UK, where the Group enjoyed an 11.2% growth
- Integration of inVENTer (acquired in April 2014) progressing, in line with the anticipated timetable
- The Group is enjoying strong demand for its products, especially newer, higher value added ventilation systems
- OEM (Torin-Sifan) had a challenging year with lower sales of boiler spares
- The Group's reported loss before tax was impacted by exceptional costs (including IPO costs), re-financing costs, costs of acquisitions and higher finance costs under previous ownership
- Net debt reduced by £129.8 million mainly as a result of the conversion of investor debt to equity and the repayment of some bank debt from the proceeds of the new shares issued

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.

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, which 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.

Chairman's Statement

Peter Hill, CBE
Chairman

Summary

- Successful premium listing on the main market of the London Stock Exchange
- Very positive set of results for the financial year ended 31 July 2014
- Intention is to maximise our core strengths and continue to outperform in our underlying construction markets
- Commitment and the substantial effort of all our employees has contributed to the Group's performance
- Performance in 2014 has given us a solid platform to build upon

As the newly appointed Chairman of Volution Group plc it is a privilege to introduce this, our first Annual Report and Accounts following our successful premium listing on the Main Market of the London Stock Exchange in June 2014. This has been the result of a sound strategy of organic growth combined with selective, value-adding acquisitions which has supported the achievement of a strong growth in revenues and profitability over a number of years. As we begin our journey as a listed company, I am confident about the prospects for the business.

As a newly listed company, our vision remains the same. We intend to maximise our core strengths and track record to outperform our underlying construction markets and to further gain market share in each of our core geographical markets. We have identified a number of key strategic initiatives and these are set out on pages 20 to 21.

Results

We are reporting a very positive set of results for the financial year ended 31 July 2014. The successful listing in June enabled repayment of £61.9 million of bank debt and conversion of £91.7 million of investor debt to share capital and premium, strengthening our balance sheet, which will allow us to invest organically and in strategic acquisitions, strengthening our offering and geographical footprint. Group revenue in the year was £120.7 million, an 18% increase compared with the prior year. Our underlying result, as measured by adjusted EBITDA, was £28.5 million, 23.6% of revenue and a £4.7 million improvement compared to the prior year.

The recent acquisition of inVENTer in Germany, in April 2014, is being integrated into the wider Group and is progressing, in line with the anticipated timetable.

A recent continuing decline in sales to certain larger customers of inVENTer is a point of focus for us.

"

As the newly appointed Chairman of Volution Group plc, it is a privilege to introduce this, our first Annual Report and Accounts following our successful premium listing on the main market of the London Stock Exchange in June 2014.

Peter Hill, CBE
Chairman

Organic growth* for the Group was helped by an increase in new build residential systems sales in the UK, where the Group enjoyed an 11.2% growth. The Group is also benefiting from strong demand for our products, especially the newer, higher value ventilation systems.

The revenue for OEM (Torin-Sifan) declined by 2.9% as a consequence of lower sales of boiler spares due to a mild winter.

Dividend

The Board intends that the Company will pay an interim dividend and a final dividend to be announced at the time of our interim and preliminary results. It is expected that our first dividend will be an interim dividend payable following publication of our financial results for the six months ending 31 January 2015.

Our initial dividend policy is to target a dividend of approximately 30% of the Group's adjusted net income for each financial year.

People

Volution has a skilled workforce as well as experienced and integrated senior and regional management teams with proven credentials in the industry. The Group has built strong cohesive teams across our businesses with the focus on training and effective people development and retention to improve our capability and performance. I would like to recognise the commitment and the substantial effort of all our employees and thank them for their contribution to the Group's performance. It is their continued dedication and commitment to the business which is integral to our success, together with a clear strategic plan.

* 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.

We have implemented a new remuneration policy in line with that of a listed company, to ensure that the interests of the Executive Directors and Senior Management Team are aligned to those of our shareholders, with a significant portion of their remuneration being tied to performance targets. Further details of the new remuneration policy are contained in the Directors' Remuneration Report on pages 50 to 62.

Health, safety and environment

The Group is committed to continuous improvement in health, safety and environmental matters, and our performance continues to be of a high industry standard. We remain diligent in monitoring and improving our processes and results.

Governance

The Group aims to comply with the high standards of corporate governance required of a company with a premium listing on the London Stock Exchange. We begin this new chapter as a public company with, what I believe to be, a very strong and experienced Board that brings together new appointees as well as Directors with historical knowledge of the companies within the Group and within our industries.

The new Board consists of our Chief Executive Officer, Ronnie George, who has a significant shareholding in the business and has been building the Group in recent years, and our Chief Financial Officer, Ian Dew, who has over 25 years' experience in the building products industry. In addition to me, there are two newly appointed independent Non-Executive Directors, Tony Reading as our Senior Independent Director and chair of the Remuneration Committee and Paul Hollingworth, chair of the Audit Committee. Adrian Barden as an independent Non-Executive Director was already acting in such capacity prior to listing. Each director has been chosen to bring a range of public company, commercial and industry skills required to drive the business forward. Gavin Chittick represents our principal shareholder (Windmill Holdings B.V., who own 61.4% of the issued share capital), as a Non-Executive Director on the Board.

Outlook

Looking ahead, our performance in 2014 has given us a solid platform to build upon. We have a strong product offering with a number of trusted, well established brands. With a clear strategy and our depth of management experience, we remain confident that the business is well positioned for future growth, and we expect to make continued progress in 2015.

Peter Hill, CBE
Chairman
23 October 2014

At a Glance

Volution Group plc is a leading supplier of ventilation products with primary markets in the UK and northern Europe. We operate through two divisions: the Ventilation Group and OEM (Torin-Sifan).

Ventilation Group

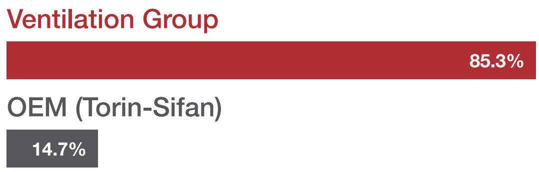
The Ventilation Group consists of five key brands, Vent-Axia, Manrose, Fresh, PAX and inVENTer, focused primarily on the UK, Swedish, Norwegian and German ventilation markets.

We are the 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.

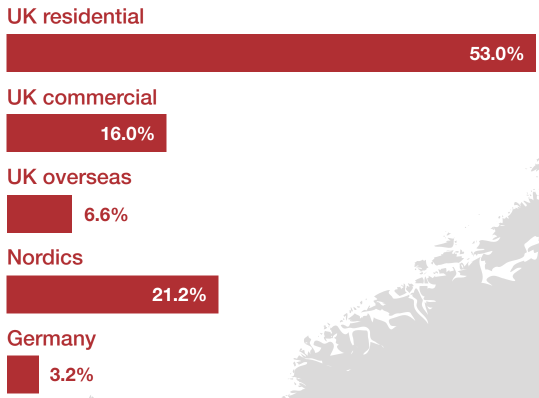
OEM (Torin-Sifan)

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

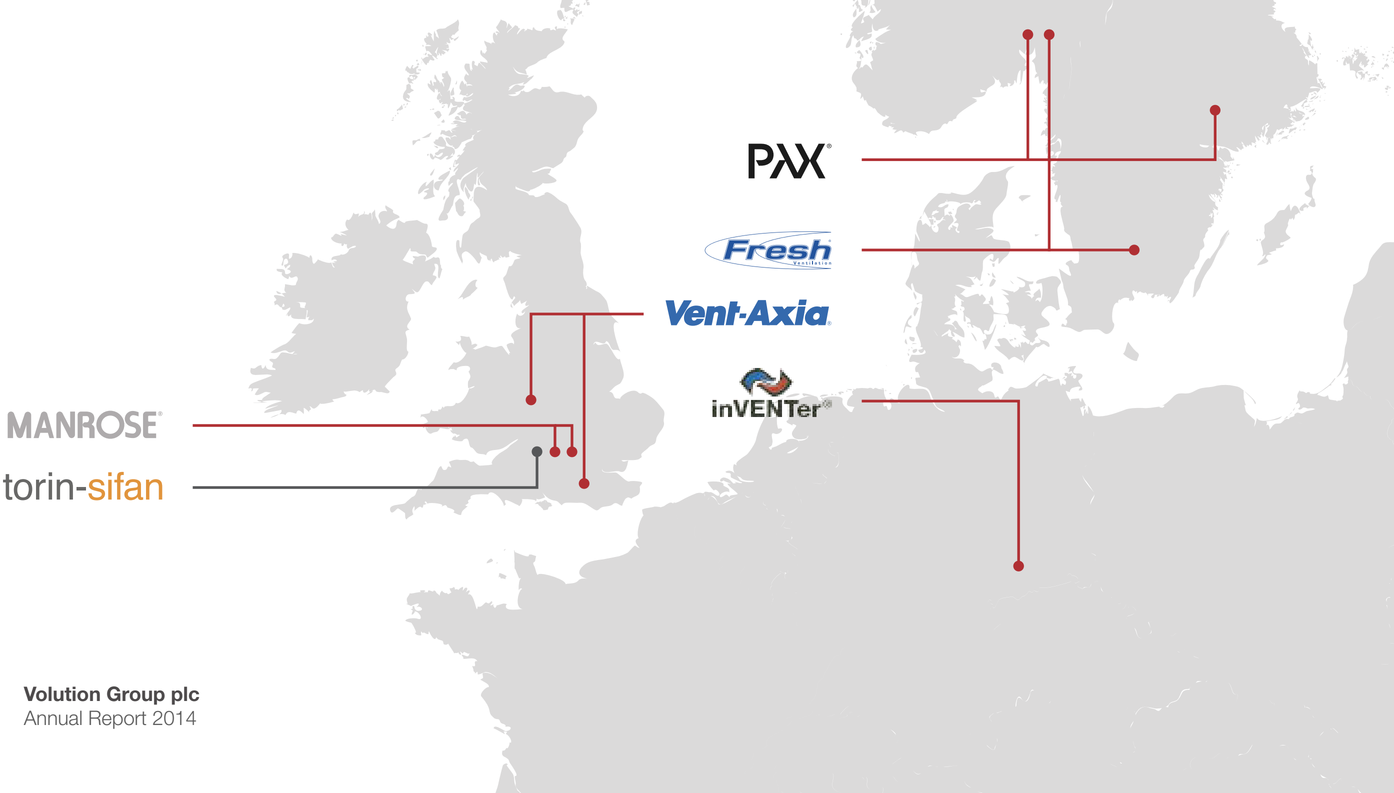
% of Volution Group gross sales



% of Ventilation Group gross sales*



* Gross sales is defined as invoiced sales before deduction of rebates and settlement discounts. This measure is used where the allocation of rebates and settlement discounts to market sectors is not currently possible.



Our history

1899 Torrington Fan Company was established in Connecticut, USA

1936 Joe Akester invents the Vent-Axia Silent 6, the world's first Bakelite extractor fan

1959 PAX started manufacturing ventilation products

1964 Torrington Fan Company UK established in Swindon. It remains the Torin-Sifan head office to this day

1969 Gemla Plastic Industry AB founded by Gösta Nilsson. Torrington changes name to Torin

1975 The first ventilation products developed by Gemla Plastic Industry AB

1980 Torin UK launches a range of EC motors that are sold widely to IBM and Xerox

1987 Manrose Manufacturing starts trading

1988 Gemla Plastic Industry AB changes name to Fresh AB

1990 Fresh AB purchased by Göran Atmer

1991 Manrose internalises the assembly of the fan ranges

1996 Manrose moves to Reading, UK, site and internalises the moulding of its plastics

1997 Torin UK and Sifan Systems merge to form Torin-Sifan

1999 Öko-Haustechnik inVENTer GmbH starts manufacturing of inVENTer ventilation system

2002 **Volution Holdings formed in management buyout of the ventilation and cable management businesses from Smiths Group backed by Montagu private equity**

2003 Airstream Products Limited sold. Baxi Air Management division acquired. Manrose opens Slough assembly to increase capacity

2004 Quartz Fan Coils sold

2005 Öko-Haustechnik inVENTer GmbH sees first sales from activities overseas, Czech Republic and Slovakia

2006 AAC Capital and Management Team acquires Volution Holdings

2007 Cable Management group sold. Manrose Manufacturing acquired by the Group

2008 Ronnie George joins Volution Holdings

2010 Fresh AB acquires Fresh AS in Norway

2012 **TowerBrook acquires Volution Holdings**

2012 Volution Holdings acquires Fresh AB

2013 Volution Holdings acquires PAX AB

2014 Volution Holdings acquires the assets and business of Öko-Haustechnik inVENTer GmbH

Volution Group plc is formed and listed on the London Stock Exchange

Torin-Sifan opens new EC Manufacturing and Technology Centre in Swindon

Chief Executive Officer's Review

Ronnie George
Chief Executive Officer

Summary

- Clear strategic plan to grow organically and through acquisitions
- Strong results for 2014 reflecting growth both organically and through acquisitions
- Two acquisitions completed in the year, significant investment made in new products and a new production facility opened at Torin-Sifan
- Good organic growth, especially in the area of higher value ventilation systems used in new residential dwellings
- Appreciative of the support from our principal shareholder and our new investors, and their understanding and backing of our long-term vision

Overview

I am delighted that Volution Group plc is now a listed public company, after having had several successful years of private equity ownership. With our listing, I believe we will have an even greater opportunity to implement the strategic plan, particularly in the area of continuing international growth through acquisitions. I am also highly appreciative of the support that we have had from our principal shareholder and our new investors, and their understanding and backing of our long-term vision.

Our results for 2014 were strong, reflecting growth both organically and through acquisitions. Revenue was up year-on-year by 18% at £120.7 million. Adjusted EBITDA grew strongly to £28.5 million or 23.6% of revenue, up 19.8% compared with 2013.

Two acquisitions were completed during the year, significant investment was made in new products, and a new production facility acquired and equipped at Torin-Sifan. We also saw good organic growth, especially in the important area of higher value ventilation systems used in new residential dwellings.

Ventilation Group: UK

In the UK market, the Ventilation Group achieved sales growth in all market sectors. The UK repair, maintenance and improvement (RMI) market that we split into both public and private areas of focus, continued to show recovery. Our focus on the quiet energy efficient solutions in demand in the private market did very well for us as did our initiatives to deliver improved ventilation with greater controls and functionality for public sector social housing. This was despite a backdrop of an overall general market decline.

In the new build residential market, we are starting to benefit from the positive effects of additional house completions. The house building industry and the social housing RMI market are both driven by regulation and consumer preference to construct homes that are more carbon and energy efficient. This has seen a move towards the use of centralised heating and ventilation systems that are designed to meet the required carbon emission reductions without loss of the benefits of air-tight construction. Sales growth in this area was up 11.2% in the financial year ended 2014 and we would expect this trend to continue in the coming years. As indoor air quality (IAQ) becomes even more of a concern in the future, the Group, with its wide range of brands and in-depth industry knowledge, is well placed to bring new ventilation solutions to the market to meet these growing requirements.

Ventilation Group: International growth through acquisitions

In August 2013, we acquired PAX in Sweden for a total cash consideration of £11.5 million. We now have a leading position in the Swedish market for ventilation refurbishment in residential dwellings. The integration of PAX has been successful and we have in place a very strong combined management team under the leadership of the country manager for the Nordic region.

The synergies provided by this acquisition have allowed us to develop a stronger sales approach to the Swedish market in trade and retail accounts across both the Fresh and PAX brands. We are actively pursuing further growth opportunities in the Nordic region with investments made in our sales teams to focus their attentions in the Norwegian, Danish and Finnish markets.

In April 2014, we acquired the assets and intellectual property of inVENTer for a cash consideration of £19.1 million. This was the culmination of our strategy to find the right acquisition in Germany. inVENTer has a leading position in the lucrative and fast growing heat recovery ventilation refurbishment market. The inVENTer brand has been trading for over 15 years and provides us with the ideal platform for further growth into other areas of the residential ventilation market in Germany. The integration of inVENTer is proceeding well.

At the time of the acquisition of inVENTer we were aware of a decline in sales to a small number of its larger customers. The purchase consideration was reduced accordingly. After acquisition, sales to these customers continued to decline, necessitating an impairment of our intangible asset, customer base (recognised at fair value at the time of acquisition). We have had growth in sales to other customers that were not included in the valuation of our customer base. Recovery of sales in the affected regions, the appointment of new sales agents, and the roll out of a new range of centralised heat recovery systems is an area of focus for us during the current financial year.

OEM (Torin-Sifan)

Torin-Sifan had a more challenging year due to the mild winter, with our sales of gas boiler combustion motors declining from the prior year. This area of the business will continue to be important to us. Over the last two years, we have made a significant investment in developing a new range of high performing air movement products that meet the energy efficiency demands placed on this industry. With these new electronically commutated (EC) products and the Group's investment in a modern production site close to the well-established Torin-Sifan Swindon headquarters, we believe we are in a good position to ensure our long-term future growth.

Three strategic pillars

Our strategy continues to focus on three key pillars:

- organic growth in our core markets;
- growth through a disciplined and value-adding acquisition strategy; and
- to further develop Torin-Sifan's range and build customer preference and loyalty.

In our core markets, we expect to continue to benefit from a favourable regulatory backdrop that focuses on reducing carbon emissions from buildings; the need for improving energy efficiency; and the emerging understanding of the importance of indoor air quality in the developed world. The Group will continue to gain from these market developments with our specialised approach to each market area. By building on our internal resources and focusing on product management and product development, this will enable us to deliver product and system solutions to meet customers' needs.

The ventilation market in Europe remains highly fragmented and we intend to continue to explore selective acquisition opportunities to increase our international footprint. Our track record over the last two years of making acquisitions and successfully integrating them into our Group shows our ability to add new competencies and to expand into new markets and this serves us well for future acquisitions in the coming years.

I would like to acknowledge the dedication and hard work demonstrated by our employees along with our management teams from across our Group companies. Our people are key to the success of the Group. I would like to thank them all for their support during this historic year and for their continued contribution to our success.

These are exciting times for us as we move forward as a listed public company, with the stability and platform that it provides to us in achieving our strategic goals.

Ronnie George
Chief Executive Officer
23 October 2014

The Strategic Report was approved by the Board on 23 October 2014.

By order of the Board

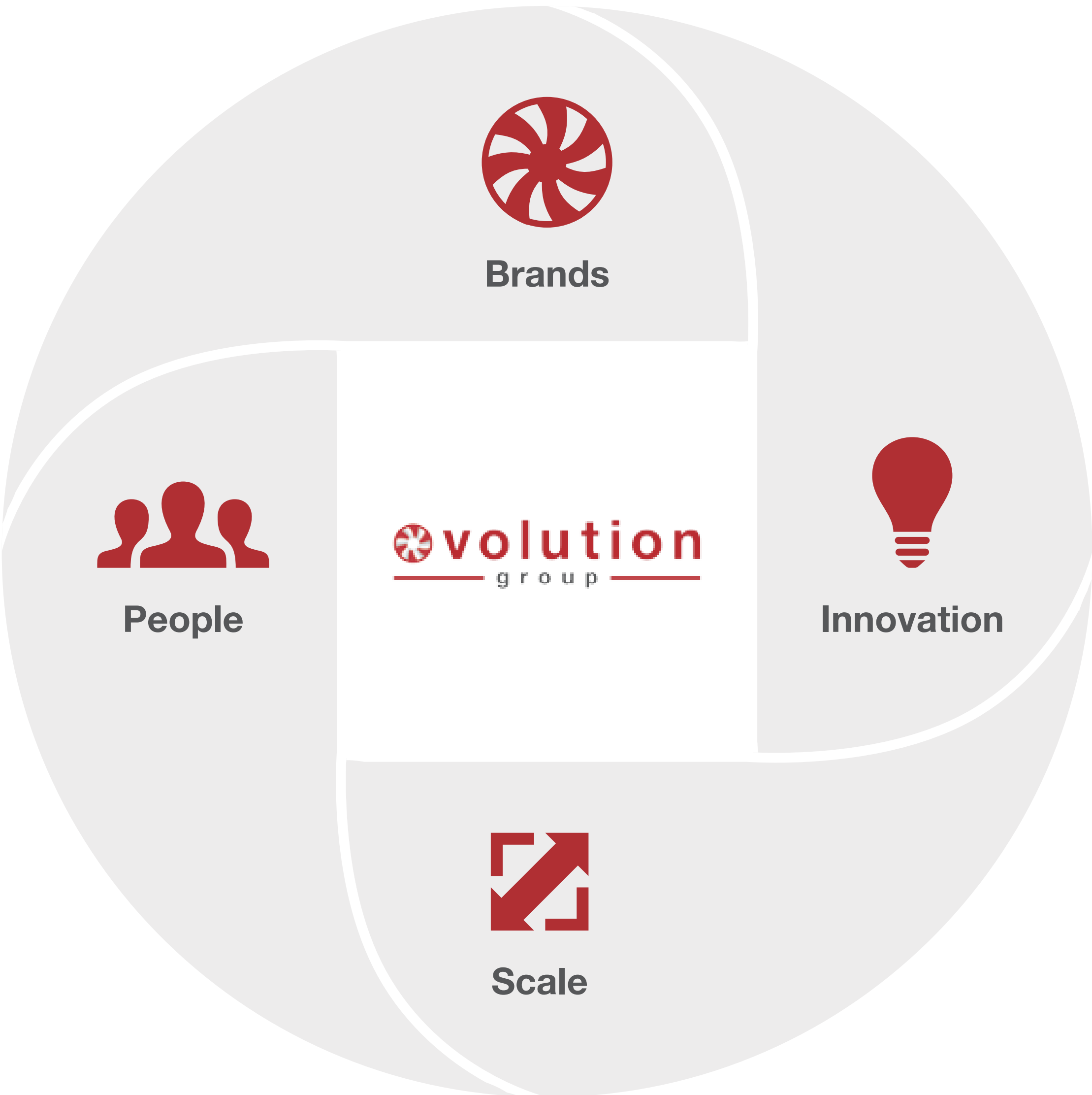
Ronnie George
Chief Executive Officer

Our Business Model

It is not one component of the Group's business model that creates value, but a mixture of all of the elements that builds our compelling proposition and our strength in our core markets.

Our key differentiators

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



Brands

With our leading brands and products across multiple segments, we create high entry barriers for new competitors.

By using the strength of our Group portfolio with our product categories and product ranges across the brands, we create opportunities and positions that are difficult to replicate.

Brands in Action
> page 10

Innovation

It is our track record in developing higher specification, higher value and cutting-edge products that sees us recognised for our leadership in Innovation.

We pride ourselves in bringing higher value solutions to our customers. Whether it is a quieter, more desirable design of extract fan, or a more efficient heat recovery unit, we are always focused on improving the customer's experience.

Innovation in Action
> page 12

Scale

With nine assembly and manufacturing plants in Europe, located in the UK, Sweden and Germany, we have the ability to increase production to meet growing demand.

In 2012, we brought the balance of our assembly capabilities back to the UK from China. This "re-shoring" decision was cost-neutral and enhanced the level of flexibility and responsiveness to our customers. We are now better placed to respond with speed to changes in demand and to manage our cost base more efficiently with our flexible workforce.

Scale in Action
> page 14

People

We understand the value that people bring to our organisation. Our people make the difference to our success and therefore a key focus for us is to identify and nurture talent.

The Volution Management Development Programme provides a pathway for the next generation of leaders within our Group to be identified and is one of the key components of our human resource planning.

People in Action
> page 16

Brands in Action

Our brand portfolio is one of our strongest assets. It differentiates us and enables our customers to discriminate positively towards us. Our ability to manage products and categories across our brands allows us to occupy strong positioning within our core markets.

Designer fans in the UK

The cultural and style trends within Sweden have enabled us to develop a range of extractor fans with unique and highly stylised aesthetics. The continuing success of products within the range, particularly the Intellivent 2.0 from our Fresh brand, has provided a learning exchange for other brands within the Group to introduce these aesthetics products into their markets. For example, Vent-Axia has recently introduced the Intellivent 2.0 product into the UK as the iQ fan.

This, along with some existing products from the Ventilation Group, has formed the building blocks for a completely new range of stylised, energy-efficient, silent-running fans.

Decentralised heat recovery in Germany and Sweden

Within the Group, PAX has a decentralised heat recovery solution in the EOS product.

At the same time, inVENTer specialises in decentralised, ceramic heat exchangers that provide easily installed, through-the-wall solutions that are ideal for refurbishment.

These two product ranges when combined complement each other and together form a unique proposition. PAX and inVENTer are able to share their product portfolios and their individual experiences and thus combine their new ideas into a complete product offer.

Using the brands to develop a penetrative sales model

Our sales strategy is highly specialised for residential ventilation products in our core geographical markets of the UK, Sweden, Norway and Germany. The strategy targets each of the key decision makers in the value chain, ranging from distributors, specifiers, developers and local authorities. The range and depth of our brands allow us to establish price positions and specifications across different segments without conflicts.

The strategy comprises two distinct approaches, with members of the sales team focused on specific sales techniques, brands and sales channels.

Sales representatives are organised within teams that focus on particular market opportunities, e.g. DIY and retail, trade distribution and refurbishment, commercial property, own label and national accounts. This ensures that sales teams are focused on both identifying and capitalising on the opportunities within their sector, whilst also benefiting from specialist knowledge to ensure higher standards of client service. It also results in multiple sales representatives covering specific accounts, to ensure penetration of our brands that are suitable for the specific sales channels.

This approach ensures that we get feedback directly from the customers and end users, enabling us to develop and shape our ideas further for the next generation of products.

> **"Pull-through"** or specified demand: a ventilation solution chosen by the contractor or developer is defined by specification; hence, it is subject to influence from architects, consultants or other specifiers, including housing and tenant associations, national builders, developers and local authorities. The key element of this sales strategy is to focus on targeting specifiers' needs and so create the "pull-through" demand. Demand for specified products is mostly specification led rather than price led. Specification is particularly prevalent in the residential and commercial new build sectors and social housing refurbishment where technical specification, functionality, performance and reliability are key requirements.

> **"Push-through"** demand: a contractor (or end user/customer) select products without direct third-party influence. This strategy drives sales through coverage of distributors such as electrical wholesalers, DIY retailers, industrial distributors and builders' merchants, who have influence in determining the brands chosen for sales.

Innovation in Action

The ventilation industry continues to evolve. Changes to European energy efficiency legislation and increasing consumer awareness regarding indoor air quality continue to have a positive influence on our markets. This brings new opportunities to make the most of our synergies across the Group and share our knowledge to innovate and develop products and approaches to meet these demands.

Ventilation Group new product introductions

Key product introductions in the year included the new Intellivent 2.0 from Fresh, Sentinel Kinetic 200ZP and Response fan from Vent-Axia and the Continuum fan from Manrose.

The Intellivent 2.0, launched in January 2014 has increased sales for what is one of Sweden's leading DIY fans. The new upgrade increases airflow, reduces noise and simplifies maintenance.

The Sentinel Kinetic 200ZP is the first counterflow high efficiency low profile central heat recovery unit developed by the Group and supports the building industry's growing demand for centralised ventilation systems.

The Response fan from Vent-Axia is the first fan available that provides a display read-out of airflow and pressure loss. This circumvents the need for installers to carry out any post-installation testing so simplifying and speeding up the work on site.

The Response was awarded Best Brand New Product of the Year in the prestigious Housebuilder Product Awards 2014.

The Continuum fan is the first continuous running extract fan launched under the Manrose brand. This fan is designed to be an alternative to using a noisier kitchen fan and operates at a lower level at all times so reducing the need for a high peak airflow when cooking.

Best brand new product of the year

in the Housebuilder Product Awards 2014 awarded to the Vent-Axia Response

Using legislation for proactive market development

Increasingly stringent environmental regulations are expected to drive structural growth in the ventilation product markets in which we compete. As a Group we are active members of trade associations in all the countries we have a major presence in and work hard to interpret the changes to legislation which drive our industry that will in turn add value to our Group. Being part of the dialogue allows us to adjust our product portfolio proactively as regulations change. We are also well placed to understand future trends in our industry and innovate accordingly.

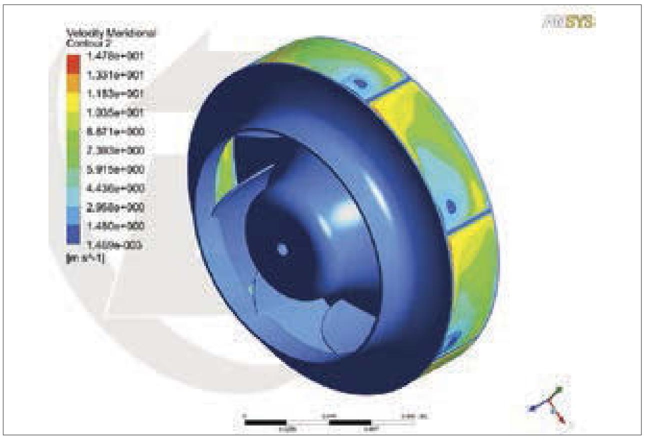
> In the UK we are members of British Electrotechnical and Allied Manufacturers' Association (BEAMA) and Federation of Environmental Trade Associations (FETA).

> In Sweden we are members of Svenska Grossistföreningen and Svenskventilation.

> In Germany we are members of Fachverband für Gebäude und Klima (FGK), VFW Bundesverband für Wohnungslüftung e.V. NAThüringen Nachhaltigkeitsabkommen Thüringen (a regional organisation) and Gesellschaft für Technische Kommunikation e.V.

Focus on indoor air quality and health

The legislative requirements for improvements in energy efficiency is seeing new builds with better insulation and improved air tightness and so increasing the importance of ventilation. We believe the ventilation industry has a responsibility to help inform consumers of the risks of insufficient ventilation and we have been working with BEAMA to develop an industry-wide campaign to build public awareness around air quality and health benefits. This campaign called the "my health, my home" campaign was launched in September 2014.



OEM (Torin-Sifan) new product innovations

Also taking advantage of the regulatory environment, Torin-Sifan has been developing the next generation of low energy motors for EC fans targeting the residential ventilation market. Due for launch in the second half of 2015, the evolution 360 range will provide customers with reduced noise, greater energy efficiency and higher performance than has previously been available from the company.

Specialist skills and knowledge

Besides our own internal development team, Torin-Sifan works with a number of technical partners to broaden our research, development and innovation capabilities.

Collaborations with Southampton University, Newcastle University, and many other independent specialists have allowed us to benefit from new approaches such as the use of powerful new software that carries out complex analyses related to product efficiency mapping and electromagnetic finite element analysis.

This approach has added a new dimension to our thinking and also provided us with a challenging view about how we develop our concepts.

Scale in Action

As the Group grows, the advantage in scale becomes even more apparent. The ability to scale operations allows us to secure supply for our increasing volume, as well as maximising sales opportunities through new product introductions and the sharing of Group resources and expertise.

Meeting demand

Within the Ventilation Group, we have seven facilities that enable us to have fast, flexible responses to customers while ensuring scalability for increasing demand.

Prior to acquisition, the PAX business sourced plastic components, mainly for the Passad fan, from an external trade moulder. Available capacity within the plastic moulding facility located within the Fresh site allowed us to transfer this PAX element in house. As well as the inherent cost saving and improved delivery reliability, the transfer has allowed us to share best practice in terms of plastic materials and plastic part design.

The inVENTer business opened a new purpose built production facility to replace a fragmented footprint. The new site, one of the most energy-efficient buildings of its type in Europe, has enabled the consolidation of activity and indirect labour efficiencies to be achieved.

In 2012 we actively re-shored the balance of our assembly capabilities back to the UK from China to be close to our key markets. The Reading facility provides us with a moulding resource annually in excess of 36 million unique plastic mouldings that are now able to be distributed quickly within our core European markets.

Over 36 million

unique plastic mouldings produced annually

New product development and speed to market

A move to create a centre of excellence for technical development within the UK that serves the wider Group has progressed well during the year. This department provides support on product design, development and testing. Under the control of the Ventilation Group Technical Director, a new product development process has been standardised allowing each of the ventilation companies to follow a common format.

Best-in-class product design is regularly shared between the central technical department and the engineers working at the local sites. Product development roadmaps have been developed for each country in conjunction with local marketing and commercial representatives and this ensures products are developed in line with specific market requirements maximising the opportunities across our sales channels.

The central laboratory located in the UK received significant investment during this year to meet the requirements of the business going forward. The floor area has been expanded to allow for increased product throughput as well as measurement accuracy improved by upgrading many of the airflow, electrical and noise measurement devices. An upgraded chiller unit is on order that will allow the high volume production of air down to temperatures of -20 degrees Celsius. This temperature is important to ensuring product conformance for the Scandinavian markets.

OEM (Torin-Sifan) in action
EC manufacturing facility

Building upon our long-serving employee base, we have been working closely with the local authority, Swindon Borough Council in the UK where Torin-Sifan's headquarters (HQ) is based, to define a roadmap for expansion within an area recently defined as a technology development area spanning automotive, rail, telecoms and retail sectors.

Stage one of this expansion has been successfully completed with Torin-Sifan locating operations for EC products within a new purpose-built lean manufacturing 25,000 sq ft facility that is within close proximity (four miles) of their existing HQ.

This new facility has the capacity to allow Torin-Sifan to double existing EC product volumes in this purpose-built quality and service-focused environment.

Infrastructure

Improvements to business infrastructure at Torin-Sifan have been a key goal during the year with significant investment in additional floor space to house our growing range of higher energy-efficiency EC products. We are well placed to respond to anticipated demand for these new products to meet the more stringent EU energy-efficiency legislation.

People in Action

Our people are our business. We passionately believe that our employees drive our organisation and individually help build our success. We are proud of our achievements and strive to create an environment where we recognise and develop talent within the organisation helping people realise their potential.

Nurturing talent

The Group employs over 1,000 people in five countries across nine manufacturing sites. We recognise that a skilled and committed workforce is core to our Group's success and we support and nurture our people by investing in their development to allow our people to grow and thrive in a rewarding environment. The Board has invested in a strong and experienced management team whose remit is to ensure the right people are in place across the Group's companies. This is essential to our future ability to build strong relationships with our customers and partners.

The Group employs a diverse workforce and we pride ourselves in providing equal opportunities for all. We place high value 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. Our diversity is shown throughout the organisation where out of our 1,000 employees, 34% are female and 22% of our senior staff are female.

Graduate recruitment programme

We are focused on the retention and development of our employees, but at the same time recognise that introducing new talent is also important. Across the Group we have been developing closer links and relationships with universities with the aim of attracting graduates. As well as a structured development plan, our graduate recruitment programme provides structured internal and external training and induction programmes to help ensure retention.

1,000+
employees

9
manufacturing sites

Wider training for employees

We have an active performance review process including annual appraisals and training plans. This process allows for individual needs to be identified that are then complemented with skills development through online self-managed learning.

We have also started to run English lessons for all staff within inVENTer to ensure that they can take an active role within the Group, as English is the common company language.

Employee engagement

In Sweden, we have employee representatives on the local management board that ensure that there are good communication routes and the opportunity for direct employee feedback. This leads to very high staff retention rates and employee satisfaction.

Across a number of companies within the Group, we also have annualised anonymous questionnaires that enable employees to provide feedback to the management teams and provide feedback to forums.

An example of the positive impact good employee relations can have on engagement, over the past two years, Torin-Sifan has awarded 15 long-service awards ranging from 15 to 25 years.

Quite simply, our people are our business and their drive and motivation makes the difference to our success.

Management development programme

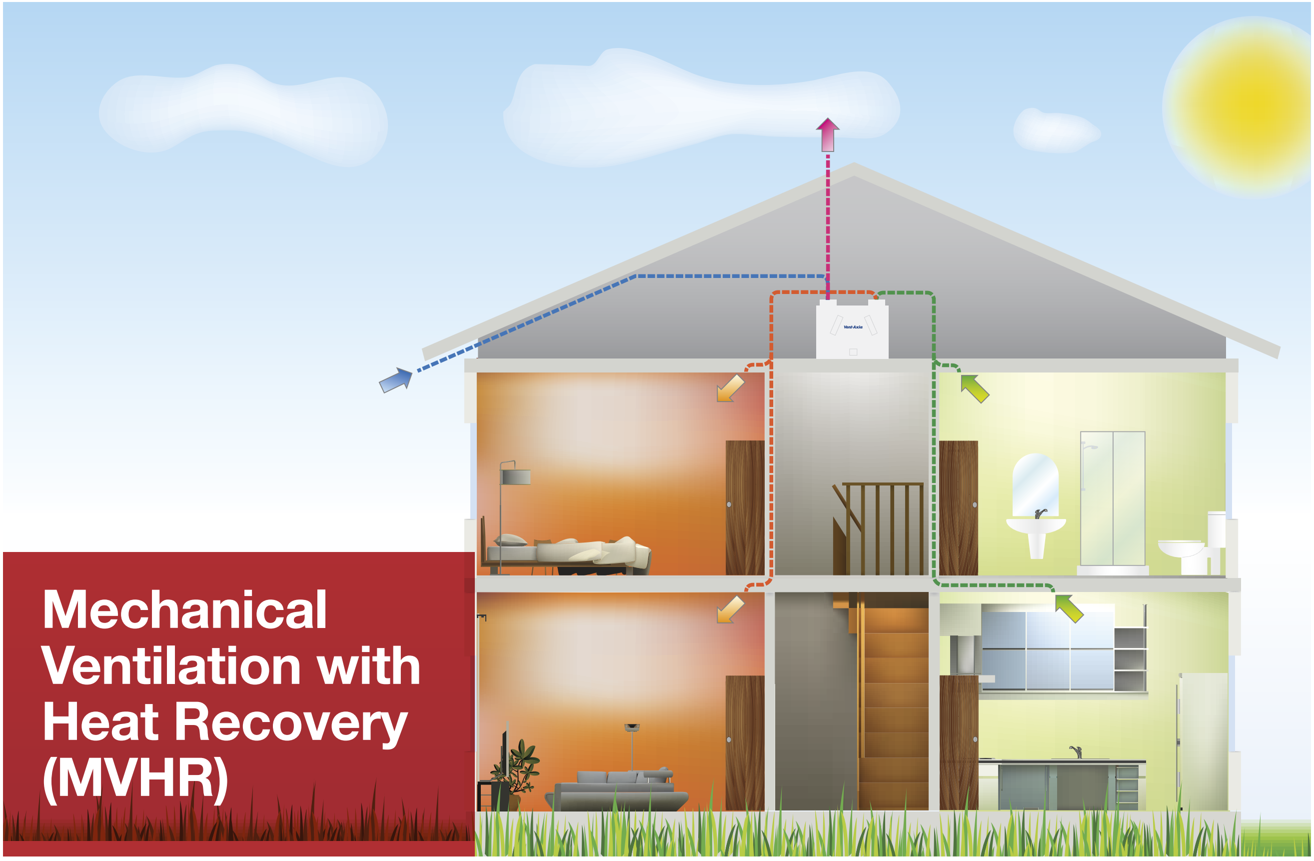
The success of the Group's future business relies on nurturing the leaders of tomorrow. During the year we saw the launch of our management development programme (MDP) that brought key employees from across the Group together to provide a perspective beyond their day-to-day operational activities. Facilitated by an external coach, the MDP provides the participants with a business challenge that enables them to explore causes and business impacts, identify and recommend specific improvements, implement solutions and quantify the return on investment.

The successful completion of this twelve month programme has resulted in key employees having a better understanding of the wider context within which they operate and the actions required to move the Group forward. There are plans to expand the MDP with the further identification of key talent.

Resources for the future – OEM (Torin-Sifan)

To support the next generation of UK engineers, Torin-Sifan actively supports the Engineering Development Council by participating in secondary school initiatives to encourage young people into engineering and in providing school leavers with a paid year in industry prior to choosing their university and subject. Our former school leaver secondees have found the experience invaluable and we have found that staying in contact with them means we are in a good position for them to choose us when they graduate.

Technology Highlight



Mechanical Ventilation with Heat Recovery (MVHR)

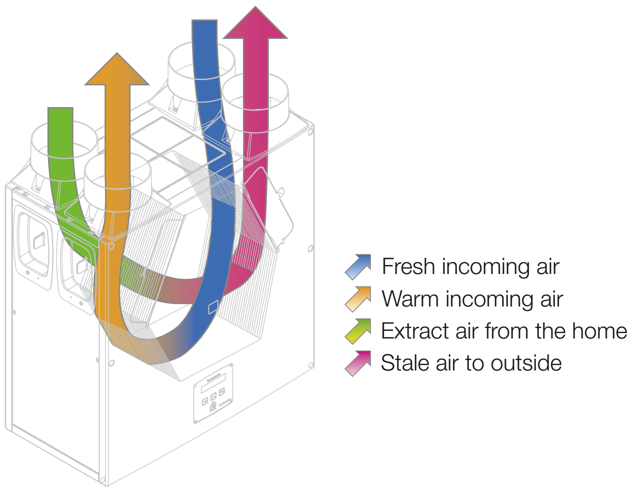
We provide ventilation solutions across a wide range of product categories. However, with homes across Europe becoming more airtight and better insulated, centralised, energy efficient heat recovery ventilation is one of the fastest growing categories.

The principle

MVHR is a whole dwelling ventilation system that supplies and extracts air continuously at a low rate with the facility to be boosted as required meeting building regulations across Europe.

The unit is normally installed in the loft space or cupboard. Using rigid ducting it supplies fresh filtered air to the habitable rooms (bedrooms, living areas) and extracts stale polluted air from the "wet" rooms (bathrooms, kitchens and WCs). Supply and extract diffusers are fitted to the ceilings and are adjusted to balance the system making sure the correct amount of air is provided in each area.

The unit incorporates a heat exchanger (see diagram opposite) that recovers the heat from the exhaust air and uses it to temper the incoming air before it is delivered to the habitable rooms. The efficiency of the heat exchanger can be up to 95%, so returning the majority of the heat back to the dwelling. This reduces the heat loss associated with ventilation providing the most energy efficient form of ventilation available.



Health benefits and customer interface

The units incorporate filters and run continuously providing fresh filtered air all day. The units have become increasingly sophisticated over recent years and we now have products certified in the UK, Germany and France meeting each countries stringent test standards.

There are a number of areas where we provide value to our customers through this device. The primary differentiators are around the way the units operate, with a range of sensors and remote switching options enabling customers to operate their ventilation in line with their lifestyles.

We have unique frost protect cycles for very cold winters, highly customised summer bypass algorithms preventing over heating in the summer as well as a full suite of integrated and remote sensors including temperature, humidity and CO_2.

With a new range of products currently under development, we will soon have what we believe to be the most advanced range of new generation devices available.

MVHR case study

Our Vent-Axia division will supply Sentinel Kinetic Plus ventilation units for the 414 flats in the Saffron Square development in Croydon, UK.

The Sentinel Kinetic Plus is a cutting-edge MVHR system designed for larger new build properties and light commercial applications. 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 90% of the heat energy that would otherwise be wasted.

“

We are delighted to be involved in such an exciting project. Saffron Square is one of a number of major developments we are working on. Heat recovery ventilation is a must for energy efficient developments, reducing excessive moisture in the air, combating condensation and subsequent mould growth and saving money on maintenance and decoration.

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 segments. 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, deliver benefits from recently acquired businesses, and drive cross-selling initiatives.

Actions

- Drive demand growth of our core markets benefiting from regulation and educating end users
- Bespoke sales and marketing strategy to address each market segment
- Provide innovative products to address evolving market demand and generate upselling opportunities

Growth through a disciplined and value-adding acquisition strategy

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

Actions

- Make acquisitions to establish leading positions in new markets
- Deliver revenue and cost synergies from acquisitions
- Increase cross-selling and export growth, replicating process in UK and 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

- Development of technically superior new products
- Expand new product development function and enhance customer responsiveness

Achievements during FY14

- Continued growth in our value-added product lines including the Lo-Carbon range
- Further enhancement and growth of our sales teams across Europe
- Launched new products in all key markets and channels

Focus for FY15

- Range development maximising the opportunity of our new Enterprise Resource Planning System with initial implementation planned for the first half of 2015
- Sharing experience across Group companies to continually improve sales planning
- Introduce a new range of central heat recovery systems

Achievements during FY14

- Acquisition of PAX in Sweden and inVENTer in Germany
- Introduction of Intellivent 2.0 which increased sales into the DIY market
- Introduction of designer fans from Sweden in UK

Focus for FY15

- Further integration of inVENTer within the Group
- Implementation of cross-company synergies following FY14 acquisitions
- Focus on decentralised systems in the Nordics

Achievements during FY14

- Early prototyping of new range finalised
- Development of the R&D team

Focus for FY15

- Launch of new motor platform
- Integration of new platform into customers' bespoke applications

Key Performance Indicators

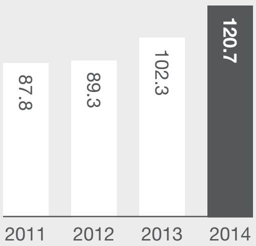
The Board has chosen a number of key performance indicators to measure the Group's progress against our strategic plans. The key performance indicators are presented below.

Financial Performance

Revenue[1] £m

Tracks our performance against our strategic aim to grow the business

£120.7m



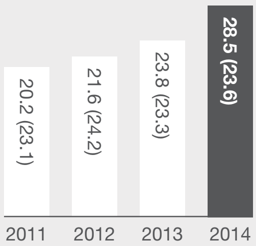
Comments

- Strong sales development in the year
- Two acquisitions in the year contributed significantly to our growth: PAX (Sweden) in August 2013 and inVENTer (Germany) in April 2014
- Revenue growth was 18%
- Organic growth on a like-for-like exchange rate basis was 5%

Adjusted EBITDA and adjusted EBITDA margin[1,2] £m (% of revenue)

Tracks the underlying financial performance of the Group before depreciation

£28.5m (23.6%)



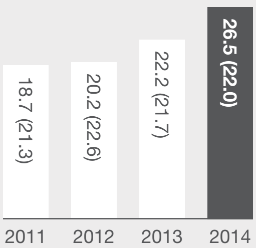
Comments

- Strong growth in underlying profitability, margin improved slightly in the year

Adjusted operating profit and adjusted operating profit margin[1,2] £m (% of revenue)

Tracks the underlying financial performance of the Group

£26.5m (22.0%)



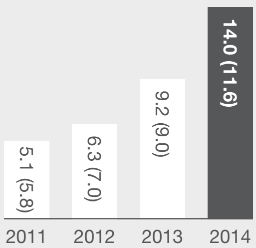
Comments

- Strong growth in underlying profitability and margins

Adjusted profit before tax and adjusted profit before tax margin[1,2] £m (% of revenue)

Tracks the underlying financial performance of the Group

£14.0m (11.6%)



Comments

- Strong growth in underlying profitability and margins

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

93.5%

(2013: 93.7%)

Comments

- The high level of staff retention continued in 2014

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)

43%

(2013: 37%)

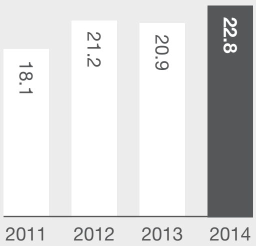
Comments

- The trend towards higher value added low-carbon products continues, supported by the acquisition of inVENTer

Adjusted operating cash flow[2] £m

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

£22.8m



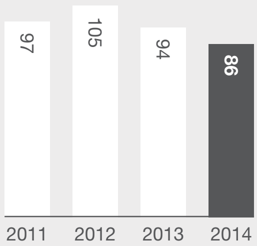
Comments

- Adjusted operating cash flow in 2014 remained strong despite a significant increase in capital investment to £4.5 million (2013: £2.6 million)

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

86%



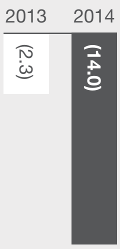
Comments

- Good cash generation even after higher than normal capital expenditure of £4.5 million

Earnings per share (basic and diluted) p

To provide a measure of shareholder value

(14.0)p



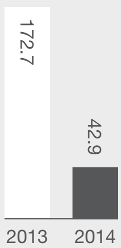
Comments

- EPS reflects the capital structure under previous ownership and the substantial exceptional cost in the year, incurred largely as a result of the listing of the Company on the London Stock Exchange

Net debt[3] £m

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

£42.9m



Comments

- Re-financing at the time of listing, in June 2014, significantly reduced our leverage to the targeted level
- Leverage (expressed as a ratio of net debt[3] to adjusted EBITDA[2]) was 1.5x (2013: 7.1x)

Notes

1 Amounts for 2011 and 2012 have been restated to IFRS.

2 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.

3 Net debt is defined as bank borrowings less cash and cash equivalents.

Principal Risks and Uncertainties

The Group believes that the table below outlines the principal risks and uncertainties that our business faces. Occurrence of any of these risks may significantly impact the business or impair the achievement of our strategic goals.

Risk	Impact
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.
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 accounts may be adversely affected by changes in exchange rates.
Acquisitions	
We may fail to identify suitable acquisition targets at an acceptable price or we may fail to 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.
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.

Strategic consequence	Mitigation
Our ability to achieve our ambition for continuing organic growth would be adversely affected.	Geographic spread from our international acquisition strategy helps to mitigate the impact of local fluctuations in economic activity. New product development, the breadth of our product portfolio and the strength and specialisation of our sales forces should allow us to outperform the market against a general decline. We are heavily exposed to the RMI market which is more resilient to the effects of general economic decline. Our business is not capital intensive and our operational flexibility allows us to react quickly to the impact of a decline in volume.
Our ambition to grow internationally through acquisition exposes us to increasing levels of translational foreign exchange risk.	Significant transactional risks are hedged by using forward currency contracts to fix exchange rates for the ensuing financial year. Revaluation of foreign currency denominated assets and liabilities are partially hedged by corresponding foreign currency bank debt.
Our strategic ambition to grow by acquisition may be compromised.	The ventilation industry in Europe is fragmented with many opportunities to court acquisition targets. Senior management has a clear understanding of potential targets in the industry and a track record of three acquisitions over the past two years. Management is experienced in integrating new businesses into the Group.
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.	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.

Principal Risks and Uncertainties continued

Risk	Impact
Supplies	
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.
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.
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.
Customers	
A significant amount of our revenue is derived from a small number of customers and from our relationships with heating and ventilation consultants.	Any deterioration in our relationship with a significant customer could have an adverse significant effect on our revenue to that customer.
Legal and regulatory environment	
Changes in laws or regulation relating to the carbon efficiency of buildings or the efficiency of electrical products may change.	The shift towards higher value-added and more energy-efficient products may not develop as anticipated resulting in lower sales and profit growth. If our products are not compliant and we fail to develop new products in a timely manner we may lose revenue and market share to our competitors.

Strategic consequence	Mitigation
Organic growth may be reduced. Our product development efforts may be redirected to find alternative materials and components.	We establish long-term relationships with key suppliers to promote continuity of supply and where possible we have alternative sources identified.
Our competitiveness and growth potential, both organic and inorganic, could be adversely effected.	Regular employee appraisals allow two-way feedback on performance and ambition. 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. The Group aims to reward and incentivise employees competitively.
We could temporarily lose sales and market share and could potentially damage our reputation for customer service.	Disaster recovery and data backup processes are in place, operated diligently and tested regularly. A significant Enterprise Resource Planning system upgrade is underway managed by a dedicated team of experienced senior employees from the business. A disaster failover site is being implemented to cover this upgrade.
Our organic growth ambitions would be adversely affected.	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. 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. We continue to develop new and existing products to support our product portfolio and brand reputation. We provide an excellent level of customer service.
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.	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. We are active in new product development and have the resource to react to and anticipate necessary changes in the specification of our products.

Corporate Social Responsibility

Volution Group is founded upon the excellence of our 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.

We operate six manufacturing facilities in the UK, including our headquarters in Crawley. We also have two manufacturing facilities in Sweden and one in Germany. All of our operations work to the highest standards of quality, health and safety and environmental (HSE) management. A number of our Group companies have attained ISO 9001 (Quality Management System Standard) accreditation and the ambition is for the Group to achieve this across all of our companies.

Health and safety

We are committed to achieving and maintaining the highest standards in health and safety practice. An open culture towards HSE engages all employees and helps maintain our excellent safety record. We invest 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.

Ethics

Through our supplier approval process, we endeavour to ensure that our goods, machinery, equipment and services are procured from organisations that treat their employees equally and fairly and in accordance with all local legislation. Where appropriate, we make sure that any materials used in the production of goods are from sustainable sources, subject to availability and value for money. In addition, we will ensure that any materials, equipment or machinery bought by the Group are produced in environments that ensure the health and safety of the local workforce.

Environment

We endeavour to limit our impact, as far as possible, on the environment within which we operate and also protect the environment that we all share. Across the Group, energy reducing initiatives are in place including using recycled plastics in manufacturing, recycling waste paper and cardboard and working with our customers to reduce waste on site. Low-carbon products are also donated to environmental projects to demonstrate innovative energy reduction techniques.

Our product development programme is focused around our Low-carbon initiative, using technology which reduces power consumption and recovers, recycles and reuses energy that would otherwise be wasted. At all times we will produce products that are as energy efficient as possible and will continue to research and develop energy efficient solutions for the marketplace. This has been recognised independently through a number of awards from industry associations for our energy-efficient products.

A number of Group companies have attained ISO 14001 (Environmental Management Standard) accreditation; the ambition for the Group is to achieve this across all of our companies.

To help reduce omissions in the UK, we offer participation in a bike-to-work scheme and in Crawley in the UK we have membership of a scheme providing staff with subsidised public transport to help reduce car journeys.

Community

Integrity forms a fundamental part of our values and it is important to the Group that all employees conduct themselves in a professional manner at all times. Through the individual brands, we support local initiatives such as manufacturing and business forums and provide talks and training for local groups. Some of our manufacturing sites provide facilities for local communities to hold events, bringing the local community together in one place. Our brands support local sports teams such as football and ice hockey teams.

Our people across all of our companies hold numerous events throughout the year in support of a variety of charities, donating funds raised to selected charities. These have included Children in Need in the UK.

Within Fresh in Sweden we have also been working closely with Samhall for many years. The ambition of Samhall is to provide employment for individuals with impairment and this has seen Samhall working with Fresh to provide a team within the assembly area. Some of the employees have been with Fresh for a number of years (the longest achieving 15 years' service). This relationship has been seen to be a great benefit to both employees and Fresh as a whole.

Education and training

For the fourth year running, we have been working with the EDT (Engineering Development Trust) to help inspire children and youths (male and female) to choose a future career in science and engineering. We have supported this in two ways.

First, we provide engineers to act as mentors during a ten week interactive project (Go4set) in secondary schools within the Swindon area. This is designed to change young people's perception of what engineering is and to allow them to experience and understand some of the key associated skills.

Second, we participate in the Year in Industry scheme that provides paid work placements for school leavers who have completed their A levels and want to experience industry before choosing their university and subject.

We are proud of our involvement in such a worthwhile scheme and plan to continue our involvement in the future.

In Germany, inVENTer produces a brochure for use during the training of installers by Gentner Verlag GmbH. The eight page brochure is targeted at installers at an early stage of their education so they are well trained on ventilation at the start of their careers. The brochure includes general information on ventilation, planning according to DIN 1946-6 (the ventilation standard), the functional principle of decentralised ventilation and its advantages.

At Volution Group, we work to uphold our company values and strive to enhance our contribution to our local communities, the environment and society at large.

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.

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. As this is our first GHG emissions report in line with UK mandatory reporting requirements set out by the Department for Environment, Food and Rural Affairs (DEFRA), there is no comparative year.

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 2014

Emissions from	2014 CO_2e tonnes
Electricity, gas and other fuels	**3,495**
Petrol and diesel vehicle fuels	**841**
Refrigerants	**106**
Total footprint	**4,442**
Greenhouse gas emissions intensity ratio: CO_2e tonnes per £m of revenue	**36.80**

Note that:

- data collected is in respect of the year ended 31 July 2014. The conversion factors used are those published by DEFRA;
- some extrapolation or estimation techniques have been used to calculate the Group footprint, specifically regarding the calculation of emissions from cooling units;
- this is the Group's first year of mandatory emissions reporting following listing on 23 June 2014 and therefore 2014 represents our base reporting year; and
- the figures disclosed above for 2014 have been reviewed by BDO LLP.

Operational Review

Ventilation Group

Revenue £m

£101.3m

(2013: £82.3m)

Within the Ventilation Group, the increase in sales volume, coupled with the business objective to remain the leading supplier in terms of customer service to the market, has driven the requirement to increase production output from the various facilities.

The site at Crawley has seen an increase in production output of over 60% compared with financial year ended 31 July 2012. As well as an increase in residential fan sales this rise in output was due to the full year effect of the "re-shoring" exercise of six product ranges back from manufacturing assembly in the Far East.

Both the assembly facility at Slough and the Dudley manufacturing sites achieved a 5% increase in production volume in the year. Residential fan sales drove the output from Slough and increased call-off for whole house MVHR (mechanical ventilation with heat recovery) product for Dudley.

Prior to acquisition by the Group, PAX sourced plastic components, mainly for the Passad fan, from an external trade moulder. Available capacity within the plastic moulding facility located at our Gemla site allowed the transfer of the PAX tools and the subsequent injection moulding of all of PAX plastic parts. As well as the reduced cost and improved delivery reliability, the transfer project has allowed a sharing of best practice in terms of plastic materials and plastic part design.

The launch of Intellivent 2.0 proved a major success for Fresh but the increased sales put pressure on the assembly cell output. Lean manufacturing loss reduction techniques were deployed within the cell and the output has increased over 30% per shift without adding any additional employees. Improvement work continues within this area and a study of the suitability of further automation is underway.

inVENTer opened a new purpose-built production facility in May 2014, bringing together production under one roof, to replace facilities spread over several sites. The site consolidation has already enabled indirect labour efficiencies to be achieved. Operational efficiency improvement work studies have begun to ensure this newly acquired company benefits from best practice benchmarking that regularly takes place across the Group.

OEM (Torin-Sifan)

Revenue £m

£19.4m

(2013: £20.0m)

As an existing and long-established manufacturer of electronically commutated (EC) products, Torin-Sifan clearly understands the growing influences of low-carbon EU legislation on the heating, ventilation and air conditioning (HVAC) markets. Having reassessed the European market in terms of competition, it has recognised the opportunity to satisfy the increasing market demand for a capable and service oriented original equipment manufacturer (OEM) supply partner. This supply partner should have the experience and capability to develop and manufacture complex EC products that satisfy the need for highly efficient, quiet and controllable air movement products for residential and commercial HVAC applications.

To validate this view, in October 2012 we undertook a market research programme with an extensive study into the application requirements, technology needs, demand volumes, and appetite for alternative supply partners with over 20 leading European manufacturers of HVAC equipment. The positive results of this survey confirmed Torin-Sifan's view of market demand for high performing air movement products that meet the performance demands of today's pressure-hungry extract and heat recovery continuous whole house ventilation systems. This kick-started a programme to recruit the necessary skills and resources to embark on the development of a range of EC motor impellers targeted to provide market-leading performance.

We also recognised that in order to maximise the opportunity in this market, we would need to increase our available production capacity. Therefore, in tandem with the new product developments, Torin-Sifan also implemented a complementary infrastructure extension and improvement programme that resulted in the creation of a new 25,000 sq ft manufacturing facility purpose-designed upon lean manufacturing foundations to meet the quality and service requirements demanded for EC products using complex electronic technology. As we now move from the development phase to implementation, we have already turned to engaging potential customers and planning the European launch of our EC product range at the forthcoming industry's primary trade gathering at the ISH (International Sanitary and Heating) trade fair in Frankfurt. This will provide the perfect industry opportunity for Torin-Sifan to confirm its position as an OEM that is ready for low-carbon product growth.

Continual improvement

Continual improvement activity within the operations department of the Group is focused on improving the customer experience, in both service and product quality and reliability.

Various multi-department forums are in place to review product reliability in the field. Experiences of the end customer (as well as product installers) are collected and considered as valuable input into new product design as well as design changes that may be considered to in-market products. During the financial year ended 2014, the Ventilation Group established an IMP (in-market product) technical team in the UK to enhance the customer experience. The IMP team also supports the local manufacturing facilities in driving forward their productivity improvements, thus increasing production capacity and reducing product cost. A significant labour productivity improvement was realised when the new inVENTer production facility was opened. The new facility allows the full manufacturing process to be conducted under one roof therefore reducing non-value added activities and also improving the efficiency of our labour force.

Financial Review

Ian Dew
Chief Financial Officer

Key highlights

- Successful listing on the London Stock Exchange on 23 June 2014
- Strong revenue growth of 18%
- Acquired two businesses, PAX (Sweden) and inVENTer (Germany), in the year
- Strong growth in underlying profitability and improving margins
- Closing debt leverage of 1.5x following re-financing at the time of listing

Trading performance

Group revenue in the year was £120.7 million, an 18.0% increase compared with the prior year. This comprised 3.2% organic growth (5.2% on a like-for-like currency basis), with 14.8% the result of acquisitions.

Our Ventilation segment's revenue was £101.3 million in the year, a 23.1% increase on prior year (25.7% on a like-for-like currency basis). Inorganic growth came substantially from the acquisition of PAX in Sweden which was completed in August 2013 and was supported by the full year effect of the Fresh acquisition in October 2012 and the more recent acquisition of inVENTer in Germany in April 2014.

The Group is enjoying strong demand for our ventilation products, especially newer, higher value-added ventilation systems. Organic growth was helped by an increase in new build residential systems sales in the UK with an 11.2% growth in new build residential applications. Growth in the UK residential refurbishment sector was 2.8%; in the UK commercial sector, growth was 5.2% and exports from the UK grew by 2.0%.

Our OEM (Torin-Sifan) segment revenue was £19.4 million in the year and has declined by 2.9% mainly as a consequence of lower sales of spare parts for non-condensing boilers during the recent mild winter. There is a correlation between mild winters and lower sales of these replacement parts.

Our underlying result, as measured by adjusted EBITDA, was £28.5 million, 23.6% of revenues, a £4.7 million improvement compared to the prior year, as the Group benefited from the recent acquisitions in the Ventilation segment. The new acquisitions all contributed to profit. In addition, cost reductions and other synergy benefits were secured in our newly acquired Swedish businesses.

The Group's reported loss before tax in the year was £15.5 million compared to a loss of £4.2 million in the prior year. The reported result for the year has been significantly impacted by:

	2014	2013	Movement
Revenue (£m)	**120.7**	102.3	18.0%
Adjusted EBITDA[1] (£m)	**28.5**	23.8	19.7%
Adjusted operating profit[1] (£m)	**26.5**	22.2	19.4%
Adjusted profit before tax[1] (£m)	**14.0**	9.2	51.9%
Reported loss before tax (£m)	**(15.5)**	(4.2)	—
Basic and diluted EPS[2] (p)	**(14.0)**	(2.3)	—
Adjusted operating cash flow[3] (£m)	**22.8**	20.9	9.1%
Net debt[4] (£m)	**42.9**	172.7	£(129.8)m

The Group uses some alternative performance measures to track and assess the underlying performance of the business. These measures include adjusted EBITDA, adjusted operating profit, adjusted 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 can be 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 bank borrowings less cash and cash equivalents.

- exceptional items:
  - costs directly related to the IPO process, £5.5 million (2013: £nil);
  - expenses incurred as a consequence of the two acquisitions in 2014, £1.1 million (2013: £1.9 million);
  - re-structuring, integration of acquisitions and other exceptional costs, £1.2 million (2013: £0.9 million); and
- other significant costs:
  - amortisation of intangible fixed assets (customer base and trademarks) recognised at fair value on acquisition of the Group and of our subsidiaries, £11.1 million (2013: £10.1 million);
  - the impairment, in inVENTer, of the value of our intangible asset customer base, £1.9 million;
  - the cost of two re-financing exercises in 2014 and the write off of unamortised costs from re-financing in December 2013, £8.3 million (2013: £0.6 million); and
  - finance expenses relating to the higher level of gearing in the eleven months prior to listing which will substantially reduce in the coming financial year.

Acquisitions

The Group's trading benefited in the year from the full year effect of the acquisition of Fresh in Sweden, acquired in October 2012, and from the acquisitions in the year of PAX in Sweden and inVENTer in Germany. The effect of the acquisitions was additional gross sales of £16.4 million (before rebates and settlement discounts), representing 14.8% inorganic growth in revenue.

In October 2012, Fresh was acquired for a total cash consideration of £7.5 million. Fresh is one of Sweden's leading suppliers of residential ventilation products, including fans, systems, wall vents, ducting systems and fittings. Fresh products are distributed primarily through Swedish retail DIY outlets. During the financial year ended 2013, Fresh was consolidated into the Group result for ten months.

In August 2013, PAX was acquired for a total cash consideration of £11.5 million. PAX is a leading supplier of ventilation products, towel rails and oil-filled radiators in the Swedish market primarily through the trade wholesale channel. In the financial year ended 2014 PAX was consolidated into the Group result for eleven months.

In April 2014, inVENTer was acquired for a cash consideration of £19.1 million. inVENTer is a leading supplier of decentralised heat recovery ventilation systems for new build and refurbishment applications in residential dwellings in Germany. In 2014, inVENTer was consolidated into the Group result for three months.

During the year, continuing integration of the Swedish businesses and associated operational and organisational synergies have enhanced revenue, profitability and margins.

Exceptional items

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. These items, which totalled £7.8 million in 2014 (2013: £2.8 million), include costs incurred as a consequence of the IPO, costs associated with the acquisitions of Fresh, PAX and inVENTer, costs associated with inventory fair value adjustments at the time of acquisitions and costs associated with the re-organisation of businesses following acquisition. Details of these and other 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 summarised in the table above and detailed in note 10 to the consolidated financial statements.

Financial Review continued

Explanation of adjusted measures of profitability

(See note 10 to the consolidated financial statements)	2014 £m	2013 £m
Reported loss before tax	**(15.5)**	(4.2)
Exceptional items	**7.8**	2.8
Amortisation of financing costs and other finance costs	**8.6**	0.5
Amortisation and impairment of intangibles (customer base and trademarks)	**13.1**	10.1
Adjusted profit before tax	**14.0**	9.2
Net interest payable	**12.5**	13.0
Adjusted operating profit	**26.5**	22.2
Depreciation and other amortisation	**2.0**	1.6
Adjusted EBITDA	**28.5**	23.8

Exceptional items continued

In addition to exceptional items, four other categories of expense are highlighted in order to clarify the underlying performance of the Group:

- on acquisition of a business, 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 them over their useful lives. In the year, the amortisation charge of these intangible assets was £11.1 million and is explained fully in note 18 to the consolidated financial statements;
- as a consequence of a decline in sales to our larger customers in inVENTer, the value of our intangible asset customer base, was reassessed to be £5.4 million as at 31 July 2014, an impairment of £1.9 million. Actions are in place to recover sales in affected areas and sales growth in our smaller customers is partly offsetting the decline in our larger customers;
- as a consequence of the re-financing at the time of listing we expensed, as part of finance cost, £8.3 million (2013: £0.6 million) of third party bank re-financing costs incurred in relation to capital re-structurings in February 2012, December 2013 and June 2014. Details can be found in note 9 to the consolidated financial statements; and
- at each reporting period date we re-measure the fair value of financial derivatives and recognise any gains or losses immediately in finance cost. In the year we recognised a cost of £0.2 million (2013: £0.4 million). Details can be found in note 9 to the consolidated financial statements.

Finance revenue and cost

Finance costs of £21.2 million in the year (2013: £14.1 million) largely reflect the interest cost of the pre-listing financial structure prior to 17 June 2014. Prior to listing the business was under private equity ownership and was predominantly financed by bank borrowings and senior unsecured debt (investor loan notes). On listing we undertook an extensive capital re-structuring: all investor loan notes totalling £91.7 million were converted to equity and £61.9 million of the proceeds from the issue of new shares was used to repay bank debt, thus reducing the interest cost significantly for the last six weeks of the year and for future periods.

Finance costs include the write off of accumulated third party bank financing costs, mentioned above, of £8.3 million.

Taxation

The net income tax credit of £1.3 million (2013: £2.1 million credit) consists of current income tax expense arising from the standard rate of corporation tax in each country where our businesses are incorporated and tax resident, as adjusted for permanent and temporary timing differences and the effect of changes in tax rate.

As a consequence of establishing, at the time of acquisition, the fair value of our identifiable intangible assets (trademarks and customer base) we also recognised a corresponding deferred tax credit which is credited against income tax expense in line with the corresponding amortisation of the intangible assets to which it relates.

Full details of the Group net tax credit can be found in note 14 to the consolidated financial statements.

Operating cash flow

The Group continued to be cash generative in the year with adjusted operating cash inflow of £22.8 million (2013: £20.9 million). This represents a cash conversion, after capital expenditure of 86% (2013: 94%). The decrease in cash conversion is largely explained by an increase in capital expenditure on an ERP system upgrade of £0.8 million (2013: £0.5 million), which is currently underway, and significant new product development projects. The Group continues to manage its working capital efficiently with operating working capital representing 15.3% of revenue (2013: 13.9%). The increase in the working capital percentage of revenue can be largely explained by the additional working capital of inVENTer, with only three months of corresponding revenue.

Net debt and re-financing

Net debt as at 31 July 2014 was £42.9 million (2013: £172.7 million) made up of bank borrowings of £53.9 million (2013: bank borrowings £71.6 million, investor loan notes £117.0 million) offset by cash and cash equivalents of £11.0 million (2013: £15.9 million).

During the year there was a considerable amount of capital re-structuring.

In December 2013, the debt facilities were extended by £41.1 million, which were drawn down to repay a portion of the loan notes held by the principal shareholder (Windmill Holdings B.V.) and certain of our other shareholders and Directors on a pro-rata basis (£40.0 million was repaid using a combination of these new borrowings (net of fees) and £2.8 million of cash on balance sheet).

In April 2014, £10.6 million of our bank acquisition facility was drawn upon and £8.0 million of additional investor loan was secured in order to partly finance the acquisition of inVENTer.

On listing in June 2014, the Group converted all of its £91.7 million investor debt into share capital and premium. Also on listing, the proceeds of the primary offer of £72.0 million were used to pay fees associated with the listing (£7.5 million paid in the year, of which £5.1 million was disclosed as part of exceptional items and £2.4 million was treated as a deduction from share premium) and repay £61.9 million of bank borrowings, leaving an additional £2.6 million of cash on the balance sheet to provide additional finance headroom. Following the capital re-structuring at listing, Group debt is exclusively third party bank borrowings and our closing net debt to adjusted EBITDA ratio is 1.5x.

Movements in net debt position

	£m
Opening net debt	**(172.7)**
Movements from normal business operations	
– adjusted operating cash flow	22.8
– interest paid/accrued	(12.6)
– income tax paid	(3.2)
– exceptional items	(0.8)
– other	(1.9)
Movements from acquisitions	
– acquisition consideration	(29.8)
– acquisition costs	(0.9)
Movements from the IPO	
– conversion of investor debt to equity	91.7
– share issue proceeds	72.0
– IPO costs	(7.5)
Closing net debt	**(42.9)**

Bank facilities and liquidity

The Group's bank facilities, post-listing, consist of fully drawn term loans of £53.9 million, a revolving credit facility (RCF) of £13.0 million (of which £1.5 million is allocated to cover bank guarantees, letters of credit and foreign exchange) and an unutilised approved acquisition facility of £20.0 million. The RCF must be cleared down to £9.0 million for five days once every twelve months. The term loans are repayable in full in February 2019. As at 31 July 2014 we had £11.5 million of undrawn committed bank facilities and a £20.0 million acquisition facility in addition to £11.0 million cash and cash equivalents on the balance sheet.

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 largely 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 have hedged against the translation risk for Fresh and PAX by redenominating £20.5 million of our bank borrowings to SEK (value at 31 July 2014 was £17.8 million). We have partially hedged our translational risk for inVENTer by having Euro denominated bank borrowings to the amount of £10.0 million as at 31 July 2014. We do not hedge the results of overseas subsidiaries.

During the year the average exchange rate between GBP and Swedish Krone moved adversely compared to 2013, from 10.23 to 10.76. This had a negative effect on the reported revenue and profitability of our Swedish operating companies when translated to GBP for consolidation. If we had translated the 2014 performance of our Swedish businesses at the 2013 exchange rate our reported Group revenues would have been £1.9 million higher.

Equity structure

Immediately prior to listing, the Group implemented a capital re-organisation. The existing shareholdings of the Group were converted to one class of share in Volution Group plc. Investor loan notes, and associated accrued interest, were converted to shares in Volution Group plc and a further 48 million new shares were issued for sale to new investors. The proceeds of the primary issue of 48 million shares at £1.50 each was £72.0 million. This was used primarily to pay down our bank borrowings and pay for the costs of the listing.

Immediately upon listing, the equity structure consisted of 200 million ordinary shares with a nominal value of £0.01 each. Following listing, Volution Group plc underwent a court-approved capital reduction to cancel £57.6 million of share premium and create a corresponding amount of distributable reserves. This was completed before the end of the financial year.

Earnings per share

The basic and diluted loss per share for the year was 14.0 pence. This reflects the capital structure under previous ownership, which was highly indebted for the majority of the year, and the substantial exceptional cost in the year, incurred largely as a result of the listing of the Company on the London Stock Exchange.

Ian Dew
Chief Financial Officer
23 October 2014

Introduction to Governance

Dear shareholder

On 23 June 2014 the Company achieved an important milestone in its history with a successful listing on the London Stock Exchange. I would therefore like to welcome you to our first Governance Report as a listed company.

The ordinary shares of Volution Group plc (Company) were admitted to the premium listing segment of the Official List maintained by the Financial Conduct Authority and to trading on the London Stock Exchange on 23 June 2014 (Listing). The Board recognises the importance of, and is committed to, high standards of corporate governance and all Directors are fully aware of their duties and responsibilities under the UK Corporate Governance Code (Code), the Disclosure and Transparency Rules and the Listing Rules. Save as set out in this report, the Board considers that the Company has complied with the requirements of the Code from Listing to the financial year end on 31 July 2014.

The Company implemented a robust governance structure ahead of Listing to ensure compliance with the Code. A demonstration of the importance the Company places on corporate governance is given by the fact that although the Company is part of the FTSE SmallCap Index, a number of the Code provisions implemented are those only required by larger FTSE 350 companies.

The following are some key highlights:

- the Board consists of three independent Non-Executive Directors, me as Non-Executive Chairman (deemed independent on appointment), one non-independent Non-Executive Director and two Executive Directors;
- each Non-Executive Director has a proven track record in business at a high level and expertise of relevance to the Company;
- the interests of the Company's Executive Directors as shareholders are aligned closely with those of other shareholders;
- the Board and its Committee structure, as required for a listed company, have been implemented. The Non-Executive Directors have provided critical challenge and support to the areas of the Group which they believe are of particular importance; and
- we will review regularly, and implement as necessary, any developments in corporate governance best practice and seek to apply them appropriately to the Company.

We undertook a formal process to identify suitable independent Non-Executive Directors to appoint on Listing. In addition to me, there are two newly appointed independent Non-Executive Directors, Tony Reading as our Senior Independent Director and chair of the Remuneration Committee and Paul Hollingworth, chair of the Audit Committee. Adrian Barden joined us in 2012 as an independent Non-Executive Director of the then holding company, Windmill Topco Limited, and was appointed as an independent Non-Executive Director of the Company at Listing. Gavin Chittick has been appointed as a Non-Executive Director on the Board and represents Windmill Holdings B.V., our principal shareholder, and is therefore not independent. Each Director has been chosen to bring a range of public company, commercial and industry skills required to drive the business forward.

Company structure

Volution Group plc Board

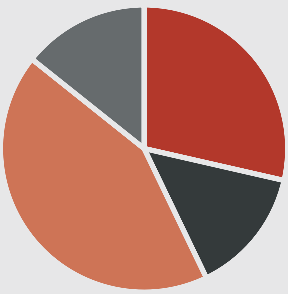
Audit Committee
Members:
Three independent Non-Executive Directors

Remuneration Committee
Members:
Non-Executive Chairman
Three independent Non-Executive Directors

Nomination Committee
Members:
Non-Executive Chairman
Three independent Non-Executive Directors

Board composition

Executive	2
Non-Executive Chairman	1
Independent Non-Executive	3
Non-independent Non-Executive	1



Prior to Listing, the Directors provided the Company with advice and assistance and also received corporate governance training from our external legal advisers. A full induction programme, including visits to the different subsidiaries, markets and production plants in the Group, is underway.

Deloitte LLP was engaged as our remuneration adviser prior to Listing. It advised on the remuneration policy which sets out the Group's forward-looking policy on the remuneration of Executive and Non-Executive Directors and is set out on pages 52 to 58 of this report.

The focus of the Board during the current financial year ending 31 July 2015 is to support the growth strategy of the Group and to strengthen the existing corporate governance policies. I believe the Board is well placed to challenge robustly the proposals put before it and to provide independent oversight.

The Group has the principles of transparency and openness at the heart of its culture and we are committed to high standards in corporate governance. We firmly believe that corporate governance structures and processes will help our business to perform in a more efficient and competitive way in the marketplace and will lead to strong relationships with all our stakeholders.

Peter Hill, CBE
Chairman
23 October 2014

Board of Directors

Peter Hill, CBE

N R

Non-Executive Chairman

Appointed 23 June 2014

Peter joined the Board on Listing as Non-Executive Chairman and Chairman of the Nomination Committee. Peter has extensive experience of this role, having 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 and has previously acted in such capacity 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).

Committee membership

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

Ronnie George

Chief Executive Officer

Appointed 15 May 2014

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. He has over 25 years' experience in the 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 Dew

Chief Financial Officer

Appointed 15 May 2014

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. He has over 25 years' experience in the 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.

Anthony Reading, MBE
A N R

Senior Independent Non-Executive Director

Appointed 23 June 2014

Tony joined the Board on Listing as Senior Independent Non-Executive Director and Chairman of the Remuneration Committee. Prior to joining us, he was 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.

Adrian Barden
A N R

Independent Non-Executive Director

Appointed 23 June 2014

Adrian joined in 2012 as an independent Non-Executive Director of our then holding company, Windmill Topco. Adrian's other assignments include being a board member of Sanitec Corporation, a leading European manufacturer of bathroom ceramics, and CEO of Blue Burgee Ltd. Adrian was previously chairman of the Construction Products Association and chief business development officer of Wolseley plc.

Paul Hollingworth
A N R

Independent Non-Executive Director

Appointed 23 June 2014

Paul joined the Board on Listing as an independent Non-Executive Director and Chairman of the Audit Committee. Paul is currently a non-executive director and chairman of the audit committee at Electrocomponents plc. Prior to that he 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.

Gavin Chittick

Non-Independent Non-Executive Director

Appointed 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). He is an operating director at TCP and provides operational management support to portfolio and prospective investee companies. Prior to joining TCP, he 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.

Corporate Governance

Overview

This report sets out the Company's governance structure and how it complies with the UK Corporate Governance Code (Code), published in September 2012 by the Financial Reporting Council and also includes items required by the Disclosure and Transparency Rules (DTRs). The Code is available on the Financial Reporting Council website at www.frc.org.uk. 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

Prior to our Listing on the London Stock Exchange in June 2014, the Company had no obligation to comply with the requirements of the Code and therefore, given the short period of time from Listing to the financial year end on 31 July 2014, it has not been possible, or necessarily relevant, for all of the provisions of the Code to have been complied with. The Directors consider that the Company has, on Listing and subsequently, complied with the provisions of the Code with the following exceptions:

Code provision	Code wording	Explanation of non-compliance
A.4.2	"The chairman should hold meetings with the non-executive directors without the executives present. Led by the senior independent director, the non-executive directors should meet without the Chairman present at least annually to appraise the chairman's performance and on such other occasions as are deemed appropriate."	Four independent Non-Executive Directors were appointed to the Board on Listing on 23 June 2014. In the short period of time to the end of the financial year on 31 July 2014, it was neither practical nor appropriate to hold such meetings. The Chairman and Senior Independent Director will hold such meetings during the financial year ending 31 July 2015.
B.6.1	"The board should state in the annual report how performance evaluation of the board, its committees and its individual directors has been conducted."	In the short period of time from Listing to the end of the financial year on 31 July 2014, the Board focused on the development of the business post-Listing and on the implementation and embedding of formal Board processes and procedures. It was considered too early to undertake a formal evaluation of its own performance, its Committees or that of individual Directors or the Chairman. An evaluation of the Board, its Committees and that of individual Directors and the Chairman will be undertaken during the financial year ending 31 July 2015.
B.6.3	"The non-executive directors, led by the senior independent director, should be responsible for performance evaluation of the chairman, taking into account the views of the executive directors."	
B.7.2	"The board should set out to shareholders in the papers accompanying a resolution to elect a non-executive director why they believe an individual should be elected. The chairman should confirm to shareholders when proposing re-election that, following formal performance evaluation, the individual's performance continues to be effective and to demonstrate commitment to the role."	Although formal performance evaluations have not been conducted, the Chairman has confirmed to shareholders in the Notice of Annual General Meeting that he and the Board believe that the performance of each Non-Executive Director continues to be effective and each demonstrates commitment to the role.
C.2.1	"The board should, at least annually, conduct a review of the effectiveness of the company's risk management and internal control systems and should report to shareholders that they have done so. The review should cover all material controls, including financial, operational and compliance controls."	Due to the short period of time between Listing and the end of the financial year on 31 July 2014, the Board did not conduct such a review for the year ended 31 July 2014 and up to the date of approval of the Annual Report and Accounts 2014. However, as part of the Listing process, Ernst & Young LLP conducted a review of the Company's internal control processes and procedures and highlighted certain areas for improvement. In addition, BDO LLP has been appointed to provide outsourced internal audit services for the Group. A review of the effectiveness of the risk management and internal control processes will be undertaken by the Board during the financial year ending 31 July 2015 and at least annually thereafter.

Board Governance

Overview

The Board is appointed by shareholders who are the owners of the Company. The Board's principal responsibility is to act in the best interest 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 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 principal shareholder, and two Executive Directors. A list of the Directors is provided on pages 38 to 39.

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 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 below, ensures that no individual has unfettered powers of decision-making.

The matters reserved for the Board include:

- agreeing the Group's strategy and objectives;
- changing the structure and capital of the Group;
- approving the Annual Report and Accounts, Half-yearly Reports and Interim Management Statements;
- 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 of 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.

Board Governance continued

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. 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 principal 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 principal 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 principal 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.

Board meetings

The Company was listed on 23 June 2014 which meant that there was only a short period of "life as a public company" until the financial year ended on 31 July 2014. As a result of this short period between Listing and financial year end, the Board held just one Board and one of each of its Committee meetings at which all Directors were present. In future the Board plans to hold at least six meetings a year.

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 Company'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 38 to 39.

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 first Annual General Meeting to be held on Wednesday 17 December 2014.

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 50 to 62. 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 64. Under the Relationship Agreement, our principal 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.

Evaluation and effectiveness

As outlined earlier, given the short period of time from Listing to the financial year end, no formal and rigorous evaluations of the performance of the Board, its Committees, individual Directors or the Chairman have taken place during the financial year ended 31 July 2014. All these performance evaluations will be undertaken during the financial year ending 31 July 2015.

In addition, the Chairman will meet with the Non-Executive Directors at least once a year without the Executive Directors present to discuss Board balance, monitor the powers of individual Executive Directors and raise any issues between themselves as appropriate. Led by the Senior Independent Director, the Non-Executive Directors will also meet during the financial year ending 31 July 2015 without the Chairman present to appraise his performance.

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. Any new Director will also be expected to meet with major shareholders if required.

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 38 to 39.

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, for example Deloitte LLP advises on remuneration matters and Ernst and & Young LLP on audit matters.

Shareholder engagement

Prior to Listing, the Company met regularly with analysts and institutional investors. 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 intend to communicate with shareholders in a number of different ways. The full and half-year reporting will be followed by presentations and investor meetings in a variety of locations where we have institutional shareholders. We will also regularly meet with existing and prospective shareholders to update them on our latest performance or to introduce them to the Company. Periodically we may arrange visits to the business sites to give analysts and major shareholders a better understanding of how we manage our business. These visits and meetings will be principally undertaken by the Chief Executive Officer and Chief Financial Officer with any relevant material being uploaded to the Company's website so being available to all shareholders.

The Board intends to receive regular updates on the views of its shareholders from the Chief Executive Officer and Company brokers, which will be 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.

Annual General Meeting

The Annual General Meeting (AGM) of the Company will take place at 11.00 am on Wednesday 17 December 2014 at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED. 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

Peter Hill, CBE
Chairman, Nomination Committee

Nomination Committee members

Peter Hill, CBE (chair)
Adrian Barden
Paul Hollingworth
Tony Reading

Dear shareholder

I am pleased to introduce the first report of the Nomination Committee since it was established as part of the governance processes adopted by the Company on Listing in June 2014.

Responsibilities

The Committee's terms of reference (which can be found on the Company's website) deal with such issues as membership and frequency of meetings, together with the requirements for quorum and notice procedure and the right to attend meetings. The responsibilities of the Committee covered in its terms of reference include reviewing Board composition, appointing new Directors, re-appointment and re-election of existing Directors, succession planning taking into account the skills and expertise that will be needed on the Board in the future, reviewing time required from Non-Executive Directors, determining membership of other Board committees and ensuring external facilitation of the evaluation of the Board. As part of its activities the Committee also considers the diversity (including gender diversity) of the Board.

Composition

The Code recommends that a majority of the members of the 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.

Meetings and attendance

During the short period of time between Listing on 23 June 2014 and the financial year end on 31 July 2014, one meeting of the Committee was held and all members attended the meeting. The principal work undertaken at that meeting was to review the Company's policy on diversity.

The Committee will meet formally at least once a year and at such other times as the Board or the Committee chairman requires. The Committee has access to sufficient resources to carry out its duties, including the services of the Company Secretary. Independent external legal and professional advice can also be taken by the Committee if it believes it is necessary to do so.

Election of Directors

On the recommendation of the Committee and in line with the Code, all of the Company's Directors will stand for election at the forthcoming AGM as it is the first AGM since their appointments and will subsequently offer themselves for re-election on an annual basis. The biographical details of the Directors can be found on pages 38 to 39. Whilst no formal performance evaluation review has been conducted in the short period from Listing to the financial year end on 31 July 2014, the Committee is satisfied that the Directors are performing effectively and are demonstrating a commitment to their roles. This will continue to be monitored going forward with a formal performance review taking place during the financial year ending 31 July 2015.

Diversity

The Committee supports the aims, objectives and recommendations outlined in Lord Davies' report "Women on Boards" and is aware of the need to increase the number of women on the Board, to which it is committed over time. Within this overriding commitment, we will make appointments based on merit and against objective criteria to ensure we appoint the best individual for each role.

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. The Company used an external search consultancy to assist in the appointment of the new independent Non-Executive Directors appointed at Listing. The consultancy had no other connection with the Company. Although there are currently no females on the Board, two of the nine members of the Senior Management Team are female (22%). Across our business of approximately 1,000 employees, female employees represented approximately 34% of the workforce and held 22% of senior and other managerial positions in the business as at 31 July 2014.

The Company will continue to develop the potential of women throughout the corporate pipeline.

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

Peter Hill, CBE
Chairman of the Nomination Committee
23 October 2014

Audit Committee Report

Paul Hollingworth
Chairman, Audit Committee

Audit Committee members

Paul Hollingworth (chair)
Adrian Barden
Tony Reading

Dear shareholder

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

The Code recommends that all members of the 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, me 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 38 to 39. 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 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 will meet regularly with the external auditor with no members of management present.

The Committee was set up by the Board to assist it with its responsibilities in respect of financial reporting, including reviewing annual and half-year results, external auditing, internal controls, and advising on the independence and appointment of the external auditor. The Committee will also be routinely looking at the significant accounting treatments facing the Group and will focus on the matters raised by Ernst & Young LLP (EY) which they consider to be of significant audit risk. The Committee will normally meet at least three times a year at the appropriate times in the reporting and audit cycle.

During the period leading up to Listing, as part of completing the Group's Financial Position, Prospects and Procedures Report, EY and the Directors undertook an assessment of the following key areas:

- Board governance including the Committee and the procedure for assessing the Group's key risks;
- management accounting process and the information provided to the Board;
- external financial reporting procedures and audit arrangements and reporting standards;
- the internal control environment;
- complex transactions, potential exposure and risk;
- information systems; and
- budgeting and forecasting procedures and controls.

The Directors recognise the need to maintain the financial reporting procedures, review them on an ongoing basis and adapt them to changing circumstances. Their review will form part of the Committee's agenda going forward together with its wider role and responsibilities which are set out in more detail in this report.

Based on their performance during the year ended 31 July 2014, the Committee will be recommending that EY be re-appointed as auditor at the Annual General Meeting 2014 (AGM).

I look forward to meeting with shareholders at the AGM to answer any questions on the work of the Audit Committee.

Paul Hollingworth
Chairman of the Audit Committee
23 October 2014

Role and responsibilities

The primary function of the Audit 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 Company's internal audit function, and its material findings, in the context of the Company'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 and Business Principles Policy;
- monitoring the effectiveness of the risk management systems and processes; and
- assessing and advising the Board on the internal financial, operational and compliance controls.

Audit Committee Report continued

Meetings and attendance

During the short period of time between Listing on 23 June 2014 and the financial year end on 31 July 2014, one meeting of the Committee was held and all members attended the meeting. Following the financial year end, the Committee met on two occasions prior to the approval of the financial statements. Since Listing, the principal work of the Committee has been:

> reviewing progress on the pre-Listing Financial Position and Prospects Procedures Report which set out certain procedures that had been identified which were either in the process of being designed or were to be implemented post-Listing;

> reviewing and approving the external audit plan for the year ended 31 July 2014;

> agreeing the Committee rolling agenda for 2014/15 and the associated financial calendar;

> reviewing the need for an internal audit function, concluding 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 and BDO LLP had been engaged to provide the function;

> reviewing the Annual Report and Accounts 2014 and recommending to the Board its adoption as fair, balanced and understandable. In fulfilling this task the Committee reviewed the process undertaken to produce the Annual Report and Accounts 2014, which included internal verification processes and content approval procedures;

> reviewing the preliminary results announcement 2014;

> receiving the external auditor's reports to the Committee;

> reviewing the Company's accounting policies and key accounting judgements;

> considering the risk assessment, mitigation actions and assurance activities produced by management;

> reviewing the independence and objectivity of the external auditor, together with their effectiveness, and recommending their re-appointment to shareholders at the AGM; and

> reviewing compliance and explaining any exceptions from the UK Corporate Governance Code.

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 2014:

> **Exceptional items:** exceptional items on a pre-tax basis of £7.8 million (2013: £2.8 million) represent a material item in the profit and loss account and primarily consist of costs associated with the Listing and acquisitions (see note 8 to the consolidated financial statements).

> **Rebates:** rebates provided to certain large customers based on volumes ordered are a significant cost particularly in the Ventilation Group and can be an area of subjectivity as regards size and timing. The Committee has reviewed the basis on which these rebates are calculated and accounted for and are satisfied with their accounting treatment (see note 4 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 2014 intangible assets relating to goodwill, customer base and trademarks amounted to £163.8 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 and inVENTer acquisitions are showing reasonable headroom on their goodwill calculations (see note 19 to the consolidated financial statements).

In addition to the above matters, the Committee reviewed the accounting for the share capital reconstruction post-Listing which had as a key objective, the creation of distributable reserves of £52.1 million to enable the payment of future dividends by Volution Group plc.

Non-audit services

Leading up to the Listing, due to the extensive working knowledge of the Group, the Board at the time was of the opinion that EY was uniquely placed to undertake the considerable amount of work that was required to complete that process within the timescales required.

As a result, during the financial year ended 31 July 2014, EY charged the Company £2.1 million for non-audit services. Clearly 2014 was an unusual year due to the involvement of EY in the Listing process for which its fees were £1.8 million in relation to their role as Reporting Accountant, and accordingly related to non-recurring work. Full details are given in note 13 to the consolidated financial statements.

The Committee is satisfied that the non-audit work undertaken and the nature of the services provided did not detract from the objectivity and independence of the auditor.

The Committee is mindful of the ratio of non-audit fees to audit fees associated with the external auditor and, going forward, will monitor the ratio in line with external guidelines.

The Committee's policy is that any non-audit services provided by the auditor be approved in advance by the Committee, need to be fully justified against alternative providers, and be kept to a practical minimum.

Internal control and risk

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. There is an ongoing process for identifying, evaluating and managing significant risks faced by the Group. Such a system 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. Controls are monitored by management review. Data consolidated into the Group's financial statements is reconciled to the underlying financial systems. A review of the consolidated data is undertaken by management to ensure that the true position and results of the Group are reflected through compliance with approved accounting policies and the appropriate accounting for non-routine transactions.

The Group performs an annual strategy and budgeting process and the Board approves the annual Group budget as part of its normal responsibilities. The Group results are reported monthly to the Board. A regular forecasting regime is adhered to and revised forecasts are produced for the Board whenever significant financial trends are identified.

The Committee will review the effectiveness of the internal control environment of the Group during the current year. It also receives reports from the external auditor, which include recommendations for improvement. The Committee's role in this area is confined to a high-level review of the arrangements for internal control. Significant risk issues are referred to the Board for consideration. A Group risk register is produced and maintained and presented to the Board. The principal risks facing the Group and the mitigating actions taken by the Board and management are included on pages 24 to 27 of the Strategic Report.

In accordance with the Code, the Committee and the Board must review the effectiveness of the Group's internal control and risk management systems and report to shareholders that they have done so. The review should cover all material controls, including financial, operational and compliance controls. Due to the short period of time between Listing on 23 June 2014 and the end of the financial year on 31 July 2014, the Committee and Board did not conduct such a review for the year ended 31 July 2014 and up to the date of approval of the Annual Report and Accounts 2014. However, as part of the Listing process EY conducted a review of the Company's internal control processes and procedures and highlighted certain areas for improvement. In addition, as stated below, BDO LLP has been appointed to provide the Group with an internal audit function. A review of the effectiveness of the risk management and internal control processes will be undertaken by the Committee and the Board during the financial year ending 31 July 2015 and at least annually thereafter.

Internal audit

Following Listing 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. BDO LLP has been engaged to provide the function, reporting into the Group Chief Accountant, with a separate reporting line to the Committee Chairman.

Whistleblowing policy

The Company is committed to providing a safe and confidential avenue for all employees within the Group to raise concerns about serious wrongdoings. The Company also acknowledges the requirements of the Code in this regard, which states that the Committee should review arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. Further to this, an appropriate policy to encourage and enable staff to raise any such concerns is in place as set out in the Code of Conduct and Business Principles Policy.

Re-appointment of external auditor

During the financial year ended 31 July 2013, prior to the Listing of the Company, a tender process was undertaken resulting in the appointment of EY as auditor for the then group. Following incorporation of the Company on 15 May 2014, EY was appointed auditor on 28 May 2014. The Company listed on 23 June 2014 and EY provided substantial and effective support for the Listing as well as providing other non-audit services which has given them a good understanding of the current Group. Accordingly, the Committee has determined that no tender process will be undertaken during the financial year ending 31 July 2015.

The Committee is mindful of the EU's audit legislation which came into force on 16 June 2014 imposing mandatory audit firm rotation as well as significant restrictions on non-audit services. With the new requirements taking effect in June 2016, the Committee has reviewed the provisions. In determining when auditor rotation is mandated, the date of our Listing is considered to be the start date for the tenure of EY as the Group's auditor. There are no contractual obligations on the Company which restrict the choice of auditor.

Having monitored the effectiveness of the audit process for the year ended 31 July 2014, by enquiry of management and auditor, the Committee recommends re-appointment of Ernst & Young LLP as auditor at the AGM.

Governance

As the Committee has only been in existence for a short period of time since Listing, an evaluation of performance has not been undertaken. The first full evaluation is scheduled for the year ending 31 July 2015 and will be annually thereafter.

The Committee has reported in accordance with its Terms of Reference and in particular has recommended to the Board the adoption of this Annual Report and Accounts for 2014 and the proposal to re-appoint Ernst & Young LLP as independent auditor at the AGM in December 2014.

Paul Hollingworth
Chairman of the Audit Committee
23 October 2014

Directors' Remuneration Report

Anthony Reading, MBE
Chairman, Remuneration Committee

Remuneration Committee members

Tony Reading (chair)
Adrian Barden
Peter Hill
Paul Hollingworth

Dear shareholder

As chairman of the Remuneration Committee, I am pleased to introduce our first report on Directors' remuneration since Listing on the London Stock Exchange on 23 June 2014 which has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and the relevant provisions of the Listing Rules.

In accordance with these regulations, the report is divided into three sections:

1. this Annual Statement which summarises the major decisions taken in respect of the Directors' remuneration;
2. the Directors' Remuneration Policy Report setting out the remuneration policy for the Company's Directors; and
3. the Annual Report on Remuneration. This sets out how the Committee will implement the Directors' Remuneration Policy for the financial year ending 31 July 2015 and also the remuneration payable in respect of the financial year ended 31 July 2014.

The Annual Statement and the Annual Report on Remuneration will be put to an advisory shareholder vote at our forthcoming Annual General Meeting on 17 December 2014. The Directors' Remuneration Policy will be subject to a binding shareholder vote at the forthcoming Annual General Meeting on 17 December 2014, and if approved by shareholders, is when it will become formally effective. In practice the Company intends to operate the proposed policy from 1 August 2014.

Our approach to remuneration

Prior to Listing, we undertook a full review of our remuneration framework to ensure that, post-Listing, it was aligned with best practice while promoting the long-term success of the Company. The result is a framework which delivers market competitive packages that are aligned with the interests of our shareholders. For the 2014/15 financial year our policy will be operated as follows:

> salaries were reviewed pre-Listing to ensure they are competitive in the listed environment taking into account the Company's size and complexity. As such, there will be no further salary review changes until the next financial year;

> annual bonus with a maximum opportunity of 100% of base salary based on profit growth, working capital management, margin improvement and Group employee retention;

> introduction of annual bonus deferral;

> long-term incentive plan with a maximum opportunity of 100% of salary with awards in the 2015 financial year based on the Company's EPS and relative TSR performance over a three year period;

> in line with the UK Corporate Governance Code, our incentive plans include both malus and clawback provisions; and

> introduction of shareholding guidelines which require Executive Directors to build up a holding in the Company's shares equal to 100% of base salary.

The Committee's policy ensures that a significant percentage of the overall package of an Executive Director remains at risk, and the Committee believes that the pay and benefits of the Executive Directors adequately take account of reward versus risk.

Looking to the future

The Committee has reflected on the Directors' remuneration reporting regulations and set the following priorities and actions for 2014/15:

> to carefully monitor Company performance in relation to the achievement of its strategic goals, and to ensure executive reward is closely linked to those achievements;

> to engage with key institutional investors and shareholder representative bodies with regard to Executive Director remuneration; and

> to further align employees' and shareholders' interests by looking at ways of employee participation in share-based incentive schemes and the potential to become shareholders in the Company.

Shareholder engagement

As a newly listed company we take an active interest in shareholder views on our executive remuneration policy and will be reviewing voting outcomes from our first Annual General Meeting in December 2014. The Committee is also committed to establishing an ongoing dialogue with shareholders and shareholder representative bodies.

I do hope that you will support both resolutions on the above reports at this year's Annual General Meeting.

Anthony Reading, MBE
Chairman of the Remuneration Committee
23 October 2014

Directors' Remuneration Report continued

Directors' Remuneration Policy Report

This part of the Directors' Remuneration Report sets out the Committee's remuneration policy for the remuneration of directors. This policy will be effective from 17 December 2014 subject to a binding shareholder vote at the forthcoming Annual General Meeting on this date. In practice the Company intends to operate the proposed policy from 1 August 2014.

The role of the Committee is to recommend to the Board a strategy and framework for remuneration to focus and incentivise the Executive Directors and Senior Management Team to deliver the Company's strategic business priorities, thereby aligning them with the interests of our shareholders.

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: > 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

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.		
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. 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. Dividend equivalent payments (cash and/or shares) may be payable on awards to the extent that they vest.	100% of base salary.	Performance measures are determined with reference to the Company's key strategic business objectives for the year. 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. At threshold performance up to 25% of the maximum pays out. Below this level of performance, no bonus pays out.
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.		
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. Dividend equivalent payments (cash and/or shares) may be payable on awards to the extent that they vest.	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.	Awards vest based on challenging financial, operational or share price targets. At least 50% will be based on financial measures. No more than 25% vests at threshold with 100% of awards vesting at maximum performance.
Other benefits		
Purpose and link to strategy: To provide a market-competitive package of benefits consistent with the role.		
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. 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.	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.	N/A

Directors' Remuneration Report continued

Directors' Remuneration Policy Report continued

Policy table continued

Operation	Maximum opportunity	Performance metrics
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

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 policy set out above where the terms of the payment were agreed:

- before the 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 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 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.

Directors' Remuneration Report continued

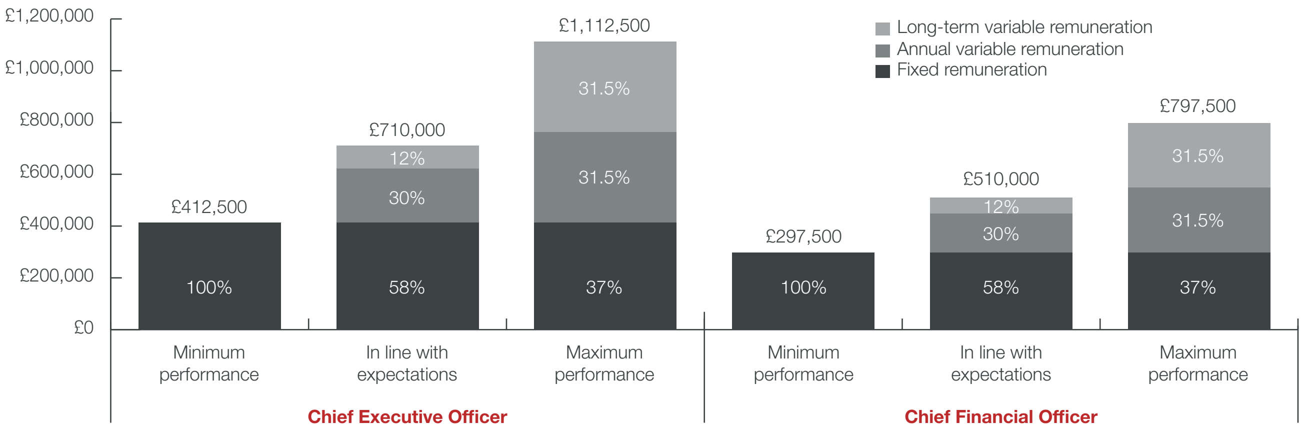
Directors' Remuneration Policy Report continued

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	> Total fixed pay comprises base salary, benefits and pension > Base salary – effective as at 1 August 2014 > Benefits – effective as at 1 August 2014 > 15% of base salary pension contributions
Variable pay	Minimum performance	> No cash payout under the ABP > No vesting under the LTIP
	Performance in line with expectations	> 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	> 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 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 buyouts) on appointment will be in line with the maximum 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.

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 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 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 months' 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 principal 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 months' written notice.

The initial terms of the Non-Executive Directors' positions are subject to their election by the Company's shareholders at the Annual General Meeting 2014. 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 2014.

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 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.

Directors' Remuneration Report continued

Directors' Remuneration Policy Report continued

Policy on Directors leaving the Group continued

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 buyout 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

As a newly listed company we take an active interest in shareholder views on our executive remuneration policy and will be reviewing voting outcomes from our first Annual General Meeting in December 2014. The Committee is also committed to establishing an ongoing dialogue with shareholders and shareholder representative bodies during the coming year and whenever material changes are under consideration.

Annual Report on Remuneration

Volution Group plc listed on the London Stock Exchange on 23 June 2014 (Listing). As such there are a number of disclosures for which we are only required to report "part-year" figures. However, given the introduction of the new remuneration disclosure regulations, and the spirit of transparency that we are trying to achieve, we have set out full-year figures wherever possible or appropriate to do so.

We are committed to maintaining an open and transparent dialogue with our shareholders and hope that the level of disclosure we have provided this year will ensure that decisions made on remuneration are fully explained, thereby helping us to build a positive relationship with our shareholders.

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. Prior to that date, Patrick Smulders was Committee chairman. 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.

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 during the Listing process appointed Deloitte LLP to that role in May 2014. Total fees for advice provided to the Committee and to management during the year ended 31 July 2014 by Deloitte LLP were £55,000 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 2014 and 31 July 2013. Considering the Company was listed in June 2014, most of this information relates 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	
	2014 £000	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013 £000
Chairman														
Peter Hill	**14**	—	**—**	—	**—**	—	**—**	—	**—**	—	**50**	—	**64**	—
Executive Directors														
Ronnie George	**239**	222	**18**	18	**23**	20	**311**	168	**—**	—	**470**	—	**1,061**	428
Ian Dew[7]	**96**	20	**6**	—	**9**	—	**135**	—	**—**	—	**75**	—	**321**	20
Non-Executive Directors														
Adrian Barden	**51**	50	**—**	—	**—**	—	**—**	—	**—**	—	**25**	—	**76**	50
Gavin Chittick[8]	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—
Paul Hollingworth	**6**	—	**—**	—	**—**	—	**—**	—	**—**	—	**25**	—	**31**	—
Tony Reading	**6**	—	**—**	—	**—**	—	**—**	—	**—**	—	**25**	—	**31**	—

Notes

1. As explained in the Committee Chairman's Annual Statement on pages 50 to 51, prior to Listing on 23 June 2014, the salaries of our Executive Directors were reviewed against other companies comparable to Volution 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.
2. 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.
3. Employer's pension contributions of 15% of base salary were paid to each of the Executive Directors with effect from Listing.
4. The annual bonus plan targets for the financial year ended 31 July 2014 were determined by the pre-listed company remuneration committee. For the Executive Directors, the only performance measure was the Group's internally "reported" EBITDA (adjusted for a number of exceptional items such as restructuring and acquisitions). This is not an uncommon measure in private equity owned businesses. The terms of the plan provided for a maximum award of 150% of base salary for achievement of a target level of reported EBITDA of £27.9 million, and against this target the reported EBITDA achieved was £28.5 million. The Committee approved the annual bonus plan awards for the financial year ended 31 July 2014 which paid out:
   - 150% of base salary to the Chief Executive Officer; and
   - 100% of base salary to the Chief Financial Officer. The CFO was moved onto this annual bonus plan in January 2014 when he became CFO of the pre-listed group and hence the annual bonus payment was adjusted accordingly by the Committee.
5. Long-term incentives: no long-term incentives have yet been awarded.
6. 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.
7. Ian Dew was a consultant to the Group between December 2012 and February 2013. He became an employee in September 2013.
8. 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.
9. Iain Jamieson was a director of Windmill Topco Limited until 25 January 2014. His remuneration for 2013 and 2014 is not shown in the above table. His remuneration for these periods is included in note 11 to the consolidated financial statements.

Implementation of remuneration policy for 2014/15

Base salary

The salaries of the Executive Directors were reviewed in June 2014 prior to Listing and therefore the Committee will not be reviewing these salaries again until the end of the 2015 financial year for an eligible increase, if any, effective from the beginning of the 2016 financial year. The Committee 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.

The new annual salaries of Ronnie George and Ian Dew with effect from Listing of the Company on 23 June 2014 are £350,000 and £250,000 respectively.

Pension and other benefits

Executive Directors will 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.

Directors' Remuneration Report continued

Annual Report on Remuneration continued

Implementation of remuneration policy for 2014/15 continued

Annual Bonus Plan (ABP)

The operation of the ABP for 2014/15 will be consistent with the framework detailed in the Policy section of this report. The maximum opportunity for 2014/15 will be capped at 100% of base salary. The ABP performance metrics and their weightings for the year ending 31 July 2015 are shown in the table opposite. The targets themselves, as they relate to the current financial year, are deemed to be commercially sensitive. However, retrospective disclosure of the targets and performance against them will be provided in next year's Annual Report on Remuneration, save where they remain commercially sensitive.

Measure	Strategic objective	Weighting
Adjusted EBIT	To increase profit	70%
Working capital management	Delivering efficiency of working capital and cash generation	10%
EBIT margin	Driving operating margin progression	15%
Group employee retention	To continue to retain our skilled employees	5%

The above metrics and weightings have been changed from previous years to reflect the Company's move to a new phase of its strategic development following Listing on 23 June 2014.

Long Term Incentive Plan (LTIP)

The Committee has reviewed the statements made in the Prospectus dated 23 June 2014, with respect to the potential granting of LTIP awards. In the Prospectus a statement was made that there was an intention for the first awards to be made to the Executive Directors under the LTIP up to a maximum of 100% of salary in the financial year ending 31 July 2015, and that any such awards would be subject to a three-year performance period and would vest at the end of this period, subject to the achievement of share price and financial measures as determined by the Committee.

Since the beginning of the new financial year, the Committee has discussed the structure of the LTIP and has decided to make awards based on the following performance conditions in the 2015 financial year.

	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 vest on a straight line basis between these points. For the 2015 awards, the Direct Peer Group index is 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 next 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.

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 June 2014 to take effect from Listing on 23 June 2014 as 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

Statement of Directors' shareholding 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. 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 2014 (together with the interests held by their connected persons) were as follows:

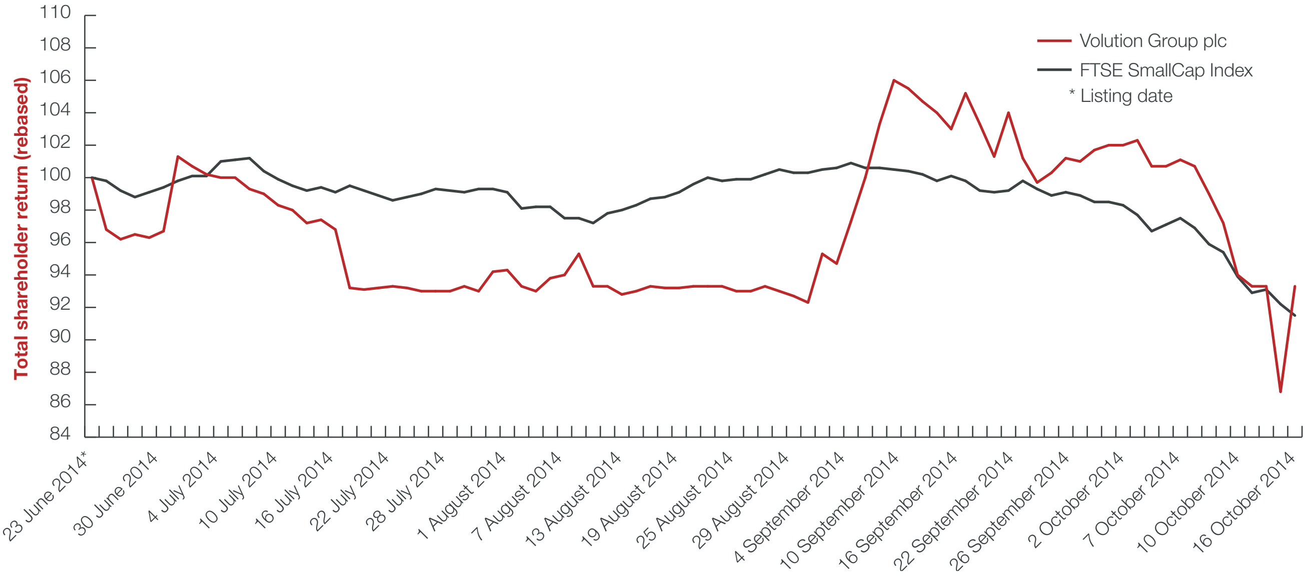
	Shares held beneficially at 31 July 2014[1]	Target shareholding guidelines (% of salary)	Target shareholding achieved[2]
Chairman			
Peter Hill	35,333	n/a	n/a
Executive Directors[3]			
Ronnie George	5,622,833	100%	Yes
Ian Dew	855,327	100%	Yes
Non-Executive Directors			
Adrian Barden	97,725	n/a	n/a
Gavin Chittick	—	n/a	n/a
Paul Hollingworth	19,333	n/a	n/a
Tony Reading	33,000	n/a	n/a

Notes

1. Includes any shares held by connected persons.
2. The target shareholding achieved has been calculated based on the share price at 31 July 2014.
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. Post this period, it is possible that they may sell a portion of their holding, although at all times will maintain a sizeable holding in the Company to ensure alignment with shareholders.

Performance graph and Chief Executive Officer remuneration table (audited)

The chart below compares the total shareholder return performance of the Company over the period from Listing on 23 June 2014 to 16 October 2014 (last practicable date as determined by the Committee), to the performance of the FTSE SmallCap Index. 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 offer price of 150 pence per share.



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

Directors’ Remuneration Report continued

Annual Report on Remuneration continued

Performance graph and Chief Executive Officer remuneration table (audited) continued

	2014	2013
Chief Executive Officer’s single figure of remuneration (£000)	**1,061**	428
Annual bonus pay-out (as a % of maximum opportunity)	**100%**	54.8%
LTIP vesting[1] (as a % of maximum opportunity)	**n/a**	n/a

Notes
1. No LTIP awards have yet been granted.

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 in	Chief Executive Officer	All employees[1]
Base salary	34.3%	0.4%
Benefits[2]	0.0%	5.7%
Total annual bonus	85.1%	48.2%

Notes
1. Also including Chief Executive Officer’s remuneration.
2. Benefits include car allowance, health cover and pension contributions.

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.

	2014 £m	2013 £m	% change
Employee remuneration costs	**27.1**	22.2	22.0
Distributions to shareholders	No distributions were made to shareholders in either year		
Adjusted EBITDA	**28.5**	23.8	19.8

Statement on shareholder voting

As this is the first report following Listing, there are no prior year general meeting resolutions, or voting outcomes, to report in respect of Directors’ remuneration. The Company is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes in respect of the approval of the remuneration report and the remuneration policy. Where there are substantial votes against resolutions in relation to Directors’ remuneration, the reasons for any such vote will be sought and any actions in response will be detailed in this section of future reports.

Approval

This Directors’ Remuneration Report was approved by the Board of Directors on 23 October 2014 and signed on its behalf by the Remuneration Committee Chairman.

Anthony Reading, MBE
Chairman of the Remuneration Committee
23 October 2014

Directors' Report

Introduction

The Directors present their Annual Report and the audited financial statements of the Company for the year ended 31 July 2014.

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 66;

> 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 30 to the consolidated financial statements.

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

Incorporation, listing and structure

The Company was incorporated and registered in England and Wales on 15 May 2014 under the Companies Act 2006 as a public limited company with registration number 9041571 and with the name Windmill Newco plc. The Company changed its name to Volution Group plc on 4 June 2014. The Company is domiciled in the United Kingdom.

On 22 June 2014 the Company acquired the entire issued share capital of Windmill Topco Limited to become the ultimate holding company of the Group.

On 23 June 2014 the ordinary shares of the Company were admitted to the premium listing segment of the Official List maintained by the Financial Conduct Authority and to trading on the London Stock Exchange.

The operations of the Company are performed through its numerous subsidiary and associated undertakings details of which are set out in note 31 to the consolidated financial statements.

Prior to 23 June 2014 the Company was not subject to the Code, the DTRs or the Listing Rules. From Listing on 23 June 2014 the Company has complied with each of the Code, the DTRs and the Listing Rules except as disclosed on page 40 of the Governance Report. The Board is committed to becoming fully compliant with the Code during the financial year ending 31 July 2015.

Results and dividend

The Group's results for the year are shown in the statement of comprehensive income on page 70.

The Directors intend, subject to sufficient distributable reserves being available, as noted in the Prospectus issued to prospective shareholders prior to Listing, that the first dividend to be declared by the Company following Listing will be an interim dividend in respect of the six months ending 31 January 2015.

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 2014.

As at 31 July 2014 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 2014 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. Since its shares were listed on the London Stock Exchange on 23 June 2014, the Directors have not exercised 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 principal shareholder), and Liberum Capital Limited and Canaccord Genuity Limited (underwriters) in accordance with which:

> our principal 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.

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 principal 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.

Directors' Report continued

Share capital and related matters continued

Restrictions on transfer continued

The Company has in place certain share incentive plans and details can be found on page 60. As at the financial year end on 31 July 2014 and up to the date of this report, no awards had been granted under any of the share incentive plans.

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 2014 and up to the date of this report, no ordinary shares were held in the trust.

Substantial shareholdings

As at 23 October 2014, 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%
Henderson Global Investors Limited	8,325,000	4.16%
UBS Asset Management	8,000,000	4.00%
Danske Bank A/S	7,397,514	3.70%
T Rowe and Price International Limited	6,683,000	3.34%
Polar Capital European Forager Fund Limited	6,087,757	3.04%

Relationship agreement

On 18 June 2014, the Company and our principal 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 principal shareholder and their affiliates and ensure all transactions and relationships between them and the Group will be conducted at arm's length and normal commercial terms. Terms of the Relationship Agreement remain unchanged from the Prospectus dated 23 June 2014 which can be found on the Company's website.

The Company can confirm that from Listing on 23 June 2014 to the end of the financial year on 31 July 2014, it complied with the independence provisions and, as far as the Company is aware, the independence provisions were complied with by our principal shareholder.

Directors

The Directors of the Company and their biographies are set out on pages 38 to 39. Their interests in the ordinary shares of the Company are shown in the Directors' Remuneration Report on page 61. 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 principal shareholder that it may appoint and remove one Non-Executive Director to the Board for so long as our principal 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 principal 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 30 to the consolidated financial statements.

The material transactions with related parties during the period from Listing to the end of the financial year on 31 July 2014 were:

> the Relationship Agreement with our principal shareholder, Windmill Holdings B.V. This Relationship Agreement describes the relationship of the Company with our principal shareholder together with and subject to certain minimum shareholding requirements, the right of our principal 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 and available on the Company's website), our principal 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 principal 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 63 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 amended and restated Group debt facilities contain prepayment provisions including the mandatory prepayment of all borrowings under, and the cancellation of all commitments under, these facilities upon a change of control. This will occur if any person (other than Towerbrook Capital Partners (UK) LLP) holds beneficially more than 50% of the issued voting share capital of Windmill Cleanco Limited or has the power to appoint or remove the majority of the Board of Directors or to give directions with respect to the operating and financial policies of the Company with which the Directors are obliged to comply. 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

There are no material post balance sheet events to report.

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. In the years presented, the Group generated a loss mainly due to the high levels of interest payable under the private equity capital structure that existed for the majority of the reporting period until the Listing in June 2014. Following the Listing, these loans were repaid, new bank loans raised and funds raised from the issue of shares, resulting in the Group having £133.3 million of net assets as at 31 July 2014.

Group cash flow forecasts have been produced for the period to 31 January 2016 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.

Annual General Meeting

The Annual General Meeting will be held at 11.00 am on Wednesday 17 December 2014 at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED. 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 and Young LLP have expressed their willingness to be re-appointed as auditor of the Company. A resolution to re-appoint Ernst and Young LLP as the Company's independent auditor will be proposed at the forthcoming Annual General Meeting.

By order of the Board

M Anscombe

Michael Anscombe
Company Secretary
23 October 2014

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 IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with IFRSs 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 IFRSs 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
23 October 2014

Ian Dew
Chief Financial Officer
23 October 2014

Independent Auditor’s Report

To the members of Volution 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 2014, and of the Group’s loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

We have audited the financial statements of Volution Group plc for the year ended 31 July 2014, which comprise the consolidated statement of comprehensive income, the consolidated and parent company statements of financial position, the consolidated and parent company statements of changes in equity, the consolidated and parent company statements of cash flow and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors’ responsibilities statement set out on page 66, 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.

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 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.

Our assessment of risk of material misstatement

We identified the following risks that we believe have the greatest impact on our audit strategy and scope; the allocation of resources in the audit; and directing the efforts of the engagement team:

- Inappropriate accounting for the Group restructuring resulting from the IPO in June 2014.

  We focused on the Group restructuring due to the material change in Group reserves and the subsequent creation of distributable earnings;
- The conversion of the Group’s results from UK GAAP to IFRS’s as adopted by the European Union.

  We focused on the conversion due to the presentational and measurement impact of the change in reporting GAAP to previously reported numbers and the relevance of new accounting policies to the current and future years;
- Accounting for business combinations.

  We focused on business combinations due to the subjectivity involved in determining the fair value of net assets acquired;
- Assessment of impairment of intangible assets.

  We focused on the assessment of impairment of intangible assets due to their significance as a proportion of total assets and the subjectivity involved in determining assumptions used in the impairment review;
- Inappropriate revenue recognition.

  We focused on inappropriate revenue recognition due to its relevance to key performance indicators; and
- Inappropriate presentation of items as exceptional.

  We focused on the presentation of exceptional items due to their magnitude in the year and their relevance in determining adjusted earnings.

Independent Auditor's Report continued

To the members of Volution Group plc

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 £571,000, which is approximately 2% of earnings before interest, tax, depreciation and amortisation (EBITDA), adjusted for exceptional items. We based materiality on adjusted EBITDA as the Group is loss-making, and adjusted EBITDA is a key measure of performance used by management. Due to the post IPO capital structure of the Group, we anticipate the Group will generate pre-tax profit in future years, which we also anticipate will form the basis for our calculation of materiality. 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 £286,000, representing 50% of materiality. Our objective in adopting this approach is to ensure that total uncorrected and undetected audit differences do not exceed our materiality of £571,000 for the financial statements as a whole.

We agreed with the audit committee that we would report all identified audit differences in excess of £26,000, as well as differences below that threshold that in our view, warranted reporting on qualitative grounds.

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. We focused our Group audit on 7 components, which comprised 100% of consolidated EBITDA and 100% of consolidated revenue. We performed full scope procedures on 4 of the 7 components, which comprised 78% of consolidated revenue and 69% of consolidated EBITDA, and specific audit testing on the remaining 3 components, which focused on addressing the risks set out above. 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 audit of all the UK components was performed by the Group audit team, who also attended key meetings of the international components in Sweden and Germany to discuss the results of their testing of higher risk areas relevant to the Group. All significant locations were audited by Ernst & Young member firms. Due to the nature of the risks noted on the previous page, the Group audit team was supported by valuations and treasury experts and taxation specialists.

The principal way in which we scoped our response to the risks set out previously was as follows:

> We examined the accounting entries for the shares issued and the share for share exchange that took place as part of the IPO in June 2014, including the treatment of IPO costs, together with the capital reduction following the IPO and the related accounting entries. We challenged the appropriateness of the use of the pooling of interest method in presenting the Group financial statements. Accounting for the reconstruction is also identified as a significant accounting matter by the audit committee;

> We audited the conversion of the Group's results from UK GAAP to IFRS adopted by the European Union by challenging the completeness and accuracy of key GAAP differences identified in the conversion process, by agreeing these differences to the GAAP reconciliation and the supporting explanatory notes included in the consolidated financial statements. We involved our valuations and treasury experts, and taxation specialists in auditing the GAAP conversion. The supporting GAAP reconciliation is presented in note 33 to the consolidated financial statements;

> We read the sale and purchase agreements in respect of the two business combinations in the year (inVENTer and PAX). We challenged the recognition of intangible assets and involved our valuations experts in determining whether an appropriate valuation model was used, whether inputs to the valuation model were reasonable and whether an appropriate discount rate was applied. Information explaining the business combinations is set out in note 20 to the consolidated financial statements;

> We challenged whether cash flow forecasts underpinning the impairment review for goodwill and other intangibles were reasonable, based on our knowledge of the Group's markets and the accuracy of previous forecasts. Key assumptions that were challenged included growth rates, perpetuity rates and sensitivities. We noted adequate headroom for all CGU's and involved our valuations experts in determining whether the discount rates applied were within an acceptable range. The key assumptions in the impairment review, and an impairment recognised during the year are set-out in note 19 to the consolidated financial statements. We noted no further indicators of impairment of other non-current assets. Accounting for intangible assets is also identified as a significant accounting matter by the audit committee;

- We tested key controls supporting revenue recognition and performed substantive and analytical procedures to agree the revenue recognition criteria had been met. We tested the timing of revenue recognition and whether the stated accounting policies were appropriate and consistently applied. We also examined the documentation supporting customer rebates and the accuracy of rebates recorded in prior years to actual payments made. Accounting for rebates is also identified as a significant accounting matter by the audit committee; and
- We considered items presented as exceptional to ensure that they warranted the additional disclosure outlined in IAS 1 'Presentation of Financial Statements'. Exceptional items are explained in note 8 to the consolidated financial statements. Exceptional items are also identified as a significant accounting matter by the audit committee.

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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- 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
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee, which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- 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.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 65, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Andy Glover (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
London
23 October 2014

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 web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Statement of Comprehensive Income

For the year ended 31 July 2014

	Notes	2014 £000	2013 £000
Revenue	6	**120,709**	102,262
Cost of sales		**(63,748)**	(56,245)
Gross profit	7	**56,961**	46,017
Distribution costs		**(16,657)**	(12,380)
Administrative expenses		**(26,857)**	(21,593)
Operating profit before exceptional items		**13,447**	12,044
Exceptional items	8	**(7,783)**	(2,778)
Operating profit		**5,664**	9,266
Finance revenue	9	**7**	630
Finance costs	9	**(21,183)**	(14,099)
Loss before tax		**(15,512)**	(4,203)
Income tax	14	**1,254**	2,139
Loss for the year		**(14,258)**	(2,064)
Other comprehensive (expense)/income:			
Items that may subsequently be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(497)**	138
Gain on hedge of net investment in foreign operation		**172**	444
Other comprehensive (expense)/income for the year		**(325)**	582
Total comprehensive expense for the year		**(14,583)**	(1,482)
Loss per share			
Basic and diluted (pence per share)	15	**(14.0)p**	(2.3)p

Consolidated Statement of Financial Position

At 31 July 2014

	Notes	2014 £000	2013 £000	As at 1 August 2012 £000
Non-current assets				
Property, plant and equipment	16	**15,915**	10,793	10,192
Intangible assets – goodwill	17	**50,127**	46,488	45,668
Intangible assets – others	18	**113,651**	108,392	111,340
Deferred tax assets	14	**732**	99	464
		180,425	165,772	167,664
Current assets				
Inventories	21	**15,922**	12,751	12,597
Trade and other receivables	22	**25,422**	21,326	19,192
Income tax		**1,093**	—	—
Other current financial assets	25	**422**	68	—
Cash and short-term deposits	23	**10,987**	15,943	14,957
		53,846	50,088	46,746
Total assets		**234,271**	215,860	214,410
Current liabilities				
Trade and other payables	24	**(22,821)**	(19,888)	(18,097)
Other current financial liabilities	25	**(467)**	—	(104)
Income tax		**—**	(934)	(1,173)
Interest-bearing loans and borrowings	26	**—**	(3,540)	(2,746)
Provisions	27	**(1,018)**	(719)	(793)
		(24,306)	(25,081)	(22,913)
Non-current liabilities				
Interest-bearing loans and borrowings	26	**(53,903)**	(181,482)	(176,512)
Other non-current financial liabilities	25	**(122)**	(494)	(913)
Provisions	27	**(600)**	(550)	(550)
Deferred tax liabilities	14	**(22,090)**	(21,801)	(25,588)
		(76,715)	(204,327)	(203,563)
Total liabilities		**(101,021)**	(229,408)	(226,476)
Net assets/(liabilities)		**133,250**	(13,548)	(12,066)
Capital and reserves				
Share capital	28	**2,000**	3	3
Share premium		**11,527**	2,098	2,098
Capital reserve		**92,325**	—	—
Foreign currency translation reserve		**257**	582	—
Retained earnings		**27,141**	(16,231)	(14,167)
Total equity		**133,250**	(13,548)	(12,066)

The consolidated financial statements of Volution Group plc (registered number: 09041571) were approved by the Board of Directors and authorised for issue on 23 October 2014.

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 2014

	Share capital £000	Share premium £000	Capital reserve £000	Foreign currency translation reserve £000	Retained earnings £000	Total £000
At 1 August 2012	3	2,098	—	—	(14,167)	(12,066)
Loss for the year	—	—	—	—	(2,064)	(2,064)
Other comprehensive income	—	—	—	582	—	582
Total comprehensive income/(expense)	—	—	—	582	(2,064)	(1,482)
At 31 July 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 the 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**

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.

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 2014

	Notes	2014 £000	2013 £000
Operating activities			
Loss for the year after tax		**(14,258)**	(2,064)
Adjustments to reconcile loss for the year to net cash flow from operating activities:			
Income tax for the year		**(1,254)**	(2,139)
Gain on disposal of property, plant and equipment		**(15)**	(48)
Exceptional costs	8	**7,783**	2,778
Cash flows relating to exceptional costs		**(6,847)**	(1,354)
Finance revenue	9	**(7)**	(630)
Finance costs	9	**21,183**	14,099
Depreciation of property, plant and equipment	16	**1,932**	1,588
Amortisation of intangible assets	18	**11,201**	10,186
Impairment of intangible assets	18	**1,949**	—
Working capital adjustments:			
Increase in trade receivables and other assets		**(1,803)**	(1,415)
Movement in inventories		**(1,370)**	1,097
Exceptional costs: fair value of inventories		**(201)**	(845)
Increase in trade payables and other payables		**1,450**	18
Movement in provisions		**299**	(74)
Withholding tax paid on loan note interest		**(34)**	—
UK income tax paid		**(2,650)**	(2,883)
Overseas income tax paid		**(475)**	(276)
Net cash flow from operating activities		**16,883**	18,038
Investing activities			
Payments to acquire intangible assets	18	**(1,664)**	(850)
Purchase of property, plant and equipment	16	**(2,930)**	(1,758)
Proceeds from disposal of property, plant and equipment		**62**	109
Acquisition of subsidiaries, net of cash acquired	20	**(29,795)**	(7,955)
Interest received		**7**	40
Net cash flow used in investing activities		**(34,320)**	(10,414)
Financing activities			
Repayment of interest-bearing loans and borrowings		**(106,106)**	(3,375)
Proceeds from new borrowings		**59,479**	—
Receipt of compensation from bondholders		**—**	1,653
Issue costs of new borrowings		**(4,652)**	(182)
Interest paid		**(5,900)**	(4,736)
Transaction costs on issue of new shares		**(2,363)**	—
Proceeds from issue of new shares		**72,000**	—
Net cash flow generated from/(used in) financing activities		**12,458**	(6,640)
Net (decrease)/increase in cash and cash equivalents		**(4,979)**	984
Cash and cash equivalents at the start of the period		**15,943**	14,957
Effect of exchange rates on cash and cash equivalents		**23**	2
Cash and cash equivalents at the end of the year	23	**10,987**	15,943

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

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 2014. A list of subsidiaries and their countries of incorporation is presented in note 31.

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. In the years presented, the Group generated a loss mainly due to the high levels of interest payable under the private equity capital structure that existed for the majority of the reporting period until the stock market listing in June 2014. Following the listing, these loans were repaid and new bank loans and funds were raised from the issue of shares, resulting in the Group having £133.3 million of net assets at 31 July 2014.

Group cash flow forecasts have been produced for the period to 31 January 2016 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 consolidated financial statements have been prepared on a going concern basis as the Directors believe there are no material uncertainties that lead to significant doubt that the entity can continue as a going concern in the foreseeable future.

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 financial information is 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. For all periods up to and including the year ended 31 July 2013, Windmill Topco Limited prepared its consolidated financial statements in accordance with UK Generally accepted accounting principles (UK GAAP). As the consolidated financial statements of Volution Group plc have been prepared as a continuation of the existing group, these financial statements have been prepared as though the Group is a first time adopter of IFRS. Refer to note 33 for information on how the Group adopted IFRS. The difference in share capital and reserves arising from the use of the pooling of interest method was recorded in a capital reserve.

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 any 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 (CGU) 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 rebate agreements, with the amounts payable often being subject to negotiation after the reporting date. At the reporting date, the Directors make estimates of the amount of rebates based on the level of revenue achieved in the year against sales targets per the customer agreements.

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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2014

3. Accounting policies continued

Revenue recognition continued

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 Board of Directors 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 presentation 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 enforcement 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.

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.

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 have been 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 definite 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	–	7–11 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2014

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 is recognised when it is probable that a future economic benefit will flow to the Group. Trade and other receivables is 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.

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.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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. The Group includes the IPO transaction, significant restructuring, acquisition and related integration and earn-out costs in exceptional items.

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 re-financing have been expensed in the 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 29.

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 the statement of comprehensive income. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is reclassified to the statement of comprehensive income.

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

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2014

3. Accounting policies continued

Fair value measurement – policy effective from 1 August 2013 (refer to note 29)

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 29.

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.

3. Accounting policies continued

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.

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 cost and restructuring costs following acquisitions. The Group identifies an item of expense of income as exceptional, when in managements judgement, the underlying event giving rise to the exceptional item is deemed to be non-recurring in its nature, size or incidence such that Group results would be distorted without specific reference to the event in question. To enable the full impact of an exceptional item to be understood, the tax impact is disclosed and they are presented separately in the statement of cash flows. See note 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.

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. 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 budget for the following five years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2014

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

Estimates and assumptions continued

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.

Rebates payable and receivable

The Group has a number of customer and supplier rebate agreements, with the amounts payable and receivable often being subject to negotiation 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 prices, volumes and product mix. The total rebate charge for the year is £8,461,000 (2013: £7,607,000).

5. New standards and interpretations

The following new standard was effective from 1 January 2013:

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group has included the fair value measurement policy in note 3, which is applicable for the period commencing 1 August 2013.

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 EU and does not foresee any material impact.

Standard or interpretation	Title	Effective for accounting periods beginning on or after
IAS 27	Separate Financial Statements (as revised 2011)	1 January 2014
IAS 32	Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32	1 January 2014
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2018
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014
IFRS 14	Regulatory Deferral Accruals	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017

6. Revenue

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

	2014 £000	2013 £000
Sale of goods	**117,924**	99,284
Rendering of services	**2,785**	2,978
Total revenue	**120,709**	102,262

Market sectors	2014 £000	2013 £000
Ventilation Group		
UK Residential RMI	**43,437**	42,254
UK Residential New Build	**15,745**	14,157
UK Commercial	**17,897**	17,017
UK Export	**7,282**	7,140
Nordics[1]	**23,705**	10,839
Germany[2]	**3,493**	—
Rebates and settlement discount	**(10,255)**	(9,136)
Total Ventilation Group	**101,304**	82,271
Original Equipment Manufacturer (OEM (Torin-Sifan))		
OEM (Torin-Sifan)	**19,248**	20,027
Rebates and settlement discount	**157**	(36)
Total OEM (Torin-Sifan)	**19,405**	19,991
Total revenue	**120,709**	102,262

Notes

1. Represents gross sales of Fresh AB and its subsidiaries, PAX AB and PAX Norge AS.
2. Represents gross sales of inVENTer 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 OEM (Torin-Sifan). Each reportable segment is managed separately as they require different marketing approaches.

Certain operating segments have been aggregated into a single operating segment where these operating segments have similar economic characteristics and the operating 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 10 for definition) and 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2014

7. Segmental analysis continued

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

Year ended 31 July 2014	Ventilation Group £000	OEM £000	Unallocated £000	Total £000	IFRS adjustments and eliminations £000	Consolidated £000
Revenue						
External customers	**111,559**	**19,248**	**—**	**130,807**	**(10,098)**	**120,709**
Inter-segment	**6,775**	**1,185**	**—**	**7,960**	**(7,960)**	**—**
Total revenue	**118,334**	**20,433**	**—**	**138,767**	**(18,058)**	**120,709**
Gross profit	**52,044**	**5,984**	**—**	**58,028**	**(1,067)**	**56,961**
Results						
Segment profit/(loss)	**28,540**	**3,057**	**(3,773)**	**27,824**	**705**	**28,529**
Depreciation, amortisation and impairment	**(13,394)**	**(1,729)**	**—**	**(15,123)**	**41**	**(15,082)**
Exceptional items	**(686)**	**(133)**	**(6,964)**	**(7,783)**	**—**	**(7,783)**
Operating profit/(loss)	**14,460**	**1,195**	**(10,737)**	**4,918**	**746**	**5,664**
Unallocated expenses:						
Net finance cost	**—**	**—**	**(21,176)**	**(21,176)**	**—**	**(21,176)**
Profit/(loss) before tax	**14,460**	**1,195**	**(31,913)**	**(16,258)**	**746**	**(15,512)**

The Group overhead costs of £3,773,000 are not allocated to individual operating segments. Likewise, exceptional costs, which include the re-organisation costs and IPO costs, have not been allocated to individual operating segments.

Year ended 31 July 2013	Ventilation Group £000	OEM £000	Unallocated £000	Total £000	IFRS adjustments and eliminations £000	Consolidated £000
Revenue						
External customers	91,407	20,027	—	111,434	(9,172)	102,262
Inter-segment	4,910	915	—	5,825	(5,825)	—
Total revenue	96,317	20,942	—	117,259	(14,997)	102,262
Gross profit	40,433	6,142	—	46,575	(558)	46,017
Results						
Segment profit/(loss)	26,129	3,328	(4,066)	25,391	(1,573)	23,818
Depreciation and amortisation	(10,753)	(1,527)	—	(12,280)	506	(11,774)
Exceptional items	(1,292)	—	(641)	(1,933)	(845)	(2,778)
Operating profit/(loss)	14,084	1,801	(4,707)	11,178	(1,912)	9,266
Unallocated expenses:						
Net finance cost	—	—	(13,469)	(13,469)	—	(13,469)
Profit/(loss) before tax	14,084	1,801	(18,176)	(2,291)	(1,912)	(4,203)

Included in total revenue for the year ended 31 July 2014 of the Ventilation Group is £14,538,000 (2013: £10,907,000) in respect of Fresh AB and its subsidiaries and £9,197,000 (2013: £nil) relating to Pax AB & Pax Norge AS.

7. Segmental analysis continued

Rebates and settlement discount (reconciliation of management reporting to IFRS)

The Group recently converted to IFRS for financial reporting purposes; however, the Board continued to use alternative management reporting information for making operational and resource allocation decisions.

The information above requires adjustment to IFRS as part of the reconciliation to the statement of comprehensive income. Principal IFRS adjustments include the fair value of derivatives, the identification of intangible assets, the fair value of inventory and recognition of deferred tax balances on acquisitions, and the reclassification of customer rebates and settlement discount to revenue, which are reflected in the IFRS adjustments and eliminations column.

Inter-segment revenues are eliminated on consolidation.

Geographic information	2014 £000	2013 £000
Revenue from external customers:		
United Kingdom	**76,623**	75,066
Europe (excluding United Kingdom and Nordics)	**21,877**	15,112
Nordics	**19,813**	9,831
Rest of the world	**2,396**	2,253
Total revenue	**120,709**	102,262

	2014 £000	2013 £000	As at 1 August 2012 £000
Non-current assets:			
United Kingdom	**150,801**	156,641	167,200
Europe (excluding United Kingdom & Nordics)	**13,850**	—	—
Nordics	**15,042**	9,032	—
Total	**179,693**	165,673	167,200

Non-current assets exclude deferred tax.

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 2014, revenue from this customer was £14,340,000 (2013: £10,246,000).

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2014

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	2014 £000	2013 £000
Inventory fair value adjustment arising on business combinations	(a)	**201**	845
Acquisition costs	(b)	**850**	1,071
Restructuring and acquisition integration	(c)	**1,198**	369
Other	(d)	**—**	493
Costs associated with the stock market listing of the Group	(e)	**5,534**	—
		7,783	2,778
Total tax credit for the year	(f)	**(224)**	(204)
		7,559	2,574

(a) As set out in note 20, inventory acquired on acquisitions was recognised at fair value, which is based on selling price less costs of disposal and a profit allowance for selling efforts. In line with the Group's definition of exceptional costs, inclusion of the inventory fair value adjustment within trading results would not be reflective of ongoing business performance. The inventory fair value adjustment has therefore been presented separately.

The fair value adjustment in the year ended 31 July 2014 relates to the acquisitions of Pax AB, Pax Norge AS and inVENTer GmbH. In the year ended 31 July 2013 the adjustment related to the acquisition of Fresh AB.

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

(b) Acquisition costs substantially relate to professional fees incurred in respect of the business combinations disclosed in note 20 and are set out below:

	2014 £000	2013 £000
Volution Group Limited	**72**	165
Fresh AB and its subsidiaries	**—**	388
PAX AB and PAX Norge AS	**39**	499
inVENTer GmbH	**683**	19
Others	**56**	—
	850	1,071

(c) During the year ended 31 July 2014, the Group incurred costs of a further £28,000 in simplifying the corporate structure, £524,000 relating to restructuring of the Group's Nordic operations and £133,000 in relation to the restructuring of the OEM (Torin-Sifan) site. UK restructuring costs of £513,000 were also incurred.

During the year ended 31 July 2013, the Group incurred costs of £148,000 in respect of professional services to simplify its corporate structure. Costs of £221,000 were also incurred in restructuring Fresh AB following its acquisition.

(d) During the year ended 31 July 2013, the Group undertook a strategic review of its UK operations and its prospective future international footprint. All costs incurred were in respect of professional services.

(e) Comprises advisory and legal costs, including irrecoverable VAT, in connection with the stock marketing listing. Further costs of £2,363,000 in connection with the issue of shares have been deducted from the share premium account (see note 28).

(f) Out of the exceptional items incurred in the year it was deemed that the items allowable for tax was approximately £1,004,000, with a potential tax benefit of £224,000.

9. Finance revenue and costs

	2014 £000	2013 £000
Finance revenue:		
Net gain on financial instruments at fair value	—	590
Interest received	7	40
Total finance revenue	7	630
Finance costs:		
Interest payable on bank overdrafts and bank loans	(5,947)	(4,764)
Interest on loan notes	(6,720)	(8,267)
Amortisation of finance costs	(8,338)	(641)
Other interest	(17)	—
Total interest expense	(21,022)	(13,672)
Net loss on financial instruments at fair value	(161)	(427)
Total finance costs	(21,183)	(14,099)
Net finance costs	(21,176)	(13,469)

The charge for amortisation of finance costs in 2014 includes £7,005,000 of unamortised finance costs written off upon re-financing of debt in December 2013. In addition, £821,000 of financing fees relating to the new bank facility were written off during June 2014. Included in the interest payable on bank overdrafts and bank loans is £144,000 relating to breakage costs of the interest rate swap on 31 July 2014 (see note 29 for further information).

10. Adjusted earnings

	2014 £000	2013 £000
Loss before tax	(15,512)	(4,203)
Add back:		
Exceptional items	7,783	2,778
Amortisation of financing costs	8,338	641
Breakage costs of interest rate swaps	144	—
Net gain or loss financial instruments at fair value	161	(163)
Amortisation and impairment of other intangibles (customer base and trademarks)	13,056	10,145
Adjusted profit before tax	13,970	9,198
Add back:		
Interest payable on bank overdraft and bank loans	5,803	4,764
Interest on loan notes	6,720	8,267
Finance costs/(revenue)	10	(40)
Adjusted operating profit	26,503	22,189
Add back:		
Depreciation of property, plant and equipment	1,932	1,588
Amortisation of development costs, software and patents	94	41
Adjusted EBITDA	28,529	23,818

Adjusted profit before tax is defined as 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 and trademarks.

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

Adjusted EBITDA is defined as earnings before exceptional costs, net finance costs, taxation, depreciation, amortisation and impairment.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2014

11. Staff costs

	2014 £000	2013 £000
Wages and salaries	**22,836**	19,109
Social security costs	**3,205**	2,234
Other pension costs	**1,065**	883
	27,106	22,226

A proportion of the staff costs above have been capitalised as intangible assets as part of development costs.

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 2013/14 but based on actual salary levels in 2014/15.

Average monthly number of employees in the year

	2014 Number	2013 Number
Production	**470**	403
Sales and administration	**538**	357
	1,008	760

Directors' remuneration

	2014 £000	2013 £000
Amounts paid in respect of qualifying services:		
Aggregate Directors' emoluments	**1,655**	724
Aggregate Directors' pension scheme contributions	**36**	29
In respect of the highest paid Director:		
Aggregate Directors' emoluments	**1,038**	408
Aggregate Directors' pension scheme contributions	**23**	20

The number of Directors accruing benefits under Group money purchase pension arrangements was two (2013: one).

The Group incurred costs of £246,000 (2013: £294,000) from 1 August 2013 to 22 June 2014 from Marcel Klepfisch, Adrian Barden and Chris Lebeer for their services as Non-Executive Directors. Following the re-organisation and the listing on the London Stock Exchange, the Group Board of Directors changed and the Group incurred a further cost from 23 June 2014 to 31 July 2014 of £36,000 from Peter Hill, Tony Reading, Paul Hollingworth and Adrian Barden for their services as Non-Executive Directors.

12. Other operating expenses

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

	2014 £000	2013 £000
Cost of sales:		
Materials	**37,350**	40,409
Direct labour	**10,016**	8,238
Direct overheads	**6,584**	5,057
Costs of inventories recognised as expenses	**53,950**	53,704
Operating lease expense	**505**	505
Other fixed costs	**8,300**	1,191
Depreciation of property, plant and equipment	**993**	845
Total cost of sales	**63,748**	56,245
Distribution costs:		
Indirect payroll	**7,541**	6,166
Freight out	**3,748**	3,019
Depreciation of property, plant and equipment	**412**	333
Other	**4,956**	2,862
Total distribution costs	**16,657**	12,380
Administrative expenses:		
Indirect payroll	**8,802**	4,984
Property and occupation	**576**	547
Research and development costs	**533**	1,406
Legal and professional fees	**1,256**	1,019
Depreciation of property, plant and equipment	**527**	410
Amortisation and impairment of intangible assets	**13,150**	10,186
Operating lease expense	**7**	107
Net foreign exchange differences	**(71)**	(59)
Gain on disposal of property, plant and equipment	**(15)**	(48)
Other	**2,092**	3,041
Total administrative expenses	**26,857**	21,593

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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2014

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:

	2014 £000	2013 £000
Audit services:		
Fees for the audit of the parent and Group financial statements	**90**	29
Fees for local statutory audits of subsidiaries	**142**	65
Non-audit services:		
Fees payable for taxation advisory services	**98**	—
Fees payable for corporate finance services*	**1,960**	—
Other non-audit services	**—**	14
	2,290	108

* In 2014, £182,000 relates to transaction advisory services in connection with the re-financing of bank debt and £1,778,000 relating to the stock market listing. The fees relating to the stock market listing are included in exceptional items.

14. Income taxes

(a) Income tax recognised in loss for the year

	2014 £000	2013 £000
Current income tax:		
Current income tax expense	**957**	2,889
Foreign income taxes	**471**	80
Tax credit relating to the prior year	**(330)**	(201)
Total current tax	**1,098**	2,768
Deferred tax:		
Origination and reversal of temporary differences	**(2,524)**	(2,020)
Effect of changes in the tax rate	**211**	(2,963)
Tax expense relating to prior years	**(39)**	76
Total deferred tax	**(2,352)**	(4,907)
Net tax credit	**(1,254)**	(2,139)

(b) Reconciliation of total tax

	2014 £000	2013 £000
Loss before tax	**(15,512)**	(4,203)
Loss before tax multiplied by the standard rate of corporation tax in the UK of 22.33% (2013: 23.67%)	**(3,463)**	(995)
Adjustment in respect of previous years	**(369)**	(125)
Expenses not deductible for tax purposes	**2,725**	1,954
Effect of difference in tax rates	**211**	(2,963)
Utilisation of previously unrecognised tax losses	**(77)**	(22)
Unrelieved tax losses	**1**	88
Additional relief for research and development	**(150)**	(76)
Higher overseas tax rate	**(132)**	—
Net tax credit reported in the consolidated statement of comprehensive income	**(1,254)**	(2,139)

(c) Unrecognised deferred tax assets

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

14. Income taxes continued

(d) Deferred tax balances

Deferred tax assets and liabilities arise from the following:

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

2013	1 August 2012 £000	(Charged)/ credited to income £000	Translation difference £000	On acquisition £000	31 July 2013 £000
Temporary differences:					
Depreciation in advance of capital allowances	189	(265)	—	—	(76)
Fair value movements of derivative financial instruments	221	(148)	—	—	73
Customer base, trademark and patent	(25,553)	5,358	—	(1,254)	(21,449)
Temporary differences	19	(38)	(16)	(215)	(250)
	(25,124)	4,907	(16)	(1,469)	(21,702)
Deferred tax asset	464	(365)	—	—	99
Deferred tax liability	(25,588)	5,272	(16)	(1,469)	(21,801)
	(25,124)	4,907	(16)	(1,469)	(21,702)

The Finance Act 2012 was enacted on 17 July 2012 and introduced a reduction in the headline rate of corporation tax to 24% from 1 April 2012 and to 23% from 1 April 2013. A further reduction in the headline rate to 21% by 1 April 2014 and to 20% by 1 April 2015 was enacted in July 2013 and included in the Finance Act 2013. The Group's deferred tax liability is currently recognised at 20% as management expects the deferred tax to be realised at this rate.

As all changes have been enacted and the deferred tax liability is expected to be realised at the future rate of 20%, no further impact is expected as a result of these future changes to the tax rates.

Notes to the Consolidated Financial Statements continued

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15. Earnings per share (EPS)

Basic earnings per share is calculated by dividing the 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 2014 and 2013.

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

	Year ended 31 July	
	2014 £000	2013 £000
Loss attributable to ordinary equity holders	**(14,258)**	(2,064)
	Number	Number
Weighted average number of ordinary shares for basic earnings per share and diluted earnings per share*	**102,205,228**	90,840,698
Earnings per share:		
Basic and diluted	**(14.0)p**	(2.3)p

* The weighted average number of ordinary shares identified above used for the calculation of earnings per share relates to the following deemed parent entity for each of the periods presented:

- Year ended 31 July 2014 – Volution Group plc
- Year ended 31 July 2013 – Windmill Topco Limited

The weighted number of shares has been calculated assuming the share for share exchange took place as from 1 August 2012. The share for share exchange, gives effect to the sales of the entire share capital (after the reorganisation) of the Windmill Topco Limited shares in exchange for new ordinary shares of Volution Group plc.

16. Property, plant and equipment

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**

16. Property, plant and equipment continued

2013	Freehold land and buildings £000	Plant and machinery £000	Fixtures, fittings, tools, equipment and vehicles £000	Total £000
Cost:				
At 1 August 2012	8,004	1,665	2,887	12,556
On acquisition	128	200	136	464
Additions	122	666	970	1,758
Disposals	—	(28)	(69)	(97)
Net foreign currency exchange differences	—	—	30	30
At 31 July 2013	8,254	2,503	3,954	14,711
Depreciation:				
At 1 August 2012	1,420	387	557	2,364
Charge for the year	309	398	881	1,588
Disposals	—	(9)	(27)	(36)
Net foreign currency exchange differences	—	—	2	2
At 31 July 2013	1,729	776	1,413	3,918
Net book value:				
At 31 July 2013	6,525	1,727	2,541	10,793
At 1 August 2012	6,584	1,278	2,330	10,192

17. Intangible assets – goodwill

	£000
Cost and net book value:	
At 1 August 2012	45,668
On acquisition of Fresh AB and its subsidiaries	765
Net foreign currency exchange differences	55
As 31 July 2013	46,488
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**

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2014

18. Intangible assets – other

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

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

2013	Development costs £000	Software costs £000	Customer base £000	Trademark £000	Total £000
Cost:					
At 1 August 2012	155	1,574	84,300	31,600	117,629
Additions	291	559	—	—	850
On acquisition (note 20)	—	—	3,693	2,186	5,879
Net foreign currency exchange differences	—	—	321	175	496
At 31 July 2013	446	2,133	88,314	33,961	124,854
Amortisation:					
At 1 August 2012	3	1,485	4,161	640	6,289
Charge for the year	6	35	8,762	1,383	10,186
Net foreign currency exchange differences	—	—	(11)	(2)	(13)
At 31 July 2013	9	1,520	12,912	2,021	16,462
Net book value:					
At 31 July 2013	437	613	75,402	31,940	108,392
At 1 August 2012	152	89	80,139	30,960	111,340

The remaining amortisation periods for intangible assets at 31 July 2014 are as follows:

	Customer base	Trademark	Patent
Volution Group Limited and its subsidiaries	8 years	23 years	—
Fresh AB and its subsidiaries	5 years	18 years	—
Pax AB and Pax Norge AS	7 years	19 years	—
inVENTer	9 years	20 years	20 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.

31 July 2014	**Residential RMI £000**	**Residential New Build £000**	**Commercial £000**	**UK Export £000**	**OEM (Torin-Sifan) £000**	**Nordics Residential £000**	**Germany Residential £000**	**Total £000**
Carrying value of goodwill	**20,759**	**6,377**	**8,562**	**3,506**	**4,996**	**4,197**	**1,730**	**50,127**
CGU value in use headroom*	**51,031**	**17,198**	**21,054**	**8,643**	**11,971**	**33,564**	**6,406**	**149,867**

31 July 2013	Residential RMI £000	Residential New Build £000	Commercial £000	UK Export £000	OEM (Torin-Sifan) £000	Nordics Residential £000	Total £000
Carrying value of goodwill	20,759	6,377	8,562	3,506	4,996	2,288	46,488
CGU value in use headroom*	1,784	600	726	291	3,772	385	7,558

* 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 13% to 17% 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 13% to 17%.
- 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2014

20. Business combinations

Acquisition in the year ended 31 July 2014

inVENTer GmbH

The Group completed its purchase of 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 enlarges the range of decentralised heat recovery ventilation systems in the ventilation segment and it also offers 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:

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

Transaction costs associated with the transaction were £702,000. The provisional fair value of the net assets acquired is set out below:

	Book value £000	Fair value adjustments £000	Provisional fair value £000
Assets:			
Intangible assets	154	10,454	10,608
Property, plant and equipment (note 16)	3,672	—	3,672
Inventory	2,031	99	2,130
Trade and other receivables	627	—	627
Trade and other payables	(29)	—	(29)
Total identifiable net assets	6,455	10,553	17,008
Goodwill on acquisition			2,138
			19,146
Discharged by:			
Consideration satisfied in cash			19,146
Total consideration			**19,146**

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

Goodwill of £2,138,000 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 that is 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 £129,997,000 and the loss before tax from continuing operations would have been £14,939,000.

20. Business combinations continued

Acquisition in the year ended 31 July 2014 continued

Pax AB and Pax Norge AS

On 22 August 2013, Volution 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 offers a channel to sell existing ventilation products in a new region.

Total consideration for the transaction was split as follows:

- up-front 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.

Transaction costs of £499,000 were expensed during the year ended 31 July 2013 and an additional £39,000 in the year ended 31 July 2014. The fair value of the net assets acquired was finalised in the year and is set out below:

	Book value £000	Fair value adjustments £000	Fair value £000
Assets:			
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
Cash and cash equivalents	1,037	—	1,037
	4,709	8,142	12,851
Liabilities:			
Trade and other payables	(1,378)	—	(1,378)
Provisions	(113)	—	(113)
Deferred tax	(340)	(1,769)	(2,109)
	(1,831)	(1,769)	(3,600)
Total identifiable net assets	2,878	6,373	9,251
Goodwill on acquisition			2,211
			11,462
Discharged by:			
Consideration satisfied in cash			11,384
Contingent consideration			78
Total consideration			**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 generated a profit after tax of £1,094,000 in the period from acquisition to 31 July 2014, which is 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2014

20. Business combinations continued

Acquisition in the year ended 31 July 2013 continued

Fresh AB and its subsidiaries

During the year ended 31 July 2013, Volution Holdings Sweden AB was set up as a holding company for future acquisitions in Sweden. On 3 October 2012, Volution Holdings Sweden AB acquired the entire issued share capital of Fresh AB and its subsidiaries in Norway and China. The transaction was funded by surplus cash in the Group.

Total consideration for the transaction was split as follows:

> up-front cash consideration of SEK 77,967,000 (£7,252,000); and

> earn-out consideration of a maximum of SEK 9,000,000 (£837,000). At the balance sheet date of 31 July 2013, the performance criteria for SEK 2,213,000 (£192,000) was met and a liability was recorded. During the year ended 31 July 2014, the Group booked an additional amount of SEK 160,000 (£15,000) relating to the earn-out consideration that was paid in December 2013.

Transaction costs associated with the transaction of £388,000 were expensed in the year ended 31 July 2013. The fair value of the net assets acquired was finalised in the year ending 31 July 2014 is set out below:

	Book value £000	Fair value adjustments £000	Fair value £000
Assets:			
Intangible assets	177	5,702	5,879
Property, plant and equipment	363	101	464
Inventory	1,703	526	2,229
Trade and other receivables	2,372	—	2,372
Cash and cash equivalents	520	—	520
	5,135	6,329	11,464
Liabilities:			
Trade and other payables	(3,215)	(101)	(3,316)
Deferred tax	(215)	(1,254)	(1,469)
	(3,430)	(1,355)	(4,785)
Total identifiable net assets	1,705	4,974	6,679
Goodwill on acquisition			765
Adjustment to goodwill on acquisition			15
			7,459
Discharged by:			
Consideration satisfied in cash			7,252
Deferred consideration recognised in the year ended 31 July 2013			192
Deferred consideration recognised in the year ended 31 July 2014			15
Total consideration			**7,459**

The fair value adjustments arose in aligning Fresh accounting policies to those of the Group and the recognition of intangible assets, net of the associated deferred tax liability. Goodwill of £780,000 represents 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 (refer to note 18).

Fresh generated revenue of £10,438,000 and a profit after tax of £69,000 in the period from acquisition to 31 July 2013 which is included in the consolidated statement of comprehensive income for this reporting period.

If the combination had taken place as at 1 August 2012, the Group's revenue from continuing operations would have been £104,306,000 and the loss before tax from continuing operations would have been £4,020,000.

21. Inventories

	2014 £000	2013 £000	As at 1 August 2012 £000
Raw materials and consumables	**7,116**	6,600	6,399
Work in progress	**1,429**	905	936
Finished goods and goods for resale	**7,377**	5,246	5,262
	15,922	12,751	12,597

During 2014, £454,000 (2013: £385,000) was recognised as a cost of sales for inventories written off in the year.

22. Trade and other receivables

	2014 £000	2013 £000	As at 1 August 2012 £000
Trade receivables	**23,748**	20,744	17,774
Allowance for doubtful debts	**(926)**	(903)	(874)
	22,822	19,841	16,900
Other debtors	**277**	303	1,878
Prepayments	**2,323**	1,182	414
	25,422	21,326	19,192

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

	2014 £000	2013 £000	As at 1 August 2012 £000
At start of the year	**(903)**	(874)	(937)
(Charge)/credit for the year	**(252)**	(213)	11
Amounts utilised	**217**	184	52
Foreign currency adjustment	**12**	—	—
At end of the year	**(926)**	(903)	(874)

Gross trade receivables are denominated in the following currencies:

	2014 £000	2013 £000	As at 1 August 2012 £000
Sterling	**19,405**	17,005	16,291
US Dollar	**112**	111	126
Euro	**2,405**	1,785	1,357
Swedish Kroner	**1,726**	1,741	—
Other	**100**	102	—
	23,748	20,744	17,774

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2014

22. Trade and other receivables continued

Trade receivables are aged as follows:

	2014 £000	2013 £000	As at 1 August 2012 £000
Neither past due nor impaired	**19,260**	17,972	15,082
Past due but not impaired:			
Overdue 0 – 30 days	**1,998**	1,351	1,384
Overdue 31 – 60 days	**677**	256	181
Overdue 61 – 90 days	**171**	104	73
Overdue more than 90 days	**716**	158	180
	22,822	19,841	16,900

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 at the end of the financial year as shown in the statement of cash flows is equal to the related items in the statement of financial position as follows:

	2014 £000	2013 £000	As at 1 August 2012 £000
Cash and short-term deposits	**10,987**	15,943	14,957

Cash and cash equivalents are denominated in the following currencies:

	2014 £000	2013 £000	As at 1 August 2012 £000
Sterling	**8,103**	14,610	13,144
Euro	**1,457**	662	1,594
US Dollar	**255**	260	216
Swedish Kroner	**839**	217	—
Other	**333**	194	3
	10,987	15,943	14,957

24. Trade and other payables

	2014 £000	2013 £000	As at 1 August 2012 £000
Trade payables	**7,622**	7,662	7,767
Social security and staff welfare costs	**2,627**	2,042	1,447
Contingent consideration	**—**	192	1,223
Accrued expenses	**12,572**	9,992	7,660
	22,821	19,888	18,097

25. Other financial assets and liabilities

	2014		2013		As at 1 August 2012	
	Current £000	**Non-current £000**	Current £000	Non-current £000	Current £000	Non-current £000
Financial assets						
Cash held in Escrow account	**422**	**–**	–	–	–	–
FX forward contracts	**–**	**–**	68	–	–	–
	422	**–**	68	–	–	–
Financial liabilities						
Interest rate swap	**–**	**(122)**	–	(494)	–	(913)
FX forward contracts	**(467)**	**–**	–	–	(104)	–
	(467)	**(122)**	–	(494)	(104)	(913)

26. Interest-bearing loans and borrowings

	2014		2013		As at 1 August 2012	
	Current £000	**Non-current £000**	Current £000	Non-current £000	Current £000	Non-current £000
Unsecured – at amortised cost						
Loans from related parties[1]	**–**	**–**	–	117,048	–	108,354
Secured – at amortised cost						
GE Corporate Finance Bank loan[2]	**–**	**53,903**	4,200	67,411	3,375	71,625
Cost of arranging bank loan[3]	**–**	**–**	(660)	(2,977)	(629)	(3,467)
	–	**53,903**	3,540	181,482	2,746	176,512

Notes

1. At 31 July 2014, related party loan notes have a principal value of £nil. In December 2013, £34,628,000 of the principal loan note and £5,378,000 of loan note interest totalling £40,006,000 was repaid to the shareholders. During the year a further £8,000,000 of loan notes was issued. Immediately prior to admission to the London Stock Exchange in June 2014, all the loan notes issued by Windmill Midco Limited were novated to Windmill Topco Limited and then subsequently exchanged for shares in Windmill Topco LImited.

   At 31 July 2013, related party loan notes had a principal value of £104,263,000 and represented amounts due to Windmill Holdings BV, Ronnie George (director of Windmill Topco Limited), Adrian Barden, Chris Lebeer and Marcel Klepfisch (non-executive directors of Windmill Topco Limited). The loan notes were unsecured, were repayable in 2021 and carried interest at 8% per annum compounded annually at 31 December 2013. Interest on the loan notes was rolled up and was payable in 2021.

2. Bank loans comprise a facility from GE Corporate Finance Bank SAS, London Branch and are governed by a facilities agreement. The outstanding loans as at 31 July 2014 and 31 July 2013 are set out in the table below. During the year, £11,500,000 of the term B loan was converted into a SEK loan, £41,050,000 of the term C loan was added to the facility and £12,600,000 of the acquisition facility was utilised. During the year two mandatory loan repayments were made totalling £4,225,000. The net proceeds of the IPO were used to repay £61,875,000 of the debt facilities. Post-IPO, the existing debt facilities were restructured into a new debt facility (see the table on page 102 for information relating to the new debt facility). During the year ended 31 July 2013, £9,000,000 of the term B loan was converted into a SEK loan.

   The facilities agreement gives GE Corporate Finance Bank SAS, London Branch, as security agent, for itself and any other bank which participates in the facilities, a fixed and floating charge over the assets of the Group.

3. During the year ended 31 July 2014 all the costs of arranging the bank loans were written off to the consolidated statement of comprehensive income as part of the re-financing following admission to the London Stock Exchange in June 2014. At 31 July 2013 the cost of arranging bank loans was amortised over the life of the loan and charged to the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2014

26. Interest-bearing loans and borrowings continued

GE Corporate Finance bank loan – 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 the year end the Group had two credit facilities: the acquisition facility (£20,000,000), which matures in February 2018; and a revolving facility (£13,000,000), which matures in February 2018. Part of the revolving facility relates to ancillaries (£1,500,000), which was used at the 31 July 2014 for an amount of £502,000.

GE Corporate Finance bank loan – year ended 31 July 2013

Element	Principal £000	Amount outstanding £000	Repayment dates	Repayment frequency	Rate %
Term A	30,000	26,625	2012–2018	Twice yearly	Libor + 4.75%
Term B	45,000	36,000	February 2019	One payment	Libor + 5.25%
Term B1	9,000	8,986	February 2019	One payment	SEK Libor + 6%

27. Provisions

2014	**Product warranties £000**	**Property dilapidations £000**	**Total £000**
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**

2013	Product warranties £000	Property dilapidations £000	Total £000
At 1 August 2012	793	550	1,343
Arising during the period	402	—	402
Utilised	(476)	—	(476)
At 31 July 2013	719	550	1,269
Analysis:			
Current	719	—	719
Non-current	—	550	550
	719	550	1,269

27. Provisions continued

Product warranties

A provision is recognised for expected warranties on products sold during the year and in prior years. The warranties are generally for two years but can range from between one to five years.

Property dilapidations

A provision has been recognised for dilapidations relating to obligations under a lease for a leasehold building and will be payable at the end of the lease term in 2022. The additional dilapidation provision in the year of £50,000 relates to the new property leased in the OEM (Torin-Sifan) segment.

28. Authorised and issued share capital and reserves

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.

Windmill Topco Limited: year ended 31 July 2013

Number of shares	A cumulative participating ordinary shares £0.001	B cumulative participating ordinary shares £0.001	E cumulative participating ordinary shares £200	Total number of shares
At 31 July 2013	1,801,000	199,996	4	2,001,000

Nominal value	A cumulative participating ordinary shares £0.001	B cumulative participating ordinary shares £0.001	E cumulative participating ordinary shares £200	Total number of shares
Allotted, called up and fully paid				
At 31 July 2013	2	—	1	3

Share capital of Volution Group plc

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

In 2014, following the decision by the Board of Directors, the Group was listed on the London Stock Exchange. Following 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 (refer to notes on page 104 for more details).

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, these consolidated accounts have been prepared as a continuation of the existing Group using the pooling of interest method.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2014

28. Authorised and issued share capital and reserves continued

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

	Notes	Number of ordinary shares	Ordinary shares £000	Share premium £
At 17 June 2014				
Issue of ordinary shares following subdivision of preference shares to 100 ordinary shares	(1)	100	—	—
At 22 June 2014				
Issue of ordinary shares following the re-organisation and the share for share exchange	(2)	151,999,900	1,520	—
At 23 June 2014				
Primary issue of ordinary shares on admission to the London Stock Exchange	(3)	48,000,000	480	71,520
Share issue costs	(4)	—	—	(2,363)
At 16 July 2014				
Reduction of share premium account	(5)	—	—	(57,630)
		200,000,000	2,000	11,527

(1) The Company was incorporated on 15 May 2014, with issued share capital of £50,000 divided into one ordinary share of £1 and 49,999 redeemable preference shares of £1 each, all of which were issued to Windmill Holdings BV. On 17 June 2014, prior to re-organisation and admission to the London Stock Exchange, such ordinary shares of £1 were subdivided into 100 ordinary shares. The redeemable preference shares of £1 each were redeemed.

(2) On 22 June 2014 the Group was re-organised immediately prior to admission to the London Stock Exchange, which resulted in the Company becoming the ultimate parent company of Windmill Topco Limited. The shareholders of Windmill Topco Limited sold the entire issued share capital to the Company in a share for share exchange. The capital reserve arises as a result of this share for share exchange.

(3) On 23 June 2014 the Company was admitted to the London Stock Exchange and placed 48,000,000 ordinary £0.01 shares at a premium of £1.49 pence per share.

(4) Relevant listing costs, which have been incurred directly in connection with the registration and distribution of shares are deducted from the share premium account.

(5) On 16 July 2014 the Company undertook, in accordance with the Companies Act and the Companies (Reduction of Share Capital) Order 2008, a reduction of capital by cancelling £57,630,000 of the Company's share premium account. This amount was transferred to retained earnings.

29. 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.

29. Risk management continued

Forward foreign currency contracts

The Group's purchases in foreign currencies, net of Group sales in those currencies, represent approximately 15% (2013: 16%) of total material and component purchases. Annually, typically between May and July, the Group enters into forward exchange contracts for the purchase of the budgeted monthly net expenditure in US Dollars for the financial year commencing on the following 1 August. 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 prices risk, 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 matures on 30 April 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 1.2550% replacing Libor. This interest rate swap was cancelled on 31 July 2014 which 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 year with no breakage costs to ensure that 66.67% of the GE Corporate Finance Bank SAS, London branch, loans is hedged.

The fair value of the interest rate swap at 31 July 2014 is a liability of £122,000 (2013: £494,000).

At 31 July 2014, the Group had commitments under forward foreign exchange contracts with varying settlement dates to 6 October 2014 (2013: 6 May 2014). See note 25 for fair values.

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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2014

29. Risk management continued

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 loss before tax £000
31 July 2014		
Sterling	**+25**	**(4)**
Swedish Kroner	**+25**	**(15)**
Euro	**+25**	**(25)**
31 July 2013		
Sterling	+25	(23)
Swedish Kroner	+25	(22)

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 current bank financial statements 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 illustrates 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	
		2014 £000	2013 £000
Swedish Kroner	5%	**191**	4
US Dollar	5%	**78**	97
Euro	5%	**(163)**	(146)

	Change in GBP vs SEK rate	Effect on equity	
		2014 £000	2013 £000
Swedish Kroner	5%	**12**	28

29. 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 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 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 2014 and 2013.

At 31 July 2014	**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 (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 payables	**7,622**	**—**	**—**	**7,622**
	10,037	**51,336**	**10,119**	**71,492**

At 31 July 2013	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 (including interest)	8,220	35,576	255,032	298,828
Costs of arranging loans	(660)	(2,642)	(335)	(3,637)
	7,560	32,934	254,697	295,191
Forward foreign currency exchange outflow	—	9,788	—	9,788
Forward foreign currency exchange inflow	—	(9,856)	—	(9,856)
Interest rate swaps	349	193	—	542
Trade payables	7,662	—	—	7,662
Contingent consideration	192	—	—	192
	15,763	33,059	254,697	303,519

At 1 August 2012	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 (including interest)	7,814	34,468	265,105	307,387
Costs of arranging loans	(629)	(2,516)	(951)	(4,096)
	7,185	31,952	264,154	303,291
Forward foreign currency exchange outflow	8,477	—	—	8,477
Forward foreign currency exchange inflow	(8,385)	—	—	(8,385)
Interest rate swaps	446	533	—	979
Trade payables	7,767	—	—	7,767
Deferred consideration	1,223	—	—	1,223
	16,713	32,485	264,154	313,352

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2014

29. Risk management continued

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 which have a significant effect on the recorded fair value are observable, either directly or indirectly. Please see note 25.

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 2014 and 2013 is the carrying amount. The Group's maximum exposure for financial derivative instruments are noted in either note 25 or in the liquidity table above, 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. There have been no changes to the capital requirements 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 comprises 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.

30. Related party transactions

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

No related party loan note balances exist at 31 July 2014. In December 2013, the Group repaid £40,006,000 of the loan notes back to the principal shareholders £34,628,000 and interest of £5,378,000. Immediately prior to admission to the London Stock Exchange in June 2014 the remaining loan notes issued by Windmill Midco were novated to Windmill Topco and then subsequently converted into shares in Windmill Topco. The deposits held by Windmill Holdings BV and Windmill Holdings Cooperatief UA were repaid in July 2014.

At 31 July 2013

Related parties	Loan £000	Deposit £000	Interest £000	Amounts owed by related parties £000	Amounts owed to related parties £000
Windmill Holdings BV	103,354	—	12,673	—	116,027
Adrian Barden	73	—	10	—	83
Marcel Klepfisch	49	—	6	—	55
Chris Lebeer	492	—	60	—	552
Ronnie George	295	—	36	—	331
Windmill Holdings BV	—	10	—	10	—
Windmill Holdings Cooperatief U A	—	10	—	10	—
Total	104,263	20	12,785	20	117,048

The amounts disclosed above represent the historic carrying value of loan amounts owed to related parties. The terms and conditions of the loans notes are disclosed in note 26. The deposits are held by Windmill Holdings BV and Windmill Holdings Cooperatief UA and do not carry any repayment terms.

At 1 August 2012

Related parties	Loan £000	Deposit £000	Interest £000	Amounts owed by related parties £000	Amounts owed to related parties £000
Windmill Holdings BV	103,846	—	4,074	—	107,920
Windmill Holdings BV	—	10	—	10	—
Windmill Holdings Cooperatief U A	—	10	—	10	—
Adrian Barden	73	—	4	—	77
Marcel Klepfisch	49	—	2	—	51
Ronnie George	295	—	11	—	306
Total	104,263	20	4,091	20	108,354

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 £168,000 (2013: £114,000) from Windmill Holdings BV (the direct controlling party) and Windmill Cooperatief U A (an intermediate parent undertaking) for management services; and

> the Group incurred costs of £246,000 from 1 August 2013 to 22 June 2014 (2013: £294,000) from Marcel Klepfisch, Adrian Barden and Chris Lebeer for their services as Non-Executive Directors. Following the re-organisation and the listing on the London Stock Exchange, the Group Board of Directors changed and the Group incurred a further cost from 23 June 2014 to 31 July 2014 of £36,000 from Peter Hill, Tony Reading, Paul Hollingworth and Adrian Barden for their services as Non-Executive Directors.

Non-Executive Director Paul Hollingworth is also a non-executive director of Electrocomponents plc. During the year, the Group sold goods to Electrocomponents plc amounting to £194,000 (2013: £170,000). At the year end, amounts owing by Electrocomponents plc were £35,000 (2013: £2,000). During the year the Group purchased goods from Electrocomponents plc amounting to £99,000 (2013: £87,000). At the year end, amounts owed to Electrocomponents plc were £13,000 (2013: £12,000).

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2014

30. Related party transactions continued

Compensation of key management personnel

	2014 £000	2013 £000
Short-term employee benefits	**2,697**	709
Termination benefits	**203**	—
	2,900	709

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

31. Group structure and acquisition details

During the year ended 31 July 2014, Volution Group plc held 100% voting shares of the following subsidiaries:

31 July 2014

Group company	Country of incorporation
Direct:	
Windmill Topco Limited	England
Indirect:	
Windmill Midco Limited	England
Windmill Cleanco Limited	England
Windmill Bidco Limited	England
Manrose Manufacturing Limited	England
Volution Holdings Limited	England
Volution Ventilation Group Limited (formerly Volution 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

During the year, the Group acquired 100% shareholdings in the following companies:

Group company	Country of incorporation
Pax AB	Sweden
Pax Norge AS	Norway

During the year, the Group incorporated the following companies:

Group company	Country of incorporation
inVENTer GmbH	Germany
Volution Management Holdings GmbH	Germany
Volution Deutschland Real Estate GmbH	Germany

There were no other changes to the Group structure in the year ended 31 July 2014.

31. Group structure and acquisition details continued

Following the 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, Volution Group plc became the legal parent company of Windmill Topco Limited and its subsidiary undertakings.

During the year ended 31 July 2013, Windmill Topco Limited held 100% voting shares of the following subsidiaries:

31 July 2013

Group company	Country of incorporation
Direct:	
Windmill Midco Limited	England
Indirect:	
Windmill Cleanco Limited	England
Windmill Bidco Limited	England
Manrose Manufacturing Limited	England
Volution Holdings Limited	England
Volution Ventilation Group Limited (formerly Volution 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

During the year ended 31 July 2013, the Group acquired 100% shareholdings in the following companies:

Group company	Country of incorporation
Fresh AB	Sweden
Volution Norge AS (formerly Fresh Norge AS)	Norway
Fresh Shanghai Limited	China

During the year ended 31 July 2013, the Group incorporated the following company:

Group company	Country of incorporation
Volution Holdings Sweden AB	Sweden

During the year ended 31 July 2013, the Group liquidated the following subsidiaries:

Volution Group Limited
Darwin Mezzanine Limited
Volution Finance (UK) Limited
Darwin Bond Limited
Willow Plastics Limited
NCA Manufacturing Limited
Sifan Systems Limited
Torin Holdings Limited
Tradewinds Ventilation Limited
Vent-Axia Air Conditioning Limited
Vent-Axia Ventilation Limited

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2014

32. 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 5 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:

	2014 £000	2013 £000
Within one year	**934**	429
After one year but not more than five years	**3,153**	1,615
More than five years	**2,853**	5,427
	6,940	7,471

Commitments

Commitments for the acquisition of property, plant and equipment as of 31 July 2014 are £362,000 (2013: £80,000).

The Group has committed to acquire 2,000 HRU units for an amount of €668,000 as of 31 July 2014 during the next fiscal year ending 31 July 2015.

The Group has committed to acquire 10,000 black noise units of for an amount of €250,000 as of 31 July 2014 during the next fiscal year ending 31 July 2015 if the supplier fixes the problem with the stock that has been rejected for quality reasons.

Contingencies

The Group has ongoing discussions with the UK tax authorities in relation to the tax implications relating to the transaction costs for the acquisition of Fresh AB and its subsidiaries. Currently the VAT reclaim is included in other debtors and the amounts exposed range from £nil to £60,000 which would be written back to exceptional costs.

33. Transition to IFRS

For all periods up to and including the year ended 31 July 2013, the Group prepared its financial statements in accordance with United Kingdom generally accepted accounting practice (UK GAAP).

These financial statements, for the year ended 31 July 2014 are the first the Group has prepared in accordance with IFRS as adopted by the EU.

Accordingly, the Group has prepared financial statements that comply with IFRS applicable for the year ending 31 July 2014, together with the comparative period data as at and for the year ended 31 July 2013, as described in the summary of significant accounting policies. In preparing these financial statements, the Group's opening statement of financial position was prepared at 1 August 2012, which is the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its financial statements prepared under UK GAAP, including the statement of financial position at 1 August 2012 and the financial statements at and for the year ended 31 July 2013.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. The Group has taken the following exemptions:

IFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries that are considered businesses for IFRS that occurred before 1 August 2011. Use of this exemption means that the UK GAAP carrying amounts of assets and liabilities that are required to be recognised under IFRS are their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements.

IFRS 1 also requires that the local UK GAAP carrying amount of goodwill must be used in the opening IFRS statement of financial position (apart from adjustments for goodwill impairment and the recognition or derecognition of intangible assets that would have been recognised in the acquiree's financial statements under IFRS). In accordance with IFRS 1, the Group has tested goodwill for impairment at the date of transition to IFRS.

33. Transition to IFRS continued

Estimates

The estimates at 1 August 2012 and at 31 July 2013 are consistent with those made for the same dates in accordance with UK GAAP (after adjustments to reflect any differences in accounting policies).

Group reconciliation of equity at 1 August 2012 (date of transition to IFRS)	Notes	UK GAAP £000	Adjustments £000	IFRS £000
Non-current assets				
Property, plant and equipment	A	10,230	(38)	10,192
Intangible assets – goodwill	B, C	141,128	(95,460)	45,668
Intangible assets – others	A, C	—	111,340	111,340
Deferred tax assets	K	—	464	464
		151,358	16,306	167,664
Current assets				
Inventories	D, E, F, H	10,892	1,705	12,597
Trade and other receivables	D, E	20,485	(1,293)	19,192
Income tax		—	—	—
Other current financial assets		—	—	—
Cash and short-term deposits		14,957	—	14,957
		46,334	412	46,746
Total assets		197,692	16,718	214,410
Current liabilities				
Trade and other payables	D, E	(16,601)	(1,496)	(18,097)
Other current financial liabilities	G	—	(104)	(104)
Income tax		(1,178)	5	(1,173)
Interest-bearing loans and borrowings		(2,746)	—	(2,746)
Provisions		(793)	—	(793)
		(21,318)	(1,595)	(22,913)
Non-current liabilities				
Interest-bearing loans and borrowings		(176,512)	—	(176,512)
Other non-current financial liabilities	G	—	(913)	(913)
Provisions		(550)	—	(550)
Deferred tax liabilities	C, K	—	(25,558)	(25,588)
		(177,062)	(26,501)	(203,563)
Total liabilities		(198,380)	(28,096)	(226,476)
Net liabilities		(688)	(11,378)	(12,066)
Capital and reserves				
Share capital		3	—	3
Share premium		2,098	—	2,098
Foreign currency translation reserve		—	—	—
Retained earnings		(2,789)	(11,378)	(14,167)
Total equity		(688)	(11,378)	(12,066)

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2014

33. Transition to IFRS continued

Group reconciliation of equity at 31 July 2013	Notes	UK GAAP £000	Adjustments £000	IFRS £000
Non-current assets				
Property, plant and equipment	A	11,309	(516)	10,793
Intangible assets – goodwill	B, C	139,678	(93,190)	46,488
Intangible assets – others	A, C	158	108,234	108,392
Investments		499	(499)	—
Deferred tax assets	K	—	99	99
		151,644	14,128	165,772
Current assets				
Inventories	D, E, F, H	11,127	1,624	12,751
Trade and other receivables	D, E	22,682	(1,356)	21,326
Income tax		—	—	—
Other current financial assets		—	68	68
Cash and short-term deposits		15,943	—	15,943
		49,752	336	50,088
Total assets		201,396	14,464	215,860
Current liabilities				
Trade and other payables	D, E	(18,485)	(1,403)	(19,888)
Other current financial liabilities		—	—	—
Income tax		(939)	5	(934)
Interest-bearing loans and borrowings		(3,540)	—	(3,540)
Provisions		(719)	—	(719)
		(23,683)	(1,398)	(25,081)
Non-current liabilities				
Interest-bearing loans and borrowings		(181,482)	—	(181,482)
Other non-current financial liabilities	G	—	(494)	(494)
Provisions		(550)	—	(550)
Deferred tax liabilities	C, K	(372)	(21,429)	(21,801)
		(182,404)	(21,923)	(204,327)
Total liabilities		(206,087)	(23,321)	(229,408)
Net liabilities		(4,691)	(8,857)	(13,548)
Capital and reserves				
Share capital		3	—	3
Share premium		2,098	—	2,098
Foreign currency translation reserve		(11)	593	582
Retained earnings		(6,781)	(9,450)	(16,231)
Total equity		(4,691)	(8,857)	(13,548)

33. Transition to IFRS continued

Group reconciliation of total comprehensive income for the year ended 31 July 2013	Notes	UK GAAP £000	Adjustments £000	IFRS £000
Revenue	E, F, H, I	111,452	(9,190)	102,262
Cost of sales	E, F, H, I	(63,876)	7,631	(56,245)
Gross profit		47,576	(1,559)	46,017
Distribution costs	I	(13,946)	1,566	(12,380)
Administrative expenses	B, C, F, J	(20,519)	(1,074)	(21,593)
Operating profit before exceptional items		13,111	(1,067)	12,044
Exceptional items	J	—	(2,778)	(2,778)
Operating profit		13,111	(3,845)	9,266
Finance revenue	G	40	590	630
Finance costs		(14,099)	—	(14,099)
Loss before tax		(948)	(3,255)	(4,203)
Income tax	K	(3,044)	5,183	2,139
Loss for the year		(3,992)	1,928	(2,064)
Other comprehensive (expense)/income:				
Items that may subsequently be reclassified to profit or loss:				
Exchange differences arising on translation of foreign operations		(455)	593	138
Gain on hedge of net investment in foreign operation		444	—	444
Other comprehensive (expense)/income for the year		(11)	593	582
Total comprehensive (expense)/income for the year		(4,003)	2,521	(1,482)

Notes to the Group reconciliation of equity as at 1 August 2012 and 31 July 2013 and total comprehensive income for the year ended 31 July 2013. The footnotes explain the material adjustments made between UK GAAP and IFRS.

A Reclassification of software

Under UK GAAP, software of £543,000 at 31 July 2013 (1 August 2012: £38,000) was classified as property, plant and equipment. On transition to IFRS, software has been reclassified from property, plant and equipment to intangible assets – others.

B Amortisation of goodwill and accounting for acquisition cost

IFRS does not permit the amortisation of goodwill whereas, under UK GAAP, goodwill had been amortised over a finite life and hence there existed an accumulated amortisation charge on the date of transition to IFRS. As a result, any goodwill amortisation recorded under UK GAAP was reversed in full, resulting in an adjustment of £12,259,000 as at 31 July 2013 (1 August 2012: £4,228,000).

Under UK GAAP, acquisition costs were included in the cost of goodwill; however, under IFRS such expenses are required to be expensed to the statement of comprehensive income. This resulted in an adjustment to reduce goodwill by £5,560,000 as at 31 July 2013 (1 August 2012: £5,037,000).

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2014

33. Transition to IFRS continued

Notes to the Group reconciliation of equity as at 1 August 2012 and 31 July 2013 and total comprehensive income for the year ended 31 July 2013 continued

C Recognition of intangible assets on business combination

IFRS requires recognition of certain intangible assets acquired in a business combination (e.g. trademarks and customer base) if relevant recognition criteria are met. Under UK GAAP no intangible assets had been recognised separately from goodwill. As set out at the beginning of this note, accounting requirements under IFRS have only been applied to business combinations that took place subsequent to 1 August 2011. On transition, this resulted in recognition of intangible assets (customer base, trademarks and patents) of £115,900,000 an acquisition made subsequent to 1 August 2011 (31 July 2013: recognition of intangible assets of £121,547,000 including acquisitions made during the year ended 31 July 2013). This is offset by accumulated amortisation on transition of £4,801,000 (31 July 2013: £14,926,000) recognised on the intangibles from 1 August 2011. In addition, inventory acquired as part of the business combination was recorded at fair value, further reducing goodwill by £5,408,000 (31 July 2013: £6,253,000). The total impact to goodwill net of deferred tax was £94,651,000 at 1 August 2012 (31 July 2013: £100,002,000). Intangible assets recognised are amortised over their estimated useful life.

D Goods in transit

Under IFRS, ownership of goods is assumed to be transferred to the buyer when it assumes the risks and rewards associated with the goods. Under UK GAAP, goods being purchased by the Group were not recognised in stock until the Group received delivery of the goods, although the terms of the purchase transferred the risks and rewards to the Group when the goods were dispatched by the seller. As a result, a reclassification adjustment has been recorded at 31 July 2013 to increase stock by £1,415,000 and reduce prepayments and recognise trade payables of £291,000 and £1,124,000, respectively (1 August 2012: increase stock by £1,548,000 and reduce prepayments and recognise trade payables of £294,000 and £1,254,000, respectively).

E Revenue recognition

Under IFRS, revenue from the sale of goods is recognised when certain criteria are met, including the transfer of risks and rewards of ownership of goods, which for the Group is upon receipt of goods by the customer. Under UK GAAP the Group had recognised revenue upon dispatch of goods, therefore any goods in transit over a period end have been adjusted under IFRS. This adjustment resulted in an increase in stock and deferred income by £464,000 and £82,000, respectively, and a reduction in debtors by £1,064,000 at 31 July 2013 (1 August 2012: increase in stock and deferred income by £392,000 and £58,000, respectively, and a reduction in debtors by £864,000). For the year ended 31 July 2013, revenue and cost of sales has been reduced by £225,000 and £71,000, respectively.

F FX spot rates

Under IFRS, the spot rate on the date of transaction must be used to translate all foreign currency transactions, i.e. IFRS does not permit the use of contracted rates, or the rates in matching forward contracts, to translate foreign currency transactions where these are not in effective hedge relationships. Under UK GAAP the Group had translated certain sales and purchases at contracted or budgeted rates. This adjustment restates revenue, cost of sales, foreign exchange gain or losses and inventory using spot rates.

G Accounting for derivatives

IFRS requires financial instruments to be initially measured at fair value plus transaction costs with adjustments recognised in profit or loss if the financial instrument is designated at fair value through profit and loss (FVTPL). There was no such mandatory requirement under UK GAAP. On 31 July 2013, an adjustment of £494,000 was recorded to recognise the fair value of derivative financial instruments held by the Group (1 August 2012: £1,017,000).

H Long-term contracts

Under IFRS, revenue from the rendering of services is recognised by reference to the stage of completion at the end of the reporting period, a different method was used under UK GAAP. This adjustment is in relation to timing of revenue and cost recognition in relation to long-term contracts which resulted in a decrease in stock and revenue/cost of sales.

I Rebates and discounts

Under IFRS, revenue is measured at the fair value of the consideration received or receivable, net of trade discounts, volume rebates and prompt settlement discounts. Under UK GAAP, the Group had recorded rebates and settlement discounts for certain business divisions within cost of sales and indirect costs. Hence, an adjustment was recorded to reclassify rebates and discounts of £7,607,000 and £1,566,000 from cost of sales and distribution costs, respectively, to revenue, thereby reducing revenue and costs.

J Reclassification of exceptional items

Acquisition-related costs amounting to £1,933,000 recorded in administrative costs and recycling of fair value uplift in stock of £845,000 recorded in cost of sales are considered to be exceptional in nature and hence have been reclassified to exceptional items in the consolidated statement of comprehensive income.

K Deferred tax adjustments

Deferred tax impacts of IFRS adjustments stated above (as applicable) have resulted in recognition of additional deferred tax balances in comparison to UK GAAP due to the different methodology applied under IAS 12.

L Statement of cash flows

The transition from UK GAAP to IFRS has not had a material impact on the statement of cash flows.

Parent Company Statement of Financial Position

At 31 July 2014

	Notes	2014 £000
Non-current assets		
Investments	7	**64,022**
		64,022
Current assets		
Other receivables and prepayments	8	**1,120**
Other current financial assets	9	**423**
Cash and short-term deposits		**533**
		2,076
Total assets		**66,098**
Current liabilities		
Trade and other payables	10	**(731)**
		(731)
Total liabilities		**(731)**
Net assets		**65,367**
Capital and reserves		
Share capital	11	**2,000**
Share premium	11	**11,527**
Capital reserve	11	**(273)**
Retained earnings		**52,113**
Total equity		**65,367**

The financial statements of Volution Group plc (registered number: 09041571) were approved by the Board of Directors and authorised for issue on 23 October 2014.

On behalf of the Board

Ronnie George
Chief Executive Officer

Ian Dew
Chief Financial Officer

Parent Company Statement of Changes in Equity

For the period ended 31 July 2014

	Share capital £000	Share premium £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 31 July 2014	**2,000**	**11,527**	**(273)**	**52,113**	**65,367**

Parent Company Statement of Cash Flows

For the period ended 31 July 2014

	Notes	2014 £000
Operating activities		
Loss for the period after tax		**(5,517)**
Exceptional costs		**5,479**
Cash flows relating to exceptional costs		**(4,881)**
Working capital adjustments:		
Increase in other receivables, prepayments and other current financial assets		**(1,543)**
Increase in trade and other payables		**133**
Net cash flow used in operating activities		**(6,329)**
Investing activities		
Investment in subsidiary undertaking	7	**(62,775)**
Net cash flow used in investing activities		**(62,775)**
Financing activities		
Proceeds from issue of new shares		**72,000**
Transaction costs on issue of new shares		**(2,363)**
Net cash flow from financing activities		**69,637**
Net increase in cash and cash equivalents		**533**
Cash and cash equivalents on incorporation		**—**
Cash and cash equivalents at the end of the period		**533**

Notes to the Parent Company Financial Statements

For the period ended 31 July 2014

1. General Information

These financial statements were approved and authorised for issue by the Board of Directors of Volution Group plc ("the Company") on 23 October 2014.

Windmill Newco plc was incorporated on 15 May 2014 and subsequently changed its name to Volution Group plc on 4 June 2014. 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. These financial statements have been prepared for the period from the Company's incorporation on 15 May 2014 to 31 July 2014.

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 loss for the period is disclosed in the statement of changes in equity.

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 event or changes in circumstances indicate the carrying value may not be recoverable.

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.

Other receivables

Other receivables are recognised initially at fair value, and subsequently at amortised cost, reduced by appropriate allowances for estimated irrecoverable amounts.

Other current financial assets

Other current financial assets are non-derivative financial assets that are not quoted in an active market. They are included as current assets as they are expected to be held for less than twelve months.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest rate method.

Going concern

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

Notes to the Parent Company Financial Statements continued

For the period ended 31 July 2014

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 7.

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 EU, and does not foresee any material impact.

Standard or interpretation	Title	Effective for accounting periods beginning on or after
IAS 27	Separate Financial Statements (as revised 2011)	1 January 2014
IAS 32	Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32	1 January 2014
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2018
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014
IFRS 14	Regulatory Deferral Accruals	1 January 2016

5. Auditor's remuneration

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

	Period from 15 May 2014 to 31 July 2014 £000
Non-audit services	
Fees payable for corporate finance services*	1,778
	1,778

* Primarily comprises services relating to preparation before the Listing of the Company.

Auditor's remuneration for the Company was borne by a fellow Group company.

6. Employee information

Non-Executive Directors received remuneration of £36,000 for their services to the Company.

	Period from 15 May 2014 to 31 July 2014 £000
Non-Executive Directors	
Short-term employee benefits	36
	36

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 13.

7. Investments

	2014 £000
Cost:	
At 15 May 2014	–
Acquired in the period	**64,022**
At 31 July 2014	**64,022**

Following the 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, Volution Group plc became the legal parent company of Windmill Topco Limited and its subsidiary undertakings, described further below.

Group company	Country of incorporation
Direct:	
Windmill Topco Limited	England
Indirect:	
Windmill Midco Limited	England
Windmill Cleanco Limited	England
Windmill Bidco Limited	England
Manrose Manufacturing Limited	England
Volution Holdings Limited	England
Volution Ventilation Group Limited (formerly Volution 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

During the period, the Group acquired a 100% shareholding in the following companies:

Group company	Country of incorporation
Pax AB	Sweden
Pax Norge AS	Norway

During the year, the Group incorporated the following companies:

Group company	Country of incorporation
inVENTer GmbH	Germany
Volution Management Holdings GmbH	Germany
Volution Deutschland Real Estate GmbH	Germany

There were no other changes to the Group structure in the period ended 31 July 2014.

Notes to the Parent Company Financial Statements continued

For the period ended 31 July 2014

8. Other receivables and prepayments

	2014 £000
Amounts owed by Group undertaking	**475**
Prepayments	**645**
	1,120

9. Other current financial assets

	2014 £000
Cash held on Escrow	**423**

10. Trade and other payables

	2014 £000
Trade payables	**391**
Accruals	**253**
Amounts owed to Group undertaking	**87**
	731

11. Share capital, share premium and reserves

The movement in called up share capital and share premium accounts is set out below:

	Notes	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	(1)	100	—	—
At 22 June 2014				
Issue of ordinary shares following the re-organisation and the share for share exchange	(2)	151,999,900	1,520	—
At 23 June 2014				
Primary issue of ordinary shares on admission to the London Stock Exchange	(3)	48,000,000	480	71,520
Share issue costs	(4)	—	—	(2,363)
At 16 July 2014				
Reduction of share capital account	(5)	—	—	(57,630)
		200,000,000	2,000	11,527

(1) The Company was incorporated on 15 May 2014, with issued share capital of £50,000 divided into one ordinary share of £1 and 49,999 redeemable preference shares of £1 each, all of which were issued to Windmill Holdings BV. On 17 June 2014, prior to re-organisation and admission to the London Stock Exchange, such ordinary shares of £1 were subdivided into 100 ordinary shares. The redeemable preference shares of £1 each have been redeemed.

(2) On 22 June 2014 the Group was re-organised immediately prior to admission to the London Stock Exchange which resulted in the Company becoming the ultimate parent company of the Group. The shareholders of Windmill Topco sold the entire issued share capital to the Company in a share for share exchange. The capital reserve arises as a result of this share for share exchange.

11. Share capital, share premium and reserves continued

(3) On 23 June 2014 the Company was admitted to the London Stock Exchange and placed 48,000,000 ordinary £0.01 shares at a premium of £1.49 pence per share.

(4) Relevant listing costs, which have been incurred directly in connection with the registration and distribution of shares, are deducted from the share premium account.

(5) On 16 July 2014 the Company undertook, in accordance with the Companies Act and the Companies (Reduction of Share Capital) Order 2008, a reduction of capital by cancelling £57,630,000 of the Company's share premium account.

12. 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.

The Group manages its exposure by only placing deposits with reputable financial institutions and continually monitoring the performance of its subsidiaries.

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 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.

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 period ended 31 July 2014

13. 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.

	2014	
Related parties	Amounts owed by related parties £000	Amounts owed to related parties £000
Windmill Bidco Limited	**451**	**—**
Windmill Midco Limited	**24**	**—**
Volution Holdings Limited	**—**	**87**
	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 which has responsibility for planning, directing and controlling the activities of the Group.

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. Total Directors' remuneration paid by the enlarged Group to Directors of the Company (including pension scheme contributions) was £75,000. The salary represents an amount from the date of Listing of the Group. It is not possible to identify the proportion of this remuneration that relates to services to this Company.

The Non-Executive Directors also received remuneration for their services to the Company. Please refer to note 6 for further details.

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.

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
EC/DC	electronically commutated
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
Decentralised heat recovery	a system of ventilation that collects heat from exhaust air that would otherwise be lost and re-uses such heat by transferring it to the incoming fresh air. Decentralised heat recovery consists of multiple units supplying and extracting from around the home
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 re-uses 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:

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

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: 0871 384 2030* from the UK or +44 (0) 121 415 7047 from overseas.

* Calls to this number cost 8 pence per minute plus network extras. Lines are open 8.30 am to 5.30 pm, Monday to Friday.

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
Weil, Gotshal and Manges

Financial PR adviser
Brunswick Group LLP

Company Secretary and registered office

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