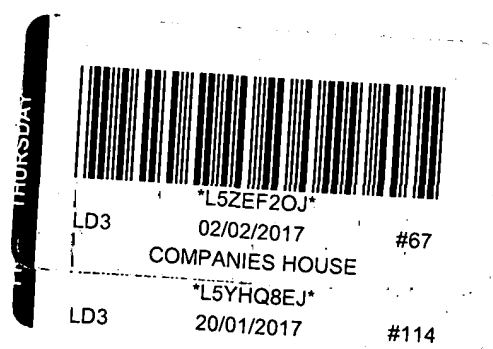


# Volusion Ventilation Group Limited

## Report and Financial Statements

31 July 2016



**Directors**

R A George  
I Dew

**Auditor**

Ernst & Young LLP  
1 More London Place  
London SE1 2AF

**Registered Office**

Fleming Way  
Crawley  
West Sussex  
RH10 9YX

## Strategic report

The directors of Volusion Ventilation Group Limited ('the Company') present their strategic report for the year ended 31 July 2016.

### Principal activity and review of the business

Volusion Ventilation Group Limited is an intermediate parent undertaking that directly and indirectly holds investments in a number of subsidiaries. The Company provides a range of management services to companies within the enlarged group of which it is a member and will continue to provide these services for the foreseeable future.

The Company's trading subsidiaries are 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's key financial performance indicator during the year was as follows:

	2016 £000	2015 £000	Change %
Fair value of investments	370,006	356,631	3.8

The key focus of management is the fair value of investments, which is summarised above. This differs from the carrying value in the balance sheet, which has varied as a result of two acquisitions during the year. Fair value has moved as a result of the Companies direct and indirect subsidiaries having achieved positive results in the year, with continued growth expected.

The company also received a cash dividend from its investments of £15,500,000 (2015 - £81,079,000) during the year.

### Principal risks and uncertainties

The directors consider the principal risks and uncertainties facing the Company to be both specific to the Company and also connected with the trading activities of its subsidiaries and to be broadly grouped as asset impairment, economic, exchange rate and financial instrument related. These risks are explained further below:

#### Asset impairment risk

To identify any risk of impairment in a timely manner, the company reviews the financial performance of its investments on a regular basis. To date, all investments have had a strong year and are not exhibiting indicators of impairment. This is expected to continue for the foreseeable future.

#### Economic risk

In the UK and Europe, demand for the products of its subsidiaries is influenced by both public and privately funded new and refurbishment construction projects. The UK and European construction market is in turn heavily influenced by prevailing macro-economic conditions and relevant UK and European legislation particularly with regards to air quality and energy efficiency. The Company reviews the performance of its subsidiaries on a regular basis.

#### Exchange rate risk

Fluctuations in the exchange rate of sterling with other major currencies will impact both the turnover stream and purchase cost of the Company's subsidiaries. The Group of which the Company is a member benchmarks turnovers and direct expenditure denominated in foreign currency on a regular basis and enters in to forward foreign exchange contracts to manage its exposure to exchange rate risk.

## Strategic report (continued)

### Financial instrument risk

The most significant financial instrument held by the company is its investments in subsidiaries. The directors understanding of the risks associated with the investments held by the entity relate to the potential impairment of those investments. To identify any risk of impairment in a timely manner, the company reviews the financial performance of its investments on a regular basis. To date, all investments have had a strong year and are not exhibiting indicators of impairment. This is expected to continue for the foreseeable future.

In addition to investments, the Company engages in two types of financial instrument:

- Short term working capital (other debtors, other creditors and cash); and
- Long-term intra-group debtors and creditors.

The directors do not consider the book value of financial instruments to materially differ from their fair values.

The directors' understanding of and the Company's exposure to risk as a result of using financial instruments is as follows:

#### ➤ Price risk

Risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The directors consider this risk to relate to foreign exchange. The risk to derivative financial instruments is minimal as the transacted rate and quantity of currency are fixed in advance. Risk arising on non-derivative financial instruments is mitigated by utilisation of surplus foreign currency within the group of which the Company is a member.

#### ➤ Credit risk

Risk that one party to a financial instrument will fail to discharge their obligation and cause the other party to incur a financial loss. In relation to derivative financial instruments, the directors consider this to relate to the counterparty the Company transacts with, which is typically a reputable high street bank and exposure is therefore minimal. With regard to non-derivative financial instruments, the directors believe credit risk principally relates to long-term intra-group debtors. To mitigate against exposure to credit risk the Company only lends to companies in the group of which it is a member and regularly reviews the performance and cash flow forecasts of the entities to which it has lent.

#### ➤ Liquidity risk

Risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments, principally the repayment of its long-term intra-group creditors. To the best of the directors' knowledge there are no foreseeable constraints in discharging obligations under financial instruments. The intra-group creditors are not due to be repaid until all long-term intra-group debtors have been repaid.

#### ➤ Cash flow risk

Risk that future cash flows of a financial instrument will fluctuate. The intention of using forward contracts is to minimise volatile cash flow arising from exposure to foreign exchange risk. As the rate and amounts are fixed and the Company hedges its exposure, risk is deemed minimal.

On behalf of the Board



Ian Dew  
Director  
21 December 2016

## Directors' report

The directors of Volution Ventilation Group Limited ('the Company') present their report and financial statements for the year ended 31 July 2016.

### Directors

The directors who served the Company during the year and subsequent to the year-end are set-out on page 1.

### Results and dividends

The Company generated a profit for the year after tax of £13,689,000 (2015 £79,623,000) primarily as a result of the income received from its shares in group undertakings.

The Company paid an interim dividend of £15,150,000 (2015 - £4,200,000). The directors do not recommend the payment of a final dividend (2015 – £nil).

### Financial instruments

The directors' understanding of, and the Company's exposure to risk as a result of using financial instruments is set out in the strategic report.

### Disabled employees and employee involvement

A skilled workforce is key to the future of the Company. Health and Safety matters are reviewed regularly by the directors and it is our policy to ensure that:

- Full and fair consideration is given to all applications for employment made by disabled persons, having regard to their capabilities;
- If an existing employee becomes disabled (whether from illness or accident) every reasonable effort is made to continue to provide employment either in the same job, or by training for a suitable alternative job; and
- Disabled persons are given equal consideration for training, career development and opportunities for promotion within the Company.

Management are regularly provided with a range of information concerning the performance of the business by means of meetings and similar briefings that allows employees' views and opinions to be taken into consideration. Other means of communication are used to ensure employees are systematically provided with information on matters of concern to them.

### Directors' liabilities

The enlarged Group of which the Company is a member has granted an indemnity to certain directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force at the date of approving the directors' report.

### Going concern

The directors confirm that after making appropriate enquiries, they have a reasonable expectation that 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. The directors' responsibilities are set out on page 6 and should be read in conjunction with this statement.

### Events since the balance sheet date

On 16 December 2016 the Company purchased the entire issued share capital of Breathing Buildings Limited.

There have been no other material events between 31 July 2016 and the date of authorisation of the Financial Statements that would require adjustments of the Financial Statements or disclosure.

## Directors' report (continued)

### Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

### Re-appointment of auditor

In accordance with section 485 of the Companies Act 2006, a resolution is to be proposed for reappointment of Ernst & Young LLP as auditor of the Company.

On behalf of the Board

Ian Dew   
Chief Financial Officer  
21 December 2016

## Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditors' report to the members of Volution Ventilation Group Limited**

We have audited the financial statements of Volution Ventilation Group Limited for the year ended 31 July 2016 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 6, 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 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 report and financial statements 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.

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs at 31 July 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.



## Independent auditors' report to the members of Volution Ventilation Group Limited (continued)

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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.



Zishan Nurmohamed (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP (Statutory Auditor)  
London  
Date 23 / 12 / 2016

## Statement of comprehensive income

For the year ended 31 July 2016

	Notes	2016 £000	2015 £000
<b>Turnover</b>	4	2,475	2,288
Administrative expenses		(4,339)	(3,231)
<b>Operating loss</b>	5	(1,864)	(943)
Income from shares in group undertakings		15,500	81,079
Interest receivable and similar income	6	420	2,025
Interest payable and similar expenses	6	(103)	(2,707)
<b>Profit on ordinary activities before tax</b>		13,953	79,454
Income tax	8	(264)	169
<b>Profit for the year</b>		13,689	79,623
Other comprehensive income		-	-
<b>Total comprehensive income/(expense) for the year</b>		13,689	79,623

Results of the current and prior years arise solely from continuing operations.

## Statement of financial position

At 31 July 2016

	Notes	2016 £000	2015 £000
<b>Fixed assets</b>			
Tangible assets	9	44	66
Investments	10	148,989	132,302
Deferred tax asset	8	69	-
		<u>149,102</u>	<u>132,368</u>
<b>Current assets</b>			
Amounts owed by group companies falling due after one year		41,802	43,157
Amounts owed by group companies falling due within one year		-	265
Other debtors	11	26	9
		<u>41,828</u>	<u>43,431</u>
Cash at bank and in hand		270	414
		<u>42,098</u>	<u>43,845</u>
<b>Creditors: amounts falling due within one year</b>			
Other creditors	12	(406)	(726)
Other current financial liabilities		<u>(333)</u>	<u>-</u>
		<u>(739)</u>	<u>(726)</u>
<b>Net current assets</b>		<u>41,359</u>	<u>43,119</u>
<b>Total assets less current liabilities</b>		190,461	175,487
<b>Creditors: amounts falling due after one year</b>			
Amounts owed to group companies		<u>(39,474)</u>	<u>(23,085)</u>
<b>Net assets</b>		<u>150,987</u>	<u>152,402</u>
<b>Capital and reserves</b>			
Share capital	13	-	-
Share based payment reserve		46	-
Profit and loss account		<u>150,941</u>	<u>152,402</u>
<b>Total equity</b>		<u>150,987</u>	<u>152,402</u>

The financial statements of Volusion Ventilation Group Limited (registered number 04569321) were approved by the Board of Directors and authorised for issue on 21 December 2016.

On behalf of the board



Ian Dew  
Chief Financial Officer



## Statement of changes in equity

For the year ended 31 July 2016

	Share capital £000	Share premium £000	Capital contribution reserve £000	Share based payment reserve £000	Profit and loss account £000	Total £000
<b>At 1 August 2014</b>	-	-	20,818	-	65,701	86,519
Profit for the year	-	-	-	-	79,623	79,623
Shares issued during the year	-	20,818	(20,818)	-	-	-
Capital reduction	-	(20,818)	-	-	20,818	-
Waiver of debt	-	-	-	-	(9,540)	(9,540)
Dividends paid	-	-	-	-	(4,200)	(4,200)
<b>At 31 July 2015</b>	-	-	-	-	152,402	152,402
Profit for the year	-	-	-	-	13,689	13,689
Share based payment	-	-	-	46	-	46
Dividend paid	-	-	-	-	(15,150)	(15,150)
<b>At 31 July 2016</b>	-	-	-	46	150,941	150,987

## Notes to the financial statements

at 31 July 2016

### 1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements present the results and financial position of Volution Ventilation Group Limited ("the Company") for the year ended 31 July 2016. The Company is a private limited company and is incorporated and domiciled in England and Wales. The address of the Company's registered office is Fleming Way, Crawley, West Sussex RH10 9YX.

The financial statements were authorised for issue by the board of directors on 21 December 2016 and the statement of financial position was signed on the board's behalf by Ian Dew.

The financial statements have been prepared in accordance with FRS 101, under the historical cost convention, except for derivative financial instruments which have been recognised at fair value and in accordance with the Companies Act 2006.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Volution Group plc. The results of Volution Ventilation Group Limited are included in the consolidated financial statements of Volution Group plc which are available from Fleming Way, Crawley, West Sussex RH10 9YX.

### 2. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

#### *Basis of preparation*

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006. The financial statements have been prepared under the historical cost convention, except for derivative financial instruments which have been recognised at fair value and in accordance with the Companies Act 2006.

The preparation of the financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-based Payment'
- The requirements of IFRS 7 'Financial Instruments: Disclosures'
- The requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 'Property, Plant and Equipment';
  - paragraph 118(e) of IAS 38 'Intangible Assets';
- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 'Presentation of Financial Statements'
- The requirements of IAS 7 'Statement of Cash Flows.'
- The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'
- The requirements of paragraph 17 of IAS 24 'Related Party Disclosures.'
- The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 'Impairment of Assets'

## Notes to the financial statements (continued)

at 31 July 2016

### 2. Accounting policies (continued)

#### *Going concern*

The directors confirm that after making appropriate enquiries, they have a reasonable expectation that 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. The directors' responsibilities are set out on page 6 and should be read in conjunction with this statement.

#### *Turnover recognition*

##### *Management fee turnover*

Turnover represents amounts invoiced to fellow group companies for management services and is measured at the fair value of services rendered.

##### *Interest receivable and similar income*

Turnover 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.

##### *Dividend income*

Turnover is recognised when the Company's right to receive payment is established.

#### *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 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.

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

## Notes to the financial statements (continued)

at 31 July 2016

### 2. Accounting policies (continued)

#### *Tangible assets*

Tangible assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. 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 estimate accounted for on a prospective basis.

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

Fixtures, fittings and vehicles – 4-10 years

The gain or loss arising on the disposal or retirement of an item of tangible assets 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.

#### *Impairment of tangible assets*

At each reporting date, the Company reviews the carrying amounts of its tangible 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 Company 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.

#### *Other debtors*

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

#### *Cash and cash equivalents*

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

#### *Investments*

Investments are held at cost less accumulated impairment losses.

#### *Financial assets*

##### *Initial recognition and measurement*

Financial assets within the scope are classified as financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial assets.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset. The Company's financial assets include cash and short-term deposits, trade and other receivables, loan notes, quoted and unquoted financial instruments, and derivative financial instruments.

## Notes to the financial statements (continued)

at 31 July 2016

### 2. Accounting policies (continued)

#### *Financial assets (continued)*

##### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition at fair value through profit or loss. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognised in Interest receivable and similar income or interest payable and similar expense in the income statement.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in Interest receivable and similar income in the income statement. Losses arising from impairment are recognised in the income statement in other operating expenses.

##### *Available-for-sale financial assets*

Available-for-sale financial investments include equity securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the unrealised gains and losses reserve. When the investment is derecognised, the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is recognised in the income statement in other operating expenses and removed from the unrealised gains and losses reserve.

The Company evaluates its available-for-sale financial assets and whether the ability and intent to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent significantly changes to do so in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and when the Company has the intent and ability to hold these assets for the foreseeable future or until maturity.

#### *Financial liabilities*

##### *Initial recognition and measurement*

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or loans and borrowings. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

##### *Subsequent measurement*

The measurement of financial liabilities depends on their classification as follows:

##### *Financial liabilities at fair value through profit or loss*

Derivatives that are not designated as effective hedging instruments are included in this category. Gains or losses are recognised in profit or loss.



## Notes to the financial statements (continued)

at 31 July 2016

### 2. Accounting policies (continued)

#### *Financial liabilities (continued)*

##### *Interest bearing loans and borrowings*

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in Interest receivable and similar income and Interest payable and similar expenses.

##### *Derecognition of financial liabilities*

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

##### *Derivative financial instruments and hedging*

The Company uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

The company has not applied hedge accounting and all derivatives are measured at fair value through profit and loss.

##### *Creditors*

Creditors are obliged to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

##### *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 Company to various defined contribution pension schemes operated by the Group in the financial period.

##### *Dividends*

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

## Notes to the financial statements (continued)

at 31 July 2016

### 2. Accounting policies (continued)

#### *New standards and interpretations*

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 is currently completing an impact assessment to be able to quantify the effect the new standards will have on the company financial statements.

<i>Standard or interpretation</i>	<i>Title</i>	<i>Effective for accounting periods beginning on or after</i>
IAS 1	Disclosure initiative – Amendments to IAS 1	1 January 2016
IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
IFRS 14	Regulatory Deferral Accruals	1 January 2016
IAS 7	Disclosure Initiative - Amendments to IAS 7	1 January 2017
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2018
IFRS 16	Leases	1 January 2019

### 3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company'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.

#### *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 Company 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 Company. Such changes are reflected in the assumptions when they occur.

#### *Carry value of investments*

The carrying value of the investments 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. Turnover

Turnover comprises management fee income and represents the net amount invoiced to group companies excluding value added tax. All management fee income was derived in the UK.

# Notes to the financial statements (continued)

at 31 July 2016

## 5. Operating loss

Operating loss is stated after charging/(crediting):

	Notes	2016 £000	2015 £000
Acquisition costs	(a)	407	632
Foreign exchange losses/(gains)		1,469	(187)
(Gains) on disposal of tangible fixed assets		(2)	(5)
Depreciation of tangible fixed assets		22	13

The current and prior year audit fees were borne by a fellow group undertaking.

(a) Acquisition costs in 2016 relate to professional fees incurred in respect of the acquisition of Ventilair Group International BVBA and NVA Services Limited by the Company. Acquisition costs in 2015 relate to the acquisition of Ventilair Group International BVBA.

## 6. Interest receivable and similar income and costs

	2016 £000	2015 £000
<b>Interest receivable and similar income:</b>		
Interest received on amounts owed by group companies	420	1,558
Fair value of derivative financial instruments	-	467
<b>Total interest receivable and similar income</b>	<b>420</b>	<b>2,025</b>
<b>Interest payable and similar expenses:</b>		
Interest payable on amounts owed to group companies	(103)	(2,707)
<b>Total interest payable and similar expenses</b>	<b>(103)</b>	<b>(2,707)</b>

## 7. Staff costs

	2016 £000	2015 £000
Wages and salaries	545	497
Social security costs	57	49
Other pension costs	31	24
	<b>633</b>	<b>570</b>

Other pension costs relate to the Company'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 2015/16 but based on actual salary levels in 2016/17.

Average monthly number of employees in the year

	2016 No.	2015 No.
Sales and administration	5	3

No remuneration was paid or is payable to the directors in their capacity as directors of the Company (2015 – £nil). The directors receive remuneration from a fellow group undertaking, Volution Group plc in respect of services to the group of which the Company is a member. Total remuneration paid by the enlarged group to directors of the Company (including pension scheme contributions) was £1,099,000 (2015 – £1,102,000). It is not possible to identify the proportion of this remuneration that relates to services to this Company.

## Notes to the financial statements (continued)

at 31 July 2016

### 8. Income taxes

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

	2016 £000	2015 £000
<b>Current income tax:</b>		
Current income tax charge/(credit)	68	(264)
Tax charge relating to prior year	265	-
<b>Total current tax charge/(credit)</b>	<b>333</b>	<b>(264)</b>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	7	98
Tax credit relating to prior year	(84)	-
Impact of change in rates	8	(3)
<b>Total deferred tax</b>	<b>(69)</b>	<b>95</b>
<b>Net tax charge</b>	<b>264</b>	<b>(169)</b>

(b) Reconciliation of total tax

The tax charge for the year differs from the standard rate of UK corporation tax for the year of 20.00% (2015 – 20.67%). The differences are reconciled below:

	2016 £000	2015 £000
Profit before tax	13,953	79,454
Profit before tax multiplied by the standard rate of corporation tax in the UK of 20.00% (2015 – 20.67%)	2,791	16,423
Expenses not deductible for tax	384	167
Non-taxable income	(3,100)	(16,756)
Adjustment in respect of prior years	181	-
Impact of change in rates	8	(3)
<b>Net tax charge/(credit) reported in the consolidated statement of comprehensive income</b>	<b>264</b>	<b>(169)</b>

(c) Deferred tax balances

Deferred tax assets arise from the following:

	1 August 2015 £000	Credited to income £000	31 July 2016 £000
<b>Temporary differences:</b>			
Depreciation in advance of capital allowances	(1)	2	1
Temporary differences	1	67	68
	-	69	69

## Notes to the financial statements (continued)

at 31 July 2016

### 9. Tangible assets

*Fixtures,  
fittings, tools,  
equipment  
and vehicles  
£'000*

**Cost:**

At 1 August 2015	74
Additions	18
Disposals	(27)
At 31 July 2016	65

**Depreciation:**

At 1 August 2015	8
Charge for the year	22
Disposals	(9)
At 31 July 2016	21

**Net book value:**

At 31 July 2016	44
At 31 July 2015	66

### 10. Investments

*£000*

**Cost:**

1 August 2015	132,302
Additions	16,687
31 July 2016	148,989

The addition in the year relates to the purchase of Ventilair Group International BVBA and its subsidiaries and NVA Services Limited and its subsidiaries.

# Notes to the financial statements (continued)

at 31 July 2016

## 10. Investments (continued)

The investment at 31 July 2016 represents direct and indirect shareholdings in the Companies set out below:

<i>Company</i>	<i>Country of incorporation</i>	<i>Proportion of shares held</i>	<i>Nature of business</i>
<b>direct:</b>			
Manrose Manufacturing Limited	England	100%	Air movement products
Vent-Axia Group Limited	England	100%	Air movement products
Volution Holdings Sweden AB	Sweden	100%	Holding company
Ventilair Group International BVBA*	Belgium	100%	Holding company
NVA Services Limited*	England	100%	Holding company
Volution Management Holding GmbH	Germany	100%	Holding company
<b>Indirect:</b>			
Anda Products Limited	England	100%	Unremunerated agent
Axia Fans Limited	England	100%	Dormant
Roof Units Limited	England	100%	Unremunerated agent
Torin Limited	England	100%	Unremunerated agent
Vent-Axia Limited	England	100%	Unremunerated agent
Vent-Axia Clean Air Systems Limited	England	100%	Unremunerated agent
SW National Ventilation Limited*	England	100%	Air movement products
Airtech Humidity Controls Limited*	England	100%	Air movement products
Sens-air Limited*	England	100%	Air movement products
Fresh AB	Sweden	100%	Air movement products
Welair AB*	Sweden	100%	Air movement products
Volution Norge AS	Norway	100%	Air movement products
Fresh Shanghai Limited	China	100%	Air movement products
PAX AB	Sweden	100%	Air movement products
PAX Norge AS	Norway	100%	Air movement products
inVENTer GmbH	Germany	100%	Air movement products
Volution Deutschland Real Estate GmbH	Germany	94%	Property investment
Brüggemann Energiekonzepte GmbH	Germany	100%	Air movement products
Ventilair Belgium BVBA*	Belgium	100%	Air movement products
Ventilair Netherlands B.V.*	Netherlands	100%	Air movement products
Ventilair SARL*	France	100%	Air movement products

Principal shareholdings are of ordinary shares giving rise to complete voting rights in each subsidiary.

\*Companies acquired during the year.

## 11. Other debtors

	2016	2015
	£000	£000
Other debtors	20	6
Prepayments and accrued income	6	3
	<u>26</u>	<u>9</u>

## 12. Other creditors

	2016	2015
	£000	£000
Other creditors	125	19
Social security and staff welfare costs	27	20
Accrued expenses	254	687
	<u>406</u>	<u>726</u>

## Notes to the financial statements (continued)

at 31 July 2016

### 13. Share capital

	2016		2015	
<i>Allotted, called up and fully paid</i>	No.	£	No.	£
Ordinary shares of £1.00 each	2	2	2	2
		<u>2</u>		<u>2</u>

### 14. Dividends paid and proposed

	2016	2015
	£000	£000
<i>Cash dividends on ordinary shares declared and paid:</i>		
Interim dividend for 2016: £7,575,000 per share (2015: £2,100,000 per share)	<u>15,150</u>	<u>4,200</u>

### 15. Related party transactions

The Company has taken advantage of the exemption available under FRS 101 from the requirements in IAS 24 Related Party Disclosures not to disclose transactions with other wholly owned members of the Volution Group plc group ('the Group'), as 100% of the Company's voting rights are controlled within the Group and Group financial statements in which the Company is included are publicly available.

### 16. Controlling parties

The Company's immediate parent undertaking is Volution Holdings Limited.

The parent undertaking of the largest and smallest group for which consolidated financial statements were drawn up and include the results of the Company is Volution Group plc, a public company incorporated in England and Wales. Copies of the group financial statements of Volution Group plc are available from Fleming Way, Crawley, West Sussex RH10 9YX.

The directors consider the ultimate parent and controlling party of the Company to be Volution Group plc.

### 17. Events after the balance sheet date

On 16 December 2016 the Company purchased the entire issued share capital of Breathing Buildings Limited.

There have been no other material events between 31 July 2016 and the date of authorisation of the Financial Statements that would require adjustments of the Financial Statements or disclosure.