

Volusion Ventilation Group Limited

Report and Financial Statements

Year Ended

31 July 2018

Company Number 04569321



Volution Ventilation Group Limited

Report and financial statements for the year ended 31 July 2018

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Directors

R A George
I Dew

Registered office

Fleming Way, Crawley, West Sussex, RH10 9YX

Company number

04569321

Auditor

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

Volution Ventilation Group Limited

Strategic report for the year ended 31 July 2018

The directors of Volution Ventilation Group Limited ('the Company') present their strategic report for the year ended 31 July 2018.

Restructuring

On 31 July 2018, a number of companies in the Group transferred their trade and assets to Volution Ventilation UK Limited, a newly created company within the group, the receivables arising have been distributed to the Company. Volution Ventilation UK Limited is wholly owned by Volution Ventilation Group Limited and the ultimate parent is Volution Group plc.

Principal activity and review of the business

Volution 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 received a cash dividend from its investments of £8,500,000 (2017: £15,300,000) 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, demand for the products of the Company's trading subsidiaries is influenced by both public and privately funded new and refurbishment construction projects. The UK 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 its cost base and organisational structure on a regular basis. We continue to monitor developments around BREXIT and adjust our contingency planning accordingly. Uncertainty remains over the eventual outcome.

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.

Volution Ventilation Group Limited

Strategic report for the year ended 31 July 2018 (*continued*)

Principal risks and uncertainties (*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
- 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. Risk arising on 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 banking relationships, 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 other 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. As the rate and amounts are fixed by the parent and the Company hedges its exposure, risk is deemed minimal.

On behalf of the Board



Ian Dew
Director
26 April 2019

Volution Ventilation Group Limited

Directors' report for the year ended 31 July 2018

The directors of Volution Ventilation Group Limited ('the Company') present their report and financial statements for the year ended 31 July 2018.

Directors

The directors of the company throughout the year were:

R A George
I Dew

Results and dividends

The Company generated a profit for the year after tax of £9,193,000 (2017: £14,435,000) primarily as a result of the income received from its shares in group undertakings.

The Company paid an interim dividend of £9,100,000 (2017: £16,670,000). The directors do not recommend the payment of a final dividend (2017: £nil).

Donations

During the year, the company did not make any political or charitable donations.

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.

Volution Ventilation Group Limited

Directors' report for the year ended 31 July 2018 (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
Director
26 April 2019

Volution Ventilation Group Limited

Directors' responsibilities statement for the year ended 31 July 2018

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 year.

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

- select suitable accounting policies and then apply them consistently;
- make judgements 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.

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

Independent Auditor's Report to the Members of Volution Ventilation Group Limited

Opinion

We have audited the financial statements of Volution Ventilation Group Limited for the year ended 31 July 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 July 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

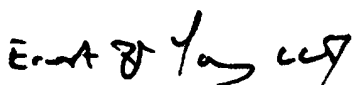
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.



Zishan Nurmohamed (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
London
Date 29/04/2019

Volution Ventilation Group Limited

Statement of comprehensive income for the year ended 31 July 2018

	Note	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Turnover	4	3,826	3,440
Administrative expenses		<u>(3,311)</u>	<u>(4,480)</u>
Operating profit/(loss)	5	515	(1,040)
Income from shares in group undertakings		8,500	15,300
Interest receivable and similar income	6	282	249
Interest payable and similar charges	7	<u>(74)</u>	<u>(43)</u>
Profit on ordinary activities before taxation		9,223	14,466
Taxation on profit on ordinary activities	9	<u>(30)</u>	<u>(31)</u>
Profit for the financial year		9,193	14,435
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u>9,193</u>	<u>14,435</u>

The results for the current and prior years arise solely from continuing operations.

The notes on pages 12 to 25 form part of these financial statements.

Volution Ventilation Group Limited

Statement of financial position at 31 July 2018

Company number 04569321

	Note	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Non-current assets					
Tangible assets	11		1		28
Investments	12		203,448		160,870
Deferred tax	15		52		58
			<u>203,501</u>		<u>160,956</u>
Current assets					
Trade and other receivables	13	43,642		39,527	
Cash at bank and in hand		<u>249</u>		<u>4</u>	
		43,891		39,531	
Trade and other payables: amounts falling due within one year	14	<u>(93,120)</u>		<u>(205)</u>	
Net current (liabilities)/assets			<u>(49,229)</u>		<u>39,326</u>
Total assets less current liabilities			154,272		200,282
Trade and other payables: amounts falling due after one year	14		<u>-</u>		<u>(51,530)</u>
Net assets			<u>154,272</u>		<u>148,752</u>
Capital and reserves					
Called up share capital	16		-		-
Share premium			2,282		-
Share based payment reserve			46		46
Profit and loss account			<u>151,944</u>		<u>148,706</u>
Equity attributable to owners of the parent company			<u>154,272</u>		<u>148,752</u>

The financial statements were approved by the Board of Directors and authorised for issue on 26 April 2019.



Ian Dew
Director

The notes on pages 12 to 25 form part of these financial statements.

Volusion Ventilation Group Limited

Statement of changes in equity at 31 July 2018

	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Profit and loss account £'000	Total equity £'000
1 August 2016	-	-	46	150,941	150,987
Profit for the year	-	-	-	14,435	14,435
Dividends	-	-	-	(16,670)	(16,670)
31 July 2017	-	-	46	148,706	148,752
Profit for the year	-	-	-	9,193	9,193
Dividends	-	-	-	(9,100)	(9,100)
Distribution from N V A Services Limited	-	-	-	3,145	3,145
Share issue	-	2,282	-	-	2,282
31 July 2018	-	2,282	46	151,944	154,272

The notes on pages 12 to 25 form part of these financial statements.

Volution Ventilation Group Limited

Notes forming part of the financial statements for the year ended 31 July 2018

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 2018. 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 26 April 2019 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 and in accordance with the Companies Act 2006.

The financial statements are presented in Sterling and all values are rounded to the nearest thousand (£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 the Company are included in the consolidated financial statements of Volution Group plc which are available from Fleming Way, Crawley, West Sussex RH10 9YX

The principal accounting policies adopted by the Company are set out in note 2.

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';
- 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'

Volution Ventilation Group Limited

Notes forming part of the financial statements for the year ended 31 July 2018 (*continued*)

2 Accounting policies (*continued*)

Basis of preparation (continued)

- 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.

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.

Revenue recognition

Management fees

Turnover from management fees received 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

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

Foreign currencies

The financial statements are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position are expressed in GBP (£), which is also the functional currency of the Company.

In preparing the financial statements 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 year, monetary items denominated in foreign currencies are retranslated at the rate prevailing at the end of the reporting year. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the statement of comprehensive income.

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.

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:

Volusion Ventilation Group Limited

Notes forming part of the financial statements for the year ended 31 July 2018 (*continued*)

2 Accounting policies (*continued*)

Income taxes (continued)

- 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.

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.

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.

Computer equipment and motor vehicles	-	4 – 10 years
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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.

Volution Ventilation Group Limited

Notes forming part of the financial statements for the year ended 31 July 2018 (*continued*)

2 Accounting policies (*continued*)

Impairment of tangible assets (continued)

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.

Trade and other debtors

Trade and other debtors are recognised when it is probable that a future economic benefit will flow to the Company. Trade and 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.

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.

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.

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.

Volution Ventilation Group Limited

Notes forming part of the financial statements for the year ended 31 July 2018 (*continued*)

2 Accounting policies (*continued*)

Financial assets (continued)

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 are classified as 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:

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.

Volusion Ventilation Group Limited

Notes forming part of the financial statements for the year ended 31 July 2018 (*continued*)

2 Accounting policies (*continued*)

Financial liabilities (continued)

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.

Pensions

Contributions to defined contribution schemes are recognised in the statement of comprehensive income in the year 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 year.

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.

Investments

Investments are held at cost less accumulated impairment losses.

New standards and interpretations

There were no new or amended accounting standards relevant to the Company's results that are effective for the first time in 2018 that have a material impact on the Company's financial statements.

The following standards and interpretations have an effective date after the date of these financial statements.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments was issued in July 2014 to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 has been endorsed by the EU and is effective for accounting periods beginning on or after 1 January 2018 and was adopted by the Company on 1 August 2018.

IFRS 9 impacts the classification and measurement of the Company's financial instruments and requires certain additional disclosures. IFRS 9 also introduces changes to impairments of financial assets, which will result in the Company moving from an incurred loss model to an expected loss model. Although the new standard impacts the way in which credit loss provisions are calculated, as the Company has historically not incurred significant credit losses. The Company does not anticipate that the impact of this change will be material.

Volution Ventilation Group Limited

Notes forming part of the financial statements for the year ended 31 July 2018 (*continued*)

2 Accounting policies (*continued*)

IFRS 15 Revenue from Contracts with Customers

IFRS 15, as amended, is effective for accounting periods beginning on or after 1 January 2018 and was adopted by the Company on 1 August 2018. IFRS 15 provides a single, principles based 5 step model to be applied to all sales contracts, based on the transfer of control of goods and services to customers. It replaces the separate models for goods, services and construction contracts currently included in IAS11 Construction Contracts and IAS 18 Revenue.

The Company has undertaken analysis of how IFRS 15 should be implemented and the resulting impact on the financial statements. As permitted by IFRS 15 we have applied the new standard using the modified retrospective method. We recognised the cumulative effect of applying the new standard at the date of initial application, 1 August 2018, with no restatement of the comparative period presented. We have also chosen to apply the new standard only to those contracts that were not considered completed contracts at 1 August 2018.

Our impact assessment has concluded that IFRS 15 does not have a significant impact on the recognition of revenue due to the nature of management fee revenue and the lack of complexity involved in these transactions.

IFRS 16 Leases

IFRS 16 Leases was issued in January 2017 to replace IAS 17 Leases. The standard is effective for accounting periods beginning on or after 1 January 2019 and will be adopted by the Company on 1 August 2019.

The Directors do not anticipate IFRS 16 will have a significant impact on the Company.

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

Volution Ventilation Group Limited

Notes forming part of the financial statements for the year ended 31 July 2018 (continued)

3 Judgements in applying accounting policies 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 year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

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.

Carrying 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. The carrying value of investments is shown in note 12.

4 Analysis of turnover

	2018 £'000	2017 £'000
Analysis by class of business:		
Management fee income	3,826	3,440
Analysis of turnover by country of destination:		
United Kingdom	2,816	2,580
Rest of Europe	1,010	860
Rest of the world	-	-
	3,826	3,440

5 Operating profit/(loss)

	2018 £'000	2017 £'000
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	10	14
Foreign exchange (gain)/loss	(526)	600
Acquisition costs	288	265
UK Ventilation re-organisation	94	-

Volution Ventilation Group Limited

Notes forming part of the financial statements for the year ended 31 July 2018 (continued)

5 Operating profit/(loss) (continued)

Fees payable to the Company's auditor for the audit of the Company's annual accounts were borne by a fellow group company.

Acquisition costs incurred in 2018 totalled £288,000. £190,000 related to the acquisition of Simx Ltd and £98,000 related to acquisitions made in previous years.

Acquisition costs in 2017 totalled £265,000. £207,000 relates to the acquisition of Breathing Buildings Limited in December 2016 and £58,000 related to acquisitions made in previous years.

6 Interest receivable and similar income

	2018 £'000	2017 £'000
Interest receivable from group undertakings	282	249

7 Interest payable and similar charges

	2018 £'000	2017 £'000
Interest payable to group undertakings	74	43

8 Employees

	2018 £'000	2017 £'000
Staff costs (including directors) consist of:		
Wages and salaries	555	839
Social security costs	94	87
Cost of defined contribution scheme	31	30
	680	956

The average number of employees (including directors) during the year was as follows:

	2018 Number	2017 Number
Administration	4	4

No remuneration was paid, or is payable, to the directors in their capacity as directors to the Company in the current or previous year.

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 £1,510,000 (2017: £1,962,000). It is not possible to identify the proportion of this remuneration that relates to services to the Company.

Volution Ventilation Group Limited

Notes forming part of the financial statements
for the year ended 31 July 2018 (*continued*)

9 Taxation on profit on ordinary activities

	2018 £'000	2017 £'000
<i>UK corporation tax</i>		
Current tax on profits of the year	48	20
Tax credit relating to the prior year	(23)	-
Total current tax	25	20
<i>Deferred tax</i>		
Origination and reversal of timing differences	6	8
Tax credit relating to the prior year	-	-
Changes to tax rates	(1)	3
	5	11
Taxation on profit on ordinary activities	30	31

The tax assessed for the year is lower than (2017: lower than) the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2018 £'000	2017 £'000
Profit on ordinary activities before tax	9,223	14,466
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.00% (2017: 19.67%)	1,752	2,845
Effects of:		
Adjustments in respect of previous years	(22)	-
Income not chargeable to corporation tax	(1,756)	(3,005)
Expenses not deductible for tax purposes	58	188
Effect of difference in tax rates	(2)	3
Total tax charge for year	30	31

The Finance Act 2016, enacted on 15 September 2016, included a further rate change. The 18% rate enacted in the Finance (No. 2) Act 2015 will reduce by 1%, so that from 1 April 2020, the mainstream corporation tax rate will become 17%. These changes were reflected in the figures in these financial statements.

10 Dividends

	2018 £'000	2017 £'000
Ordinary shares		
Interim paid of £3,033,333 (2017: £8,335,000) per share	9,100	16,670

Volution Ventilation Group Limited

**Notes forming part of the financial statements
for the year ended 31 July 2018 (continued)**

11 Tangible assets

	Motor vehicles £'000	Computer equipment £'000	Total £'000
<i>Cost</i>			
At 1 August 2017	48	5	53
Disposals	(48)	(3)	(51)
At 31 July 2018	-	2	2
<i>Depreciation</i>			
At 1 August 2017	25	-	25
Provision for year	9	1	10
Disposals	(34)	-	(34)
At 31 July 2018	-	1	1
<i>Net book value</i>			
At 31 July 2018	-	1	1
At 31 July 2017	23	5	28

12 Investments

	£'000
<i>Cost:</i>	
At 1 August 2017	160,870
Addition of Chinook Limited and its subsidiary	37,840
Contribution of Group balances	2,456
Addition of Volution Ventilation UK Limited	2,282
At 31 July 2018	203,448

A new wholly owned subsidiary, Volution Ventilation Group UK Limited (VVUK) was incorporated during the year. The Company invested £2,282,000 into VVUK and also contributed its investment in its trading subsidiaries and their respective group balances to VVUK.

Volution Ventilation Group Limited

Notes forming part of the financial statements for the year ended 31 July 2018 (continued)

12 Investments (continued)

The investment at 31 July 2018 represents a 100%, direct and indirect, shareholding in the companies set out below:

Group company	Principal activity	Country of incorporation
Manrose Manufacturing Limited ¹	Ventilation products	England
Anda Products Limited ¹	Non-trading	England
Axia Fans Limited ¹	Non-trading	England
Roof Units Limited ¹	Non-trading	England
Vent-Axia Limited ¹	Non-trading	England
Vent-Axia Clean Air Systems Limited ¹	Non-trading	England
Vent-Axia Group Limited ¹	Ventilation products	England
NVA Services Limited ¹	Intermediate holding company	England
SW National Ventilation Limited ¹	Ventilation products	England
Airtech Humidity Controls Limited ¹	Ventilation products	England
Sens-Air Limited ¹	Ventilation products	England
Breathing Buildings Limited ¹	Ventilation products	England
Volution Ventilation UK Limited ¹	Ventilation products	England
Volution Holdings Sweden AB ²	Intermediate holding company	Sweden
Fresh AB ²	Ventilation products	Sweden
Welair AB ³	Ventilation products	Sweden
VoltAir System AB ⁴	Ventilation products	Sweden
PAX AB ⁵	Ventilation products	Sweden
Volution Norge AS (formerly Fresh Norge AS) ⁶	Ventilation products	Norway
Fresh Shanghai Limited ⁷	Ventilation products	China
inVENTer GmbH ⁸	Ventilation products	Germany
Volution Management Holdings GmbH ⁸	Intermediate holding company	Germany
Volution Deutschland Real Estate GmbH ⁸	Property holding company	Germany
Brüggemann Energiekonzepte GmbH ⁹	Ventilation products	Germany
Ventilair Group International BVBA ¹⁰	Intermediate holding company	Belgium
Ventilair Group Belgium BVBA ¹⁰	Ventilation products	Belgium
Ventilair Group Netherlands B.V. ¹¹	Ventilation products	Netherlands
Ventilair France SARL ¹²	Ventilation products	France
Chinook Limited ¹³	Intermediate holding company	New Zealand
Simx Limited ¹³	Ventilation products	New Zealand

¹ Registered office: Fleming Way, Crawley, West Sussex RH10 9YX

² Registered office: Gransholmsvägen 136, 35599 Gemla, Sweden

³ Registered office: Strandvägen 65, 87052 Nyland, Sweden

⁴ Registered office: Box 7033, 12107 Stockholm-Globen, Sweden

⁵ Registered office: Kattkärrsvägen 4, 64831 Hälleforsnäs, Sweden

⁶ Registered office: Professor Birkelands vei 24B, 1081 Oslo, Norway

⁷ Registered office: No. 272-3 Julu Road, Shanghai, China

⁸ Registered office: Ortsstraße, 4a 07751 Löberschütz, Germany

⁹ Registered office: Uhlenhorst 149A, 21435 Stelle, Germany

¹⁰ Registered office: Pieter Verhaeghestraat 8, 8520 Kuurne, Belgium

¹¹ Registered office: Kerver 16, 5521 DB Eersel, Netherlands

¹² Registered office: Boulevard de la Liberté 130, FR-59000 Lille, France

¹³ Registered office: 1 Haliday Place, East Tamaki, Auckland, 2013, New Zealand (Acquired during the year)

Volusion Ventilation Group Limited

**Notes forming part of the financial statements
for the year ended 31 July 2018 (continued)**

13 Trade and other receivables

	2018 £'000	2017 £'000
Amounts owed by group undertakings	43,631	39,509
Prepayments and accrued income	11	18
	<u>43,642</u>	<u>39,527</u>

All amounts due from group undertakings are due for repayment after 12 months from the balance sheet date.

14 Trade and other payables: amounts falling due within one year

	2018 £'000	2017 £'000
Amounts owed to group undertakings	92,962	20
Other creditors	4	-
Taxation and social security	22	25
Other current financial liabilities	61	-
Accruals	71	160
	<u>93,120</u>	<u>205</u>

Trade and other payables: amounts falling due after one year

	2018 £'000	2017 £'000
Amounts owed to group undertakings	-	51,530
	<u>-</u>	<u>51,530</u>

15 Deferred taxation

	1 August 2017 £'000	(Charged) / credited to income 2018 £'000	31 July 2018 £'000
Depreciation in advance of capital allowances	2	1	3
Temporary differences	56	(7)	49
	<u>58</u>	<u>(6)</u>	<u>52</u>

The Company has no unused tax losses or credits.

Volution Ventilation Group Limited

Notes forming part of the financial statements
for the year ended 31 July 2018 (*continued*)

16 Share capital

	2018 £'000	2017 £'000
<i>Allotted, called up and fully paid</i>		
3 (2017: 2) ordinary shares of £1.00 each	-	-

17 Related party disclosures

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.

18 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 are drawn up that 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.